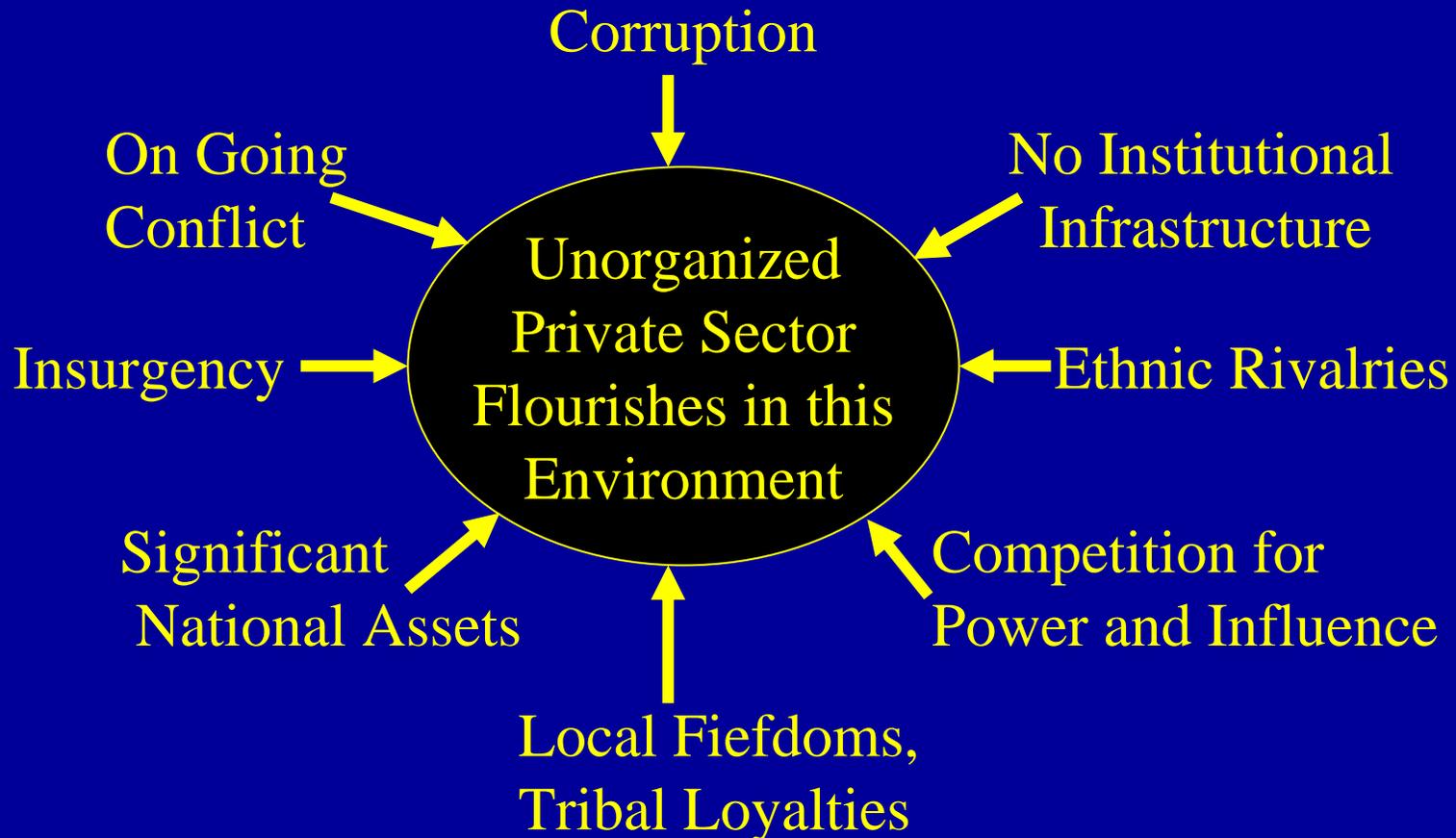


# The Context: A Shifting Landscape



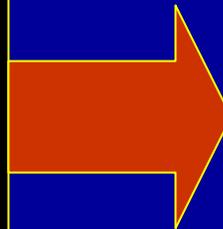
# The Context: A Shifting Landscape



# The Challenge is the Transformation of BOP

## The Poor Live in:

Unorganized, Inefficient  
Systems,  
Local Monopolies,  
Information Asymmetry,  
Poverty Penalty,  
Poor Quality, Low Tech.



## We Must Create:

Organized Sector,  
National / Global  
Competition in BOP,  
World Class Quality,  
Affordable Prices,  
Access to info.  
Advanced Tech.  
New Models

# The Task...

Access to World Class  
Products and Services  
at affordable Prices

Access to Regional,  
National and Global  
Markets to Local Effort  
and Capabilities



Low Skill Levels,  
Poor Infrastructure,  
Conflict Environment,  
Poor Investment Climate  
Distributed Work,  
World Class, World Scale

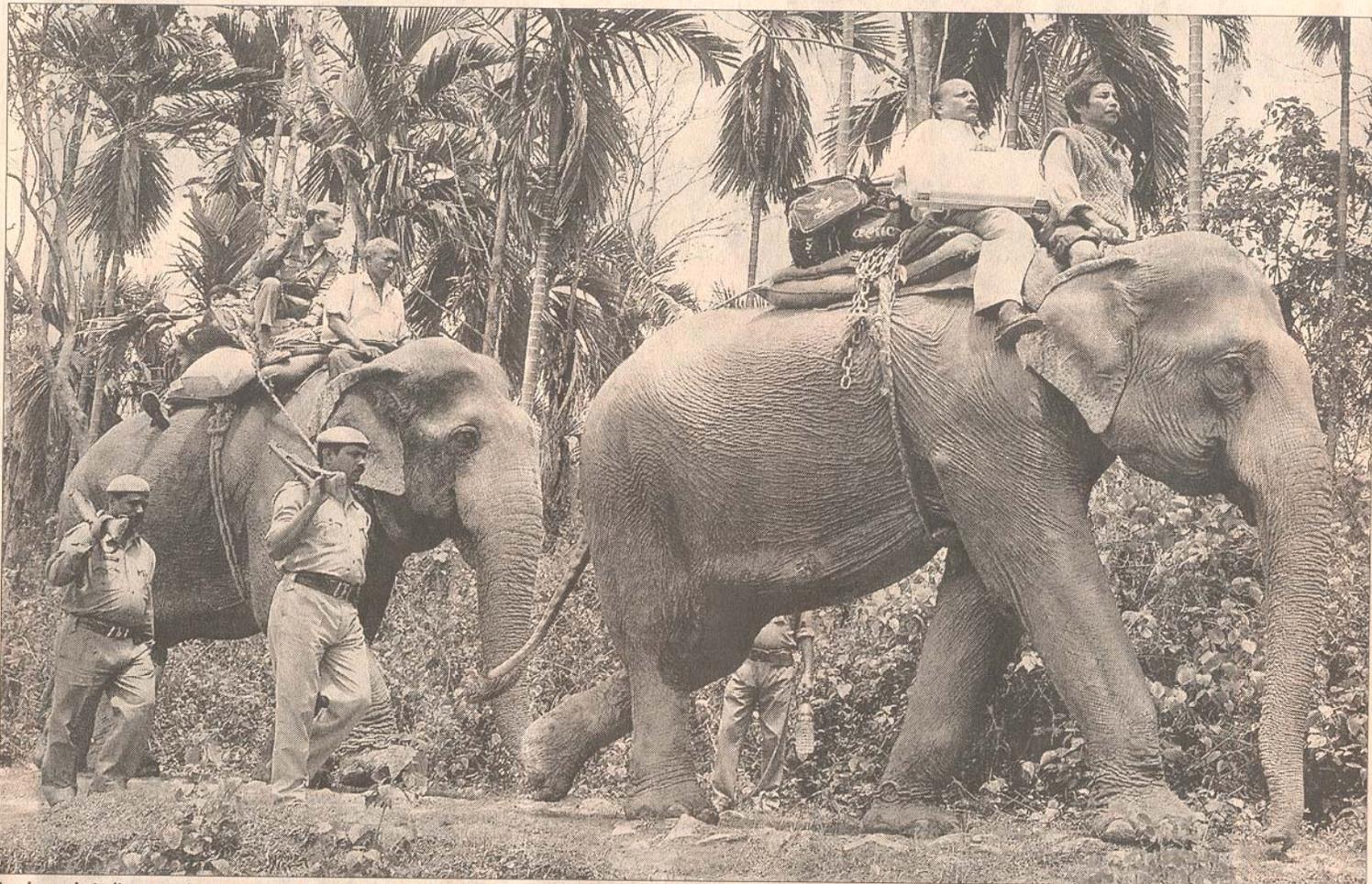


Western Models will Not work.  
We Need Innovation in  
Business Models

# The Challenge is the Creation of:

Micro Consumers,  
Micro Producers,  
Micro Investors,  
Micro Innovators,  
Micro Entrepreneurs

# What You See is not What it is.....



Jumbo task: Indian security men escort election officials taking electronic voting machines by elephant to polling stations in Nortap, Assam state, yesterday. This will be the first Indian election to be carried out only by electronic voting in the hope of ending irregularities and saving 7,700 tonnes of paper

AFP/Getty Images

# The Core “Mother Industries” for Poverty Alleviation

**Connectivity**  
(Private  
Sector)

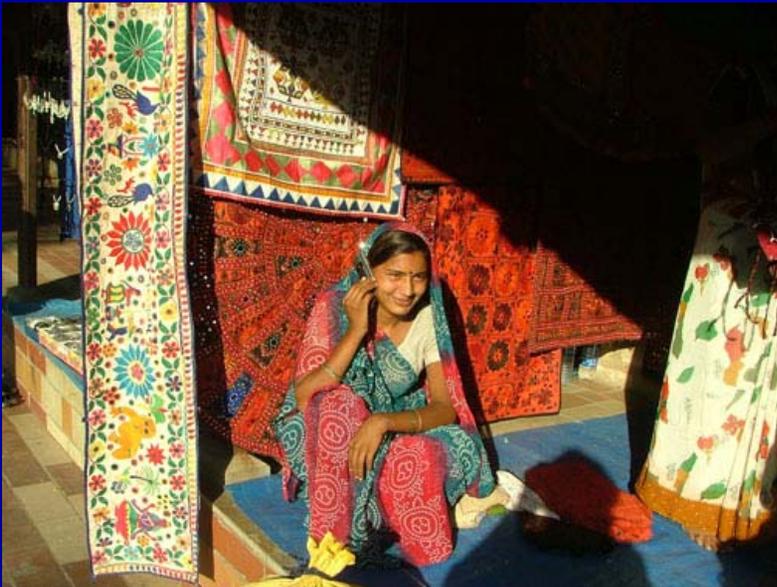
Education,  
Health Care

Productivity =  
Poverty  
Alleviation

Energy

**Micro** (NGOs,  
**Finance** Private  
Sector)

**Is there Evidence that BOP can be  
Source of Wealth Creation?**



Source: Mr. Subrato Bhowmik

# The Cell Phone Industry:

1. Great growth Story in BOP markets around the world

Sub Saharan Africa, S. Africa

China, India

Thailand, Philippines, Indonesia

Latin America

2.5 billion connected around the world

2. The industry has *Cracked the BOP Code*

3. India is one of the fastest growing Markets: 6 million/month

4. Cost of service: Lowest in the world

5. Market Cap of 4 firms in India: \$ 75 billion

6. Cell phone is becoming the device of Choice not the PC

# Participation In BOP Markets

1. Converting consumers from Unorganized, inefficient markets to *Organized and Efficient Private sector*
2. It is a *Market Development Task*
3. BOP Markets will Force *Breakthrough Innovations*
4. We have to think differently;  
Price - Profit = Cost  
Cost + Profit = Price

# Desire for Eyesight



Target Price

Target Profit

Target Cost

# Desire for a Car?



Target Price

Target Profit

Target Cost

**Focus on BOP Markets Lead to  
Breakthrough Innovations**

**It can Create Global Opportunities  
for Entrepreneurs**

Do We Need a New Methodology  
for Innovation at BOP?

*Creating Micro Consumers*

Constrained Innovation  
*or The Innovation Sandbox*

# Case Study # 1

## BP Energy Solutions

# Current Practice: Typical Cooking System



# The “Innovation Sandbox” for Energy in India

**Scalability**

**New  
Price-  
Perf.  
Levels**

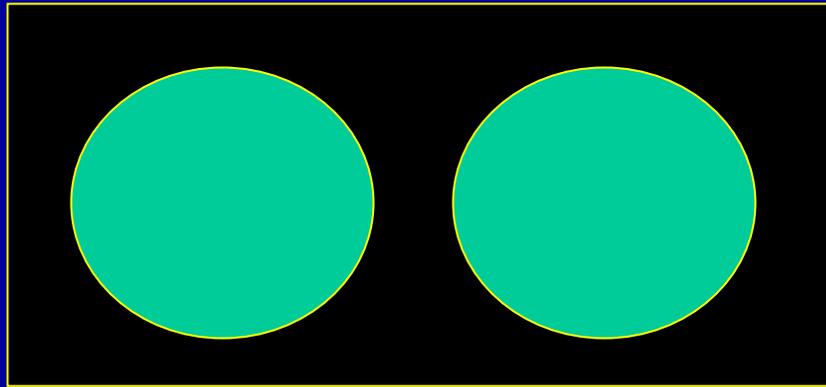
**Safety  
Standards,  
Eco.  
sensible**

**Aspirational, Intelligent**

# What is the Opportunity in India for BP?

1. Rural Poor is a Target Market
2. Extreme Variety in Cooking Habits
3. Choice of Fuels based on Cooking Habits, Availability of Funds, and access to Biomass
4. We need a very Flexible, Personalizable Solution
5. There is a great Opportunity for Improving Energy Efficiency and Health of Women and Children
6. It must be affordable

# The Combination Chula

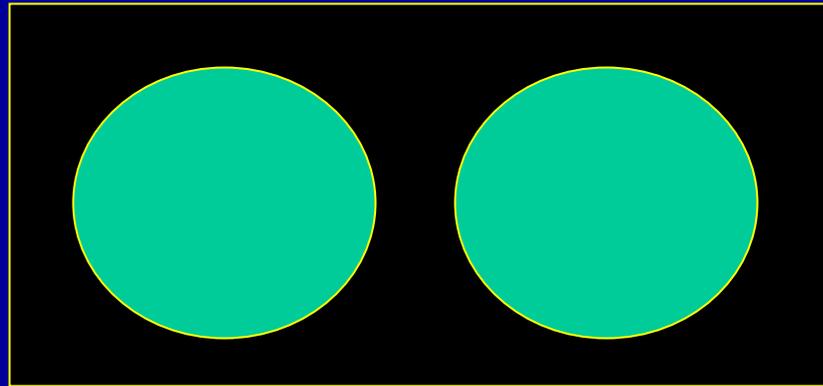


Biomass  
Pellets,  
Efficient,  
No Smoke

LPG,

# The Combination Chula

Creation of Village level Entrepreneurs: Jyoti Ammas  
Partnership with NGOs and IISc. as Co Creators



New Pelletizers,  
1 KG bags,  
Supply Chain

LPG Supply Chain  
Decentralized  
Storage

**Biomass**  
**Pellets,**  
**Efficient,**  
**No Smoke**

**LPG,**

Manufacturing and Logistics of the Chula

## First Stoves



## Stabilized Version



## Current Version



# Where is the Experiment?

1. Successful Piloting in India during 2006
2. Scaling in India during 2007-2010
3. Experiments in SA and piloting
4. Opening up 8 New Geographies in next 3 years
5. A New Category for BP- Emerging Consumer
6. New Approach to participation in Non OECD markets

# Case Study # 2

## Jaipur Foot

# Making Products/Services Affordable

e.g. Prosthetics for the Poor

Evidence:

Jaipur Foot, India

Approach:

Barefoot Walking,  
Squat on the Floor  
Sitting Cross legged  
Walking on Uneven Ground  
Paucity of Doctors  
Need for Custom Fitting in a day

Defaults

As good as US Models

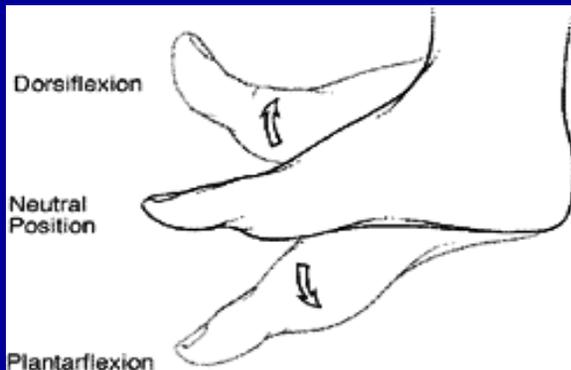
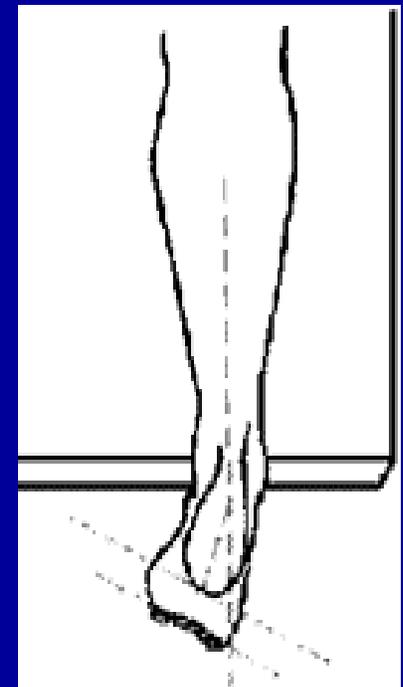
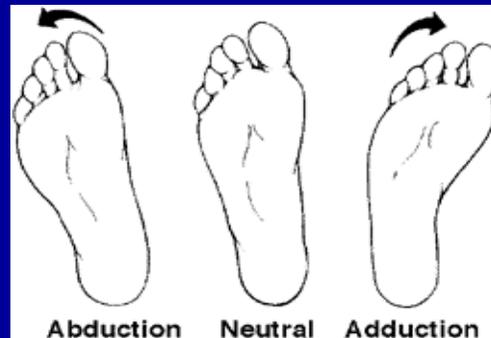
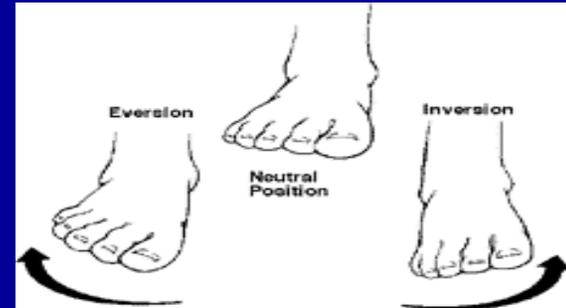
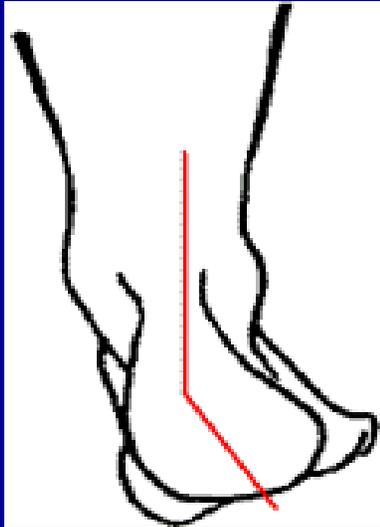
Size and Scope

Largest in the World

Viability

Profitable

# Basic Foot Movement is Complicated



# The Functionality Requirements in India are Different from the West

Activity	Functionality:1	Functionality:2
Squatting	Need for Dorsiflexion	Work Needs, Poverty, Lack of Trained manpower, Time for Fitting
Sitting Cross Legged	Need for transverse Rotation	
Walking on Uneven Ground	Need for Inversion and Eversion	
Barefoot Walking	Need for Natural Look	

# Comparison of Scale and Quality

	<u>Scale</u>	<u>Quality: Outcomes</u>
Jaipur Foot	16,000/year	As good as US
Aravind Eye care	250,000/year	As good as UK
NH	7,500/year	Better than NY State

# The Health Care Revolution:

<u>Group</u>	<u>Field of Specialization</u>	<u>Cost Adv. Over USA</u>	<u>Size</u>
Jaipur Foot	Prosthetics	200 x	16,000/year
Aravind Eye Hospital	Eye care	100 x	250,000/year
Escorts	Cardiac care	15 x	7,000/year
Narayana Hridayalaya	Pediatric cardiac care	30 x	7,500/year

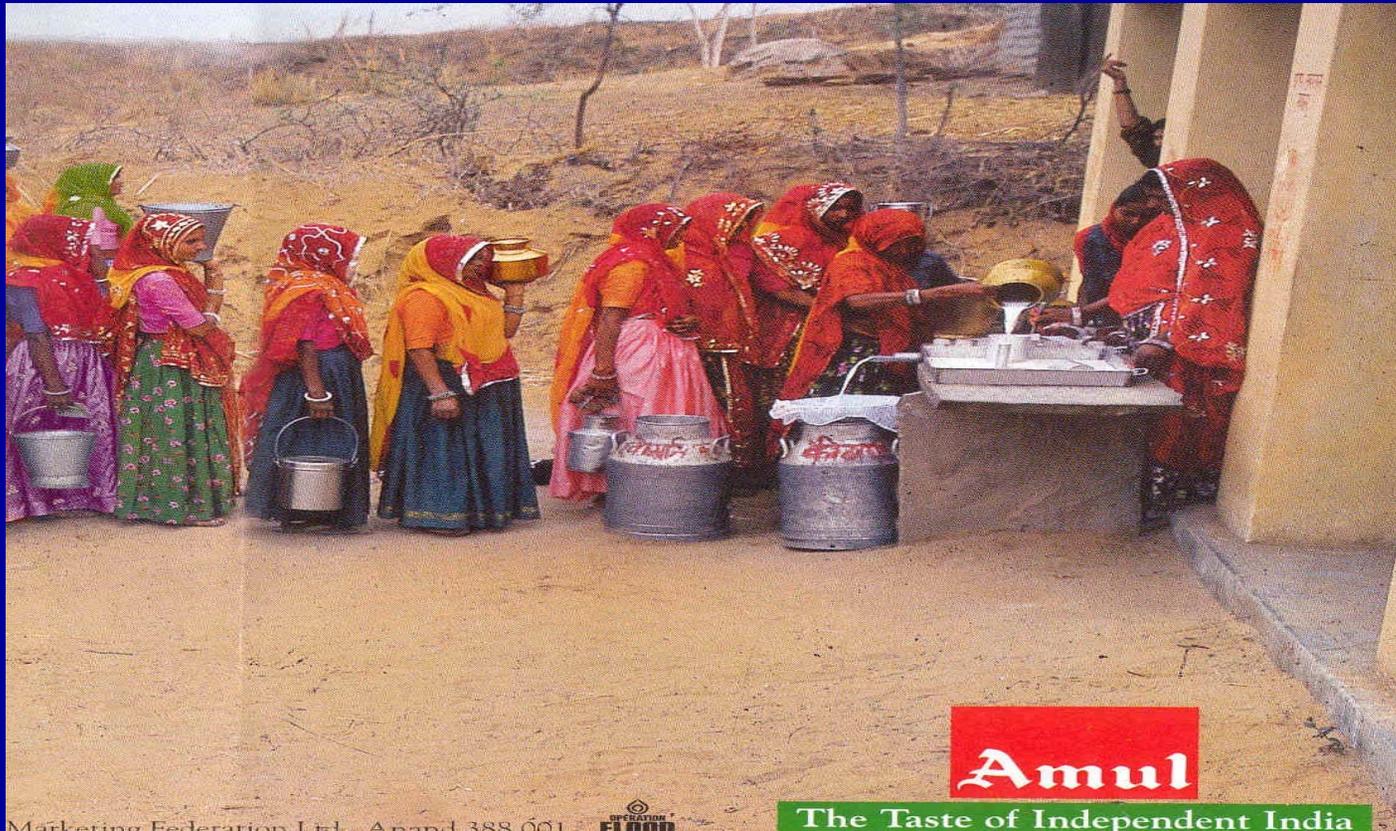
# Case Study # 3

## Amul Milk

**Building New Supply Chains:  
Connecting Rural poor to Global  
Markets**

**The Role of *Micro Producers***

# Milk Collection Centers: Twice a Day Ritual in Rural India



# Scale and Decentralized Manufacturing

## Gujerat Cooperative Milk Marketing Federation



Milk procured/day	6.4 million Kgs.
# of Farmers	2.2 million
# of Villages	10,755
# of collection centers	3,000 +
Revenues	\$ 840 m
Exports	\$ 30 m

# Case Study #4: ITC- E Choupal

# Small Producers and Global Markets:

e.g. Connecting the Poor Farmers

Evidence:	ITC- E Choupal for Soya, India
Approach:	One PC /village Connected to the Internet Farmer as Custodian- Sanchalaks Farmers have Access to Prices Emerging new Applications
Problems	None; Farmers Gain; ITC Gains
Size and Scope	1,500,000 farmers
Viability	Profitable

# Lessons from ITC E Choupal

Asymmetry Of Information



Asymmetry of Choice



Asymmetry of Capacity  
to enforce Contracts



Asymmetry of Dignity and  
Self Esteem



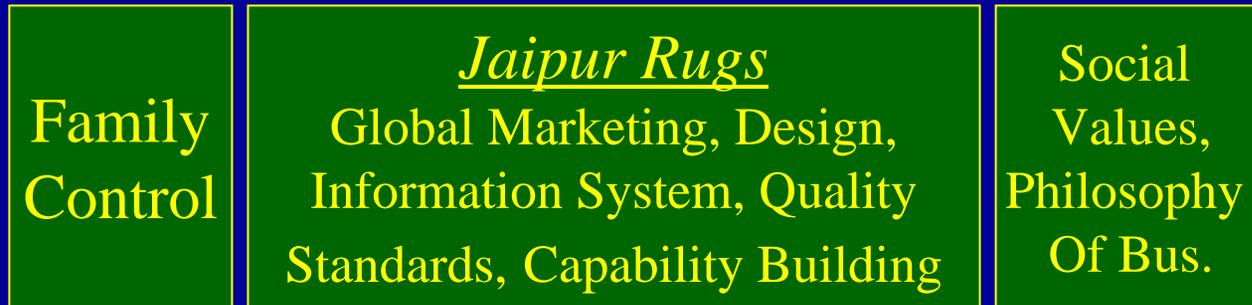
# What is the Work Process Innovation?



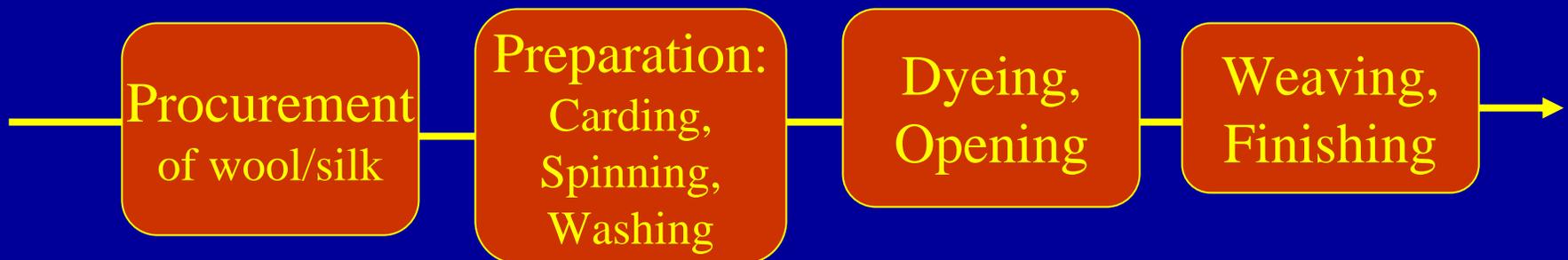
# Case Study # 5

## Jaipur Rugs

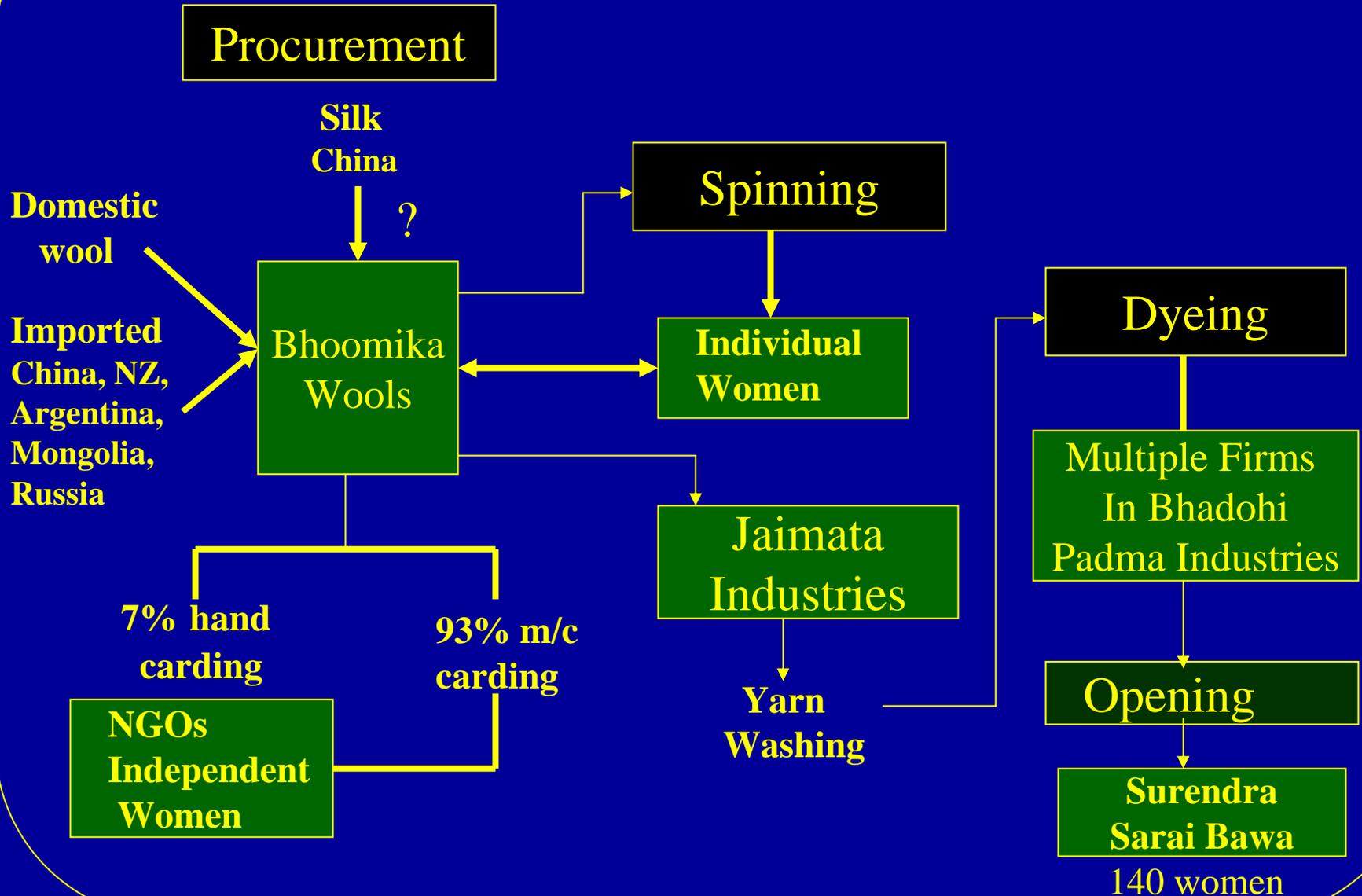
# Jaipur Rugs: Business System



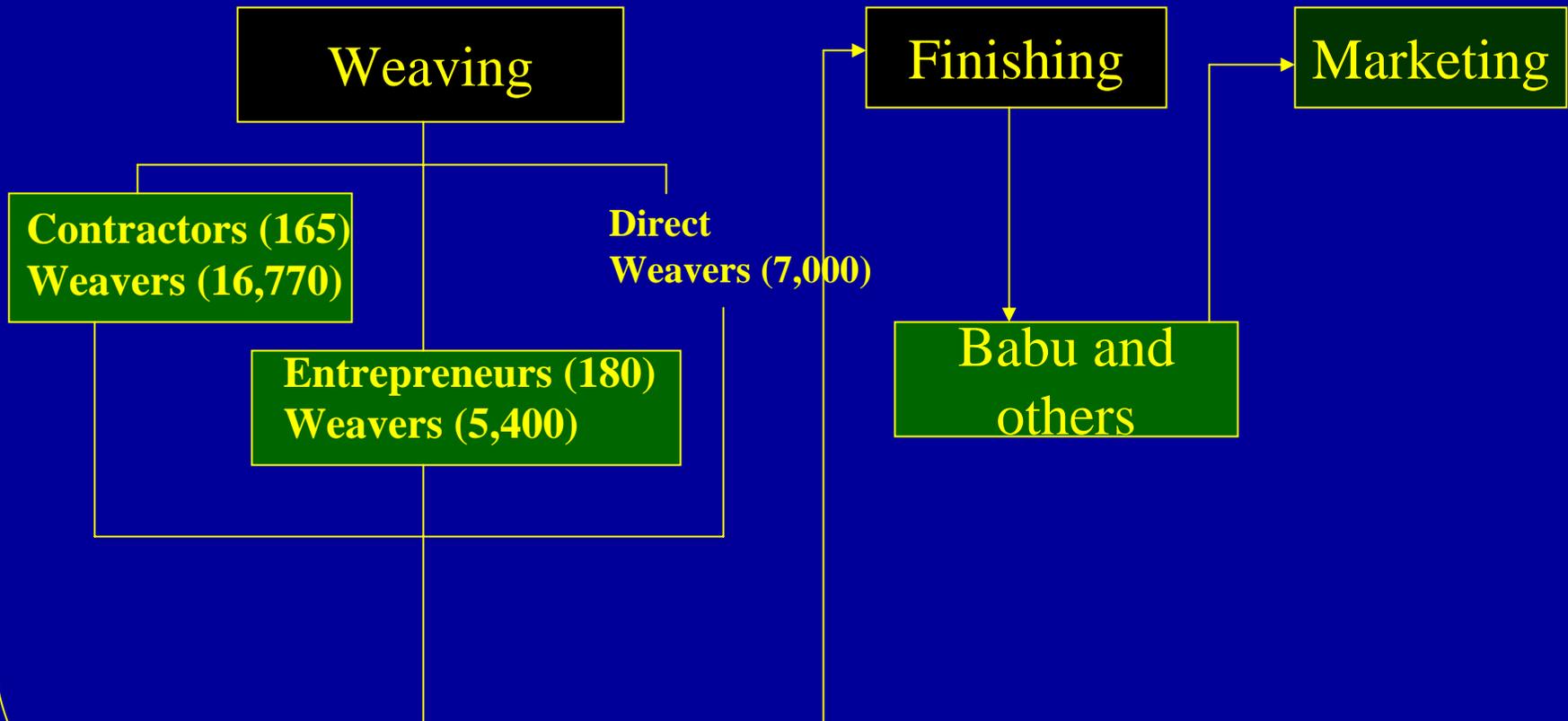
## Outsources Activities



# Production Process: Jaipur Rugs



# Production Process: Jaipur Rugs



140 women

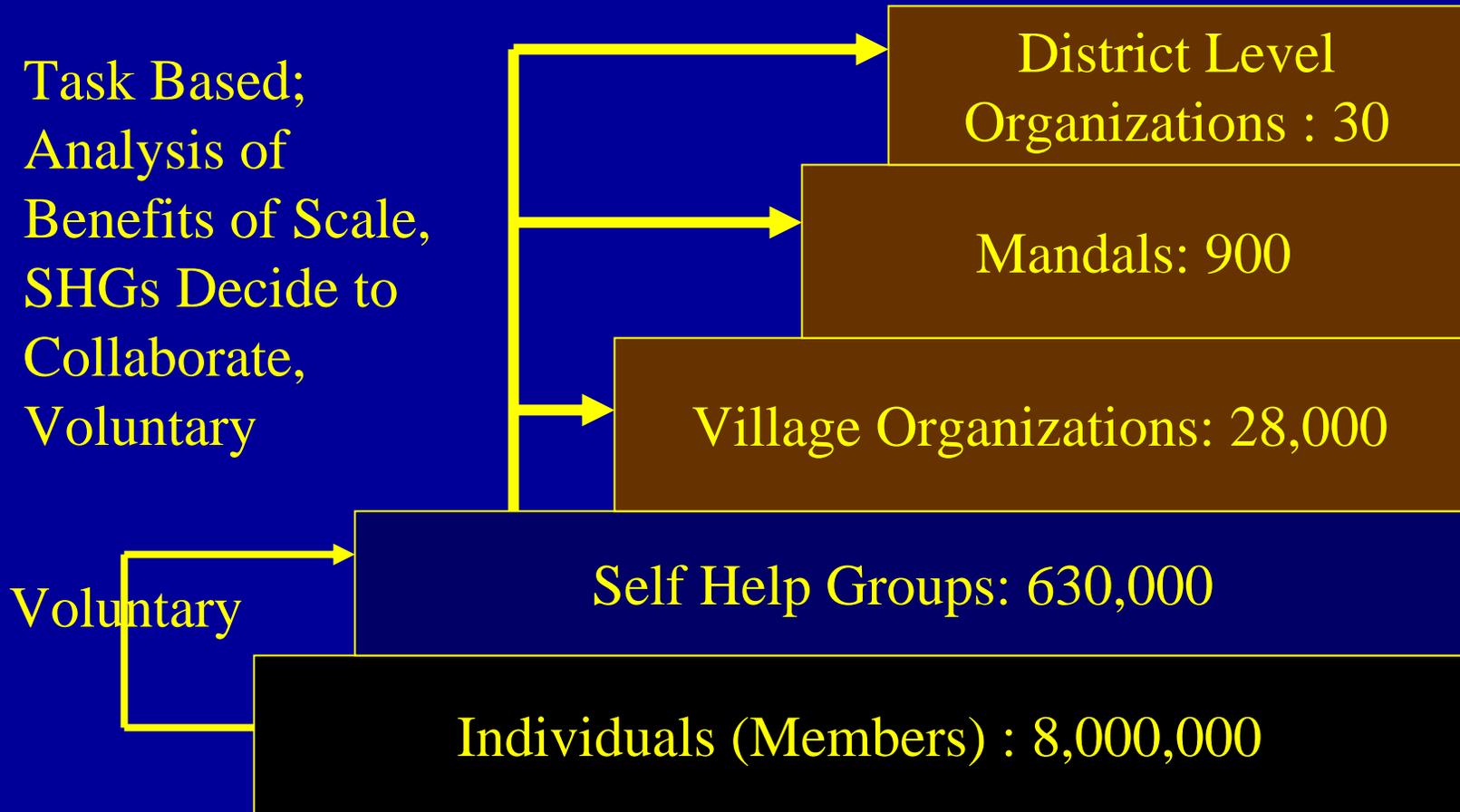
# Case Study # 6

## Self Help Groups

# The Velugu Project in Andhra Pradesh (AP), India

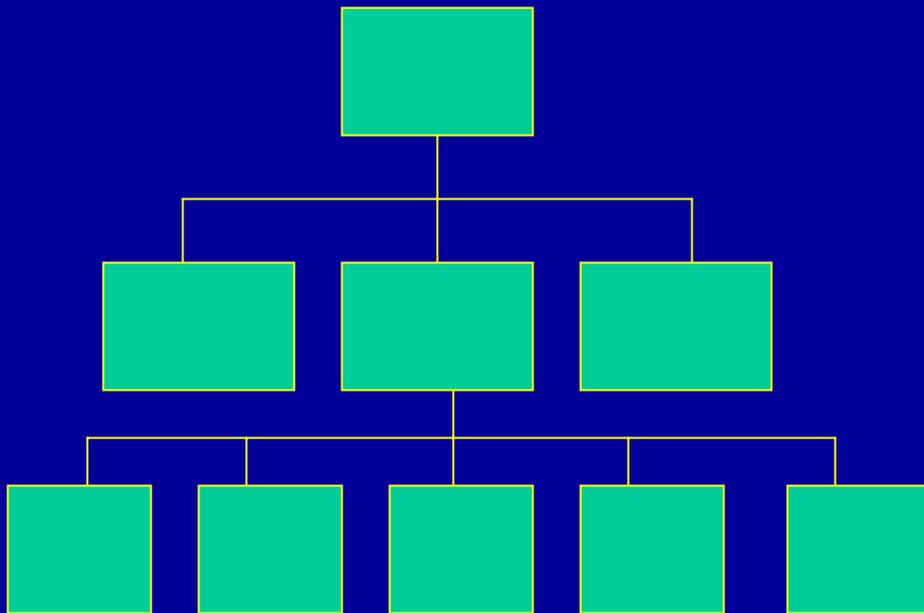
Number of Districts	22
# of Self Help Groups	629,870
# Women Covered	7,987,400
# of years in the making	10
Focus	Poorest of the Poor
Goal	Capacity Building
Approach	Commercial orientation, No Subsidies Facilitation, Expertise
Results	Local Entrepreneurship, New Governance, Poverty Alleviation

# The Organization of Velugu

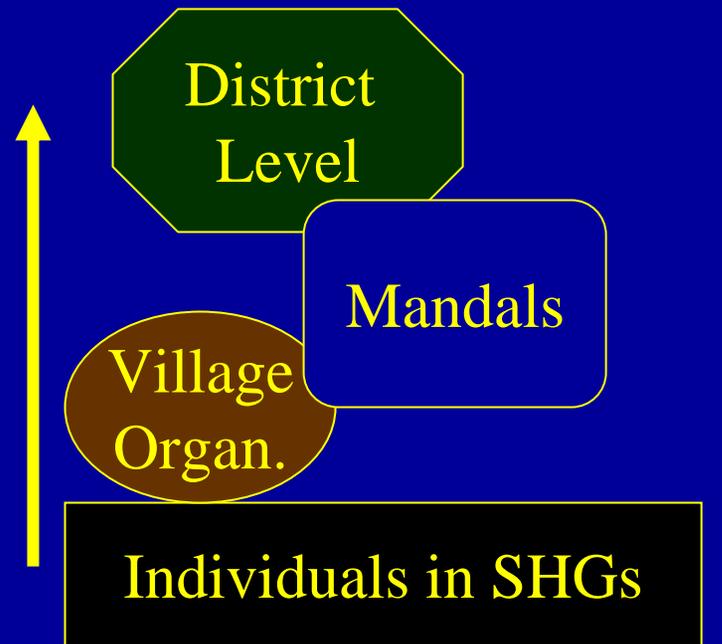


# Two Forms of Organization

## Corporate Hierarchy



## Task Based Velcro Orgn.



Focus on Task, Scale,  
Efficiency, Value Added

# What are the Key Steps

1. Yearning for a Better Life
2. Willingness to Learn New Skills
3. Willingness to Work

Preconditions for  
Success

- 
4. Awareness of opportunities
  5. Creating Access
  6. Affordability
  7. Availability

Characteristic of  
Business Models

- 
8. Satisfaction with outcomes
  9. Sharing Knowledge with others
  10. Creating a “silent revolution”

Proliferation of  
Benefits

# What are the Lessons...

1. There is a Significant Opportunity at BOP
2. The Poor are an Integral Part of the Solution
3. Focus must not be on Investment Capacity but on Organizational Capacity
4. We can Create Virtual Scale
5. Distributed Work is Harder to Disrupt
6. Capacity Building at Local Levels is Key
7. Civil Society Can and Must become an integral Part of the Solution
8. Market based Solutions Work and can Transform
9. This Needs Perseverance
10. Business Focus Unites People

# Transformation Requires:

Imagination

Passion

Courage

Humanity

Humility

Intellect

Luck !