



Facebook's Internet.org Initiative Serving the Bottom of the Pyramid?

Teaching Note

This teaching note was written by **Punithavathi Srikant**, Amity Research Centers Headquarter, Bangalore. It was prepared to accompany the Case **Facebook's Internet.org Initiative – Serving the Bottom of the Pyramid?** The case was compiled from published sources.

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Teaching Note

Prerequisite Conceptual Understanding

- ☞ Identifying Untapped Opportunities for Value Creation, “The Fortune at the Bottom of the Pyramid”, <http://www.csrwire.com/pdf/Prahalad-excerpt-001-022.pdf>, June 17th 2004
- ☞ Utilising emerging economies for growth, Sane Vivek and Kshatriya Anil, “Growing with The Masses—A New Approach to Bottom of The Pyramid”, <http://www.sibm.edu/FacultyResearch/pdf/growingmasses.pdf>, September 2011

Synopsis of the Case Study

The case, set in 2014, can be used in Post Graduate Business Management courses to teach Strategy and General Management. Facebook along with other technological companies had started Internet.org, an initiative to provide network access to millions of people in the developing world. Since its launch in August 2013, the initiative had brought basic internet facilities to the countries of Zambia, Paraguay, Indonesia, Kenya, Rwanda and Philippines with active support extended by the local governments. Mark Zuckerberg (Zuckerberg), Facebook's founder had realised that future growth for the company would come from emerging markets alone and had presented his initiative as a humanitarian effort for the economic betterment of people in those regions. Hailed as well as criticised by many, the Internet.org initiative did mix business with philanthropy and might create a monopoly thereby ignoring the principle of net neutrality. Called ‘venture humanitarianism’ and ‘Facebook's gateway drug’, this initiative was criticised as a strategy to rope in more users into Facebook ecosystem. Against this backdrop, the case study would look into the motives behind the launch of the novel initiative and examine how it served Facebook's business interests. While doing so, it will also analyse whether Internet.org was a canny business move dressed up to sound like charity to mine the fortunes at the bottom of the pyramid.

Teaching Objectives

The case study helps to understand and analyse:

- ☞ The significance of a ‘Connected World’
- ☞ Facebook's Internet.org Initiative
- ☞ Motives behind serving the BOP segment.

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Teaching Plan:

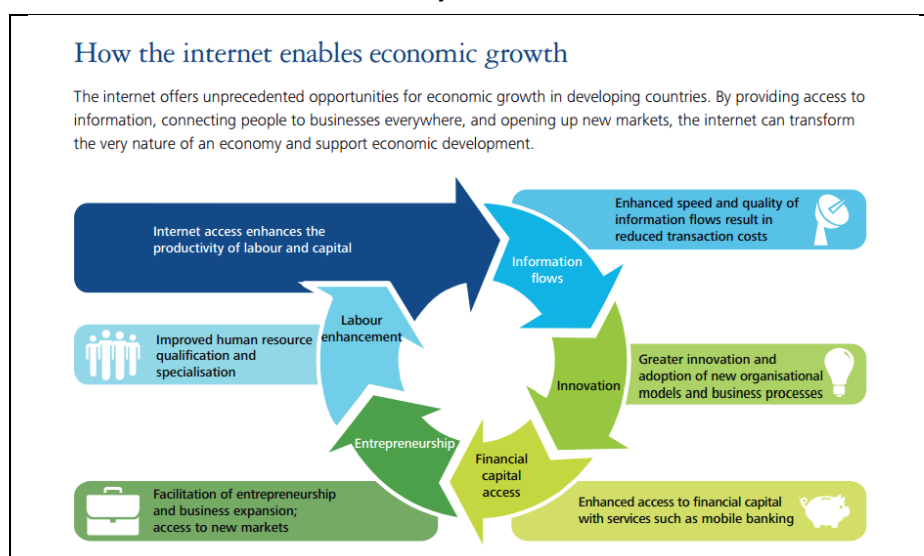
- ☞ The Teaching Note follows a sequential order as presented in the Suggested Teaching Plan [Annexure (TN) – I].

Case Analysis**Internet.org: Facebook's Game Plan****1 Give a brief outline of Facebook's Internet.org initiative.**

I initiated the discussion in the class by asking the students to share their views about the internet.org initiative of Facebook. Many felt that it was a noble cause perpetuated by Facebook. But some students were of the view that the initiative was started to further Facebook's business interests. On that note, I started analysing Facebook's internet.org initiative in detail. **[Paras 1 – 11 of the Section: "Internet.org: A Facebook Initiative", of the case study].**

- Internet.org was started to make internet accessible to everyone in the world.
- From **Exhibit I of the case study**, students identified the technological partners involved in the initiative.
- The Internet.org initiative was primarily a partnership between technological organisations, nonprofits, local communities and experts, and was intended to bring internet access to two thirds of global population who were not connected.
- Partners of Internet.org would work to find innovative business models by developing affordable technology and adopting best practices. The partners would invest in tools and software to efficiently transmit their data.
- Internet connectivity would prove to be a change agent for economic growth in developing countries and it would usher in prosperity by creating 140 million jobs, uplift the poor and improve infant mortality rates as net connectivity gave information about health, employment and local news. **[Exhibit (TN) – I].**
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Exhibit (TN) – I
Internet Connectivity Drives Economic Growth



Source: "Value of connectivity Economic and social benefits of expanding internet access", https://fbcdn-dragon-a.akamaihd.net/hphotos-ak-ash3/t39.2365/851546_1398036020459876_1878998841_n.pdf, February 2014

- From **Exhibit II of the case study**, students found how internet.org had benefitted Zambian population.
- While in Philippines, it had increased the subscriber base by 25%.
- In Paraguay, 3 million people got connected, while the user base and their access to daily data had increased by 50%.
- Positive results were found in the countries of Indonesia, Tanzania and Kenya.
- In Rwanda, through Social EDU initiative students got access to online learning.
- In a developing country like India, internet.org was planning to tap lucrative rural regions where barriers like educational and cultural factors had proved to be challenging for net connectivity. So internet.org had collaborated with Unilever to reach the vast rural population of India.
- Facebook in collaboration with other partners was developing technology to overcome the challenges of connecting people in the developing world.
- Facebook's connectivity lab would use drones, radios, free space optics with technological expertise from NASA to meet the challenges of connecting the world.
- The connectivity lab's simulated conditions would help them to test their products and technology to that of the conditions existed in developing markets, so as to optimise their services offered.
- From **Annexure I of the case study**, students found the issues and challenges involved in connecting internet globally.
- Students realised how internet connectivity would improve the economic wellbeing of people in developing countries.

Then, the class furthered their discussion on how internet.org had brought in positive changes in the developing world.

Facebook's Two Faces!

2 Discuss the impact of Internet.org in emerging economies of the world.

The class discussed in detail how internet.org had impacted positively in emerging economies of the world. **[Paras 1, 2 and 7 of the Section: "A Solace for Emerging Economies or a Canny Business Move?", of the case study].**

- Facebook founder Mark Zuckerberg had predicted that the internet.org initiative would empower the people of the emerging economies to decide what type of government they wanted, gave them access to healthcare and connected families that were miles apart.
- From **Exhibit III**, students understood the various barriers that inhibited internet connectivity to all.
- From **Exhibit IV** of the case study, students found the impact of internet.org in developing countries.
 - Internet connectivity in developing countries would increase the productivity by 25%, create nearly 140 million jobs and would increase the GDP by \$2.2 trillion.
- In India, improved connectivity would be made possible by offering regional language content.

- Internet.org had planned to reduce the cost of delivering data, expand wireless capacity and build more efficient apps.
- From **Exhibit V of the case study**, students realised how internet connectivity had improved the lives of Sardine Fishermen of Kerala, India by implementing common pricing practices. The initiative would accelerate the pace with which people were connected in developing countries.

Then the class discussed in detail, the much criticised and alleged business motive of Facebook backed internet.org initiative.

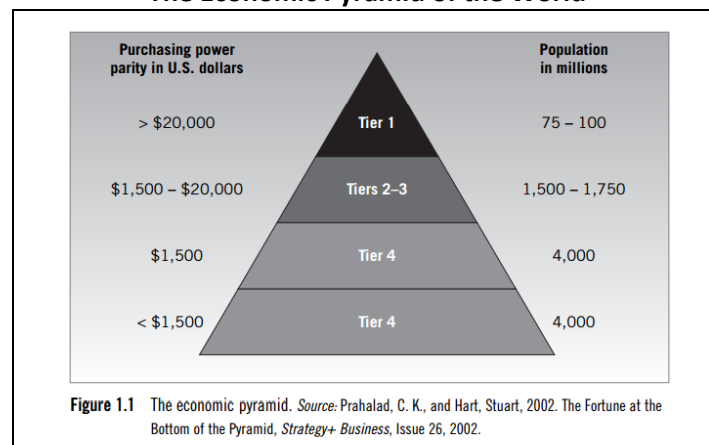
3 Was Internet.org initiative really about serving the bottom of the pyramid or was it more about Facebook trying to expand its reach? Analyse.

The class discussed how the initiative internet.org was meant to serve Facebook's business interests or it was a philanthropic move as claimed by Facebook. **[Paras 8 - 28 of the Section: "A Solace for Emerging Economies or a Canny Business Move?", of the case study].**

- Criticisms were raised against internet.org initiative.
 - The initiative was criticised as 'venture humanitarianism' in action and 'Facebook's gateway drug'.
 - Bill Gates opined that providing vaccines to the developing countries was more important than connecting the world through internet.
 - Global technological companies often portrayed their activities as efforts to solve world problems.
 - Internet.org offered only few basic apps for free and emerged as a middle man.
 - In countries of operation, internet.org used 'pay-as-you-app' model and charged various rates for different apps.
 - The initiative would bring other apps and websites into Facebook's ecosystem and would act as 'on-ramp to the Internet'.
 - This would influence users on their education, health and banking activities.
 - Facebook had ambitious plans to offer credits and identity infrastructure to its users.
 - Facebook also wanted to increase its revenue through growth coming from developing countries and that in effect curtailed the services offered by other providers.
 - Was also criticised as pseudo-humanitarian activity to promote its own profit motives.
 - Internet.org initiative's aim was to bolster the user base of Facebook and obtain data to serve its ads effectively.
 - People at the bottom of the pyramid had no choice and were lured to choose its services.
 - Critics also pointed out that Facebook wanted to be the first company to make customers in developing countries as its marketing targets, when they purchased their first Smartphones.
 - Criticised heavily as techno-colonialism and a Zombie war, the initiative was meant for expanding and consolidating Facebook's dominance of the world.
 - By this initiative, users became products from that of a customer.
- The initiative would prove to be beneficial to Facebook as India was a price sensitive market and would favour Facebook against other competitors.
- Net neutrality and internet freedom were affected.

- Zuckerberg had acknowledged that the initiative was an investment meant to reap benefits in the future for the company.
 - India was a crucial market for Facebook and it was geared to meet the challenges to promote its interests.
 - Renowned Management Guru, C.K Prahalad (Prahalad) had stated that mining at the bottom of the pyramid (BOP) would offer new growth opportunities for organisations.
 - He also said treating people at the BOP as creative entrepreneurs and value-conscious consumers would be beneficial for organisations as it promoted innovation and sustained growth.
 - It helped them to come out of poverty and organisations should be restrained not to impose their solutions on them.
 - An example to that effect was Alibaba which was successful in rural China.
 - Describing his agenda for Facebook's growth, Zuckerberg said that having connected one billion people, the next step would be to make 5 billion more connected. He elaborated how apart from making revenues, the company was building products so as to produce more entrepreneurs and promoted growth of ecommerce companies.
 - Facebook's COO, Sheryl Sandberg said that the initiative was to connect unconnected people of the developing world in Facebook's second decade of operation and growth.
 - But beneficiaries of internet.org felt that connecting through Facebook ecosystem was alright as they were not bothered about few advertisements that were creeping in while connecting their services.
- But some analysts also felt that the initiative would become a win-win situation for both the people of developing world and Facebook and its allies. With its technological expertise, Facebook would solve the barriers and hurdles posed in developing countries for connectivity and also offered sustainable solutions to them. But caution should be exercised, as people interests and net neutrality should not be trampled upon by the business interests of these initiatives.
- From the PCU, "The Fortune at the Bottom of the Pyramid", the students understood how corporate could use the BOP and 'do well by doing good' to the consumers. **[Exhibit (TN) – II].**

Exhibit (TN) – II
The Economic Pyramid of the World



Source: "The Fortune at the Bottom of the Pyramid",
<http://www.csrwire.com/pdf/Prahalad-excerpt-001-022.pdf>, June 17th 2004

- By engaging the people at the BOP through innovative means, and providing products and services, organisations could achieve a win-win situation and thereby make profits.
- BOP provided a latent market and they should be included in the core business of an organisation.
- Prahalad had brought out the changed logic of policy makers of India. **[Exhibit (TN) – III]**.

Exhibit (TN) – III
Changing Perspective about the Poor in India

From	To
The poor are a problem.	The poor represent a market.
	The private sector can and should participate effectively in this process. (A very selected subset of policy-makers goes one step further and recognizes that if large firms can service this Indian market, they could also access a global opportunity to serve 4–5 billion other people who are in a similar situation.)
Poor as wards of the state.	Poor as active consumers/entrepreneurs.
The poor do not appreciate new technology. Old technology solutions are acceptable.	Creative bundling of the most advanced technology with a local flavor.
Follow the Western model of development.	Selectively “leap-frog” and innovate.
Focus on resource constraints.	Focus on creativity and entrepreneurship.
Capital limitations.	Limitations of information and access. Imagination constraints.
Efficiency in a known model.	Innovation to develop a new model.
Adapted from C. K. Prahalad, <i>Strategies for the Bottom of the Pyramid: India as a Source of Innovations, Reflections</i> , Volume 3, Number 4, 2002.	

Source: “The Fortune at the Bottom of the Pyramid”,
<http://www.csrwire.com/pdf/Prahalad-excerpt-001-022.pdf>, June 17th 2004

- Creating a capacity to consume by focusing on affordability, accessibility and availability would ultimately prove beneficial to any organisation.
- Also from the PCU article, “Growing with The Masses A New Approach to Bottom of The Pyramid”, students found out the features to be focused for profitable growth while catering to the BOP segment. **Exhibit (TN) – IV**

Exhibit (TN) – IV
Strategies to Mine the Fortune at the BOP

- Lower price (affordability)
- Convenience and availability
- Brand power-biggest driver
- Adaptability as per the needs of the targeted customer.
- Use of technology to improve the systems.
- Driving away inefficiencies and making an all out effort to reduce the cost, and passing on the benefit to the customer.
- Volume driven market (Revenue per unit is less but the number of products being sold are more- Total sales increases).
- Greater turnover.
- It requires different types of marketing strategies to reach out to the target audience at the bottom.
- The most important feature of this business model is to understand the aspirations of the masses and then positioning the product accordingly. For e.g., the desire of the common man to fly by plane or a low income class woman trying to use a shampoo sachet at least once a week.
- It also requires different distribution channels and cannot depend upon the conventional channel of wholesalers and retailers. In many of the examples mentioned above NGO's (Non Government Organizations) or self-help groups have helped in distribution of products or creating awareness.

Source: Sane Vivek and Kshatriya, "Growing with The Masses A New Approach to Bottom of The Pyramid", <http://www.sibm.edu/FacultyResearch/pdf/growingmasses.pdf>, September 2011

Then, the class concluded stating that BOP provided vast opportunities for business growth and sustainability of an organisation.

Final Thoughts

Facebook backed internet.org was termed as an altruistic move by the founder Mark Zuckerberg, while its critics claimed that it was a ploy intended to bring more users into Facebook ecosystem. As markets in developed countries had matured riddled with stiff competition, organisations were looking for lucrative emerging markets from where explosive growth was predicted to happen. To tap these emerging markets, internet.org initiative was addressing the issue of cost than lack of infrastructure in those markets. Internet.org would give users a free preview of the internet services for a limited period and then would encourage spending more money on data packages offered by them. At the same time, connectivity would bring in economic growth and prosperity in developing regions of the world. By promoting its own platform, Facebook would emerge as the web for millions of people, while it may also ultimately defeat the principle of net neutrality, diversity and openness.

Additional Readings

1. Identifying Untapped Opportunities for Value Creation, "The Fortune at the Bottom of the Pyramid", <http://www.csrwire.com/pdf/Prahalad-excerpt-001-022.pdf>, June 17th 2004
2. Utilising emerging economies for growth, Sane Vivek and Kshatriya Anil, "Growing with The Masses–A New Approach to Bottom of The Pyramid", <http://www.sibm.edu/FacultyResearch/pdf/growingmasses.pdf>, September 2011 **Annexure (TN) – I**

**Annexure (TN) – I
Suggested Teaching Plan**

Prerequisite Conceptual Understanding

- ☞ Identifying Untapped Opportunities for Value Creation, “The Fortune at the Bottom of the Pyramid”, <http://www.csrwire.com/pdf/Prahalad-excerpt-001-022.pdf>, June 17th 2004
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The Big Picture
Innovative Growth Strategy

Detailed Teaching Plan Flow

Section – I Internet.org: Facebook’s Game Plan	Ideal Duration 30 Minutes
Description	
<ul style="list-style-type: none"> • Internet.org – An overview 	
Expected Learning Objective	
<ul style="list-style-type: none"> • internet.org Plans and Progress 	
Forward Linkage	
<ul style="list-style-type: none"> • Internet.org Project: Benevolent vs. Business Motive 	



Section – II Facebook’s Two Faces!	Ideal Duration 30 Minutes
Description	
<ul style="list-style-type: none"> • Impact of internet.org • Facebook’s internet.org - Enlightened self-interest or humanitarianism? 	
Expected Learning Objective	
<ul style="list-style-type: none"> • Innovative Growth Strategy of Facebook 	

Prepared by the Author