



Eradicating Poverty Through Profits

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Overview

- Over 4 bn people < \$2/ day
 - Not about philanthropy or CSR, about co-creating a market around the needs of the poor
 - About PPCP (Public-Private-Community Partnerships) *the problem of poverty must force us to innovate, not claim "rights to impose our solutions"*
 - Inclusive capitalism, starting with respect for BOP (Bottom of Pyramid) consumers as individuals, assuming that consumers are equally important joint problem-solvers
 - Requiring new and creative approaches, challenge being to convert poverty into an opportunity for all concerned
 - To offer products and services at an affordable price, but more importantly recognition, respect and fair treatment, building self esteem and entrepreneurial drive at the BOP
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The nature of the BOP market

- Myth 1: The poor have no purchasing power and therefore do not represent a viable market.
 - Reality: Actually they pay the 'poverty penalty' of up to 5 - 25 times; a result of local monopolies, inadequate access, poor distribution, and strong traditional intermediaries.
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The nature of the BOP market

- Myth 2: Distribution access to BOP markets is very difficult.
 - Reality: Density of urban settlements allow for intense distribution opportunities.
 - Rural distribution requires alternate distribution solutions e.g. Project Shakti (HLL) or Avon (Brazil)
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The nature of the BOP market

- Myth 3: The poor are not brand-conscious.
 - Reality: Actually, they are, but also extremely value conscious by necessity. The challenge lies in making aspirational products affordable.
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The nature of the BOP market

- Myth 4: BOP consumers are not connected and networked.
 - Reality: On the contrary, they are rapidly exploiting the benefits of information networks.
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The nature of the BOP market

- Myth 5: BOP consumers do not accept advanced technology readily.
 - Reality: On the contrary, they do.
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The BOP market development imperative

- Creating the capacity to consume
 - Needs to be accessed differently
 - Small unit packs, single-serve
 - Innovative purchase schemes (credit)
 - 3 simple principles:
 - Affordability
 - Access
 - Availability
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The BOP market development imperative

- Opportunities for developing new products and services
 - Acquisition of dignity of attention and choices hitherto reserved for middle and upper class consumers
 - Must focus on building trust
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Customizing products and services

- A different philosophy:
 - Small unit packages
 - Low margin per unit
 - High volume
 - High return on capital employed
 - Variable quality of infrastructure (electricity, fuel, roads)
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12 innovation principles for BOP markets

1. Price performance
 2. Innovation: hybrids
 3. Scale of operations
 4. Sustainable development: eco-friendly
 5. Identifying functionality: is it different?
 6. Process innovations
 7. Deskilling of work
 8. Education of customers
 9. Designing for hostile infrastructure
 10. Interfaces
 11. Distribution: accessing the customer
 12. Challenging conventional wisdom
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12 innovation principles for BOP markets

- Getting the right combination of scale, technology, price, sustainability, and usability
 - Start with "zero-based" view of innovations for BOP markets
 - New philosophy of innovation and product and service delivery, challenging existing assumptions
 - Re-think and re-examine assumptions about form and functionality, about channels and distribution costs
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12 innovation principles for BOP markets

1. Price performance

Not just about lower prices, creating a new price-performance envelope with quantum jumps in price performance

- Price is an important part of the basis for growth
 - The changes in price-performance must be dramatic!
Of up to 30 to 100 times!
 - "Forgetting curve" to discard traditional approaches
 - Examples: telephony, cataract, banking
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12 innovation principles for BOP markets

2. Innovation: hybrids

Scalable, price-performance-enhancing solutions need advanced and emerging technologies creatively blended with existing and rapidly evolving infrastructures

- Not watered-down versions of traditional technology solutions
 - Examples: molecular iodine encapsulation, Amul
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12 innovation principles for BOP markets

3. Scale of operations

Solutions must be scalable and transportable across countries, cultures, and languages; and designed for ease of adaptation in similar BOP markets

- A prerequisite for making an economic case (given a stringent price-performance equation and low margins per unit)
 - Mostly China, India, Brazil, Mexico, Indonesia
 - MNCs ideally suited for this
 - MNCs to co-create new products and services with NGOs which will be mutually beneficial
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12 innovation principles for BOP markets

4. Sustainable development: eco-friendly

Innovations must focus on conserving resources: eliminate, reduce, and recycle; reducing resource intensity

- For example, technologies that minimize use of energy or water (or recycle its use)
 - Controlling waste, hence alternative packaging systems
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12 innovation principles for BOP markets

5. Identifying functionality: is it different?

Product development must start from a deep understanding of functionality, not just form; marginal changes to products for non-BOP markets will not do

- Invest in gaining granular understanding of the dynamic needs of BOP consumers
 - Example: Jaipur foot (more advanced in functionality, for 1/200th of the cost, can be custom-fitted by semiskilled paramedics in one visit, and last for 4-5 years)
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12 innovation principles for BOP markets

6. Process innovations

Just as critical as product innovations. The logistics system for accessing potential consumers, selling to them, and servicing products cannot be assumed

- Should not be disruptive to consumers' lives, improve their quality of life profitably, not compromising world-class quality
 - Careful consideration of process innovations to achieve the requirements (set out earlier)
 - Example: Aravinda Eye Care System, Amul
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12 innovation principles for BOP markets

7. Deskilling of work

Design of products and services must take into account low skill levels, poor infrastructure and difficulty of service access.

- Example: Smallpox Peru, Cemex Mexico home expansions
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8. Education of customers

Need for new and creative approaches to educate customers on product usage

- More than a single format and approach
 - Collaboration between private sector, NGOs, government authorities, however there might be problems since these have different approaches and mandates
 - Different methods in media-dark regions
 - Example: Diarrhea and hand washing, HLL
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12 innovation principles for BOP markets

9. Designing for hostile infrastructure

Like noise, dust, unsanitary conditions, abuse, but also low quality of infrastructure, such as voltage fluctuations, blackouts, brownouts; particulate, bacterial and viral pollution of water etc.

- Example: ITC e-choupal
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12 innovation principles for BOP markets

10. Interfaces

Need to take account of heterogeneity of consumer base in language, culture, skill level, and prior familiarity with function or feature

12 innovation principles for BOP markets

11. Distribution: accessing the customer

Designing methods for accessing BOP at low cost is critical

- Innovations in distribution as critical as product and process innovations
 - Example: ICICI Bank (PCs, ATMs, SHGs, NGOs, MFIs, large rural marketers like ITC and EID Parry, internet kiosk operators); HLL Shakti-amma's, Avon Brazil
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12 innovation principles for BOP markets

12. Challenging conventional wisdom

BOP markets allow (and force) us to challenge existing paradigms and conventional wisdom

- Gaining scale, speed, extremely high quality, and unbelievably low costs
 - BOP markets accept the most advanced technology easily
 - Solutions can travel to advanced countries
 - Hybrid systems that can be local, economic and sustainable
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12 innovation principles for BOP markets

- Enabling people to buy by accessing markets creatively and designing affordable products for them breaks the long-held assumption that BOP markets are not viable
 - BOP markets break our traditional ways of thinking and acting - their biggest allure and challenge alike
 - Unless we are willing to discard our biases, this opportunity will remain invisible and "unattractive"
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