



# ECOVATION- Innovation for BOP Markets

Dr. B. R. Londhe  
Professor, SIMS

## Introduction

Globalization has changed the ways by which companies create value. Strategies used by global companies in post globalised era in developing markets are not an extrapolation of the past experiences of developed countries, nor is it just about low costs and outsourcing. The real opportunities lie in the proliferation of ways to design a better business concentrating on the BOP market.

Creativity is thinking new things and innovation is doing new things. Innovation is the process of turning ideas into manufacturable and marketable form. Innovation, like spring, is in the air. Creativity is all the rage. As Einstein said, it seems more and more managers are using their legs (and their brains) to convert their ideas into constructive products. Indeed, a lot of serious surveys show that more and more product or service innovations arrive on the market. According to a survey made by the WTO in 2003, for 100 new products or services developed in 2000, there were 123 in 2002, and 164 in 2003. Why is new and of tremendous interest for what should be a daily preoccupation of managers? Economists see a direct relationship between technology change and economy growth. Management gurus base their theories of competitive advantage on innovation.

## Objectives of the study

1. To study various global and local examples of innovations for BOP consumers
2. To study the market potential at Indian BOP market
3. To study characteristics of Indian BOP consumers
4. To suggest innovation for model strategies for Indian BOP market

## Global and Local examples of innovation for Bottom of the pyramid

1. In the 1950s, Professor Gavril Abramovich Ilizarov devised and developed his revolutionary method for treating fractures, deformities and other bone defects. Using a circular external fixator he was able to show that controlled, mechanically applied tension stress produced reliable and reproducible regeneration of bone and soft tissue. Prasad Narayan Kulkarni of Sangli was determined to bring this technology to Indian masses and, with limited support under TePP, developed a motorized auto-distractor. Clinical trails showed promising results of bone regeneration, a boon to correct birth defects of short or deformed legs.
2. An innovative farmer, Bhanji Bhai Mathukia, of Junagadh developed a small three-wheeled 10 HP tractor. TePP supported him to develop an engineered product by networking with ARAI,

3. Pune and CFMT&TI, Budni. The technology was licensed to PramaFarmatics (P) Ltd, Anand. Entrepreneur Ramesh Nibhoria developed an environment-friendly solid biomass furnace, installed it at Jawahar Navodaya Vidyalaya, Nafajgarh, and demonstrated savings in fuel (LPG) consumption. More installations are underway in various schools.
4. Half of Africa's one billion population has a mobile phone – and not just for talking. The power of telephony is forging a new enterprise culture, from banking to agriculture to healthcare



## Mobile phones in Uganda's capital, Kampala: 10 million people across the country own a phone.

The most dramatic example of this is mobile banking. Four years ago, in neighbouring Kenya, the mobile network Safaricom introduced a service called M-Pesa which allows users to store money on their mobiles. If you want to pay a utilities bill or send money to a friend, you simply dispatch the amount by text and the recipient converts it into cash at their local M-Pesa office. It is cheap, easy to use and, for millions of Africans unable to access a bank account or afford the hefty charges of using one, nothing short of revolutionary.

A mobile money micro-economy





Boat owner Allan Mukasa uses his phone to settle bills and pay local traders.

Farming with a smart phone

Farmer Simon Obwoya, foreground, makes notes on crop conditions and checks market prices

1. Olsen's project, a solar water disinfecting tarpaulin, was awarded 10,000 USD for coming out on top of a very competitive field. Created for transporting and purifying water, his design can be used in a variety of areas where potable water is inaccessible. The design is a lightweight and flexible bag which is created through digital manufacturing and cleans water through passive solar radiation.
2. ChotuKool Godrej and Boyce in India have enjoyed success with its affordable ChotuKool fridge for rural India. Priced at around Rs 3,500, the portable unit weighs only 7.8 kg. It uses high-end insulation to stay cool for hours without power and consumes half the energy used by regular refrigerators. The ChotuKool was co-designed with village women to assure its acceptability, and is distributed by members of a microfinance group. It also is environment friendly as it uses less energy. Nokia is testing new business models for classified ads in India and Kenya; these new creations are sold in the US, based on observations of how phones are shared in Ghana.
3. Dump Phones Microsoft is creating new phone app services for "dumb" phones which allow users with existing, non-smart phone devices to access Web

sites such as Twitter, Face book. Built for markets in India and South Africa, there is surprising potential for these apps as a low-cost cloud computing platform.

4. GE Electrocardiograph- Electrocardiograph machine was originally built by GE Healthcare for doctors in India and China is being used sold an ultra-portable in the U.S. at an 80% markdown price.

#### Characteristics of BOP markets

1. Huge Market Size
2. Difficult to serve
3. Well spread out—all over places
4. Small individual consumption
5. Seeking value for each paisa
6. High brand loyalty
7. Mouth publicity and peers experience plays major role in buying decisions
8. Keen follower of urban markets
9. Willingness to buy costly products with affordable EMIs

#### Market Strategy

Innovation can create any social impact only if it is marketed properly. Researchers agree that there is a capitalizing relation between Innovation and Strategy. More precisely, on one hand, technology cultivates strategy whereas on the other, strategy drives technology. The two concepts work together in order to produce more value.

Innovation, as any new product or service, leads to the creation of three values.

1. Value of exchange- the rareness of a product and the market.
2. Type of value - symbolic or perceived value.
3. Value of use - It starts once the consumer start using the product and it is certainly from the previous ones.  
The value of a product or service to the consumer is result of three values mentioned above values. Commercialization of an innovation is the skill of an entrepreneur to match the good mix between the three values while doing so he has to adapt their ideas to the contemporary market spirit. BOP markets demands Value of use .It will do wonders if marketer uses this value effectively.

#### Ecovation model for BOP markets

1. Create a new price performance envelope.
2. Huge in size but with less disposable income. All the cost should be minimum and economy driven positioning of the products and services.
3. Economical Suppliers due to huge market size they are willing to supply at low profit margin with large sales volume.
4. Collaboration and not rivalry in R and D, product development and production process by all competitive firms
5. Use of PDS for distribution



6. INCOME TAX Exemption by GOVT to attract major corporate
7. Firm invest in relevant infrastructure development

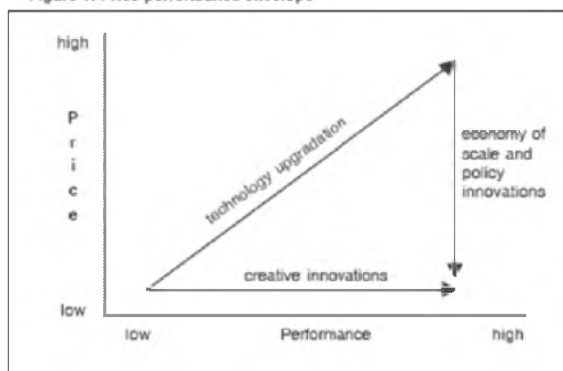
**Discussion**

**Create a new price performance envelope**

Affordability is a critical factor for the BOP market. Due to this markets have been provided with products and services which are poor in quality. Large volume of production (as in chip-based products) drove prices down to affordability of BOP consumers. This has become possible due to not only because of economy of scale but also due to policy innovations.

With the new awareness that low income consumers are not just discounts or seconds markets, the focus has shifted to state-of-market technologies for producing low-price-high-performance products and services.

Figure 1: Price-performance envelope



Source- CACCI Journal, Vol. 1, 2007

**Huge in size but with less disposable income**

The latest World Bank estimates of the "below-the-poverty-line" households that may total about 100 million (or about 456 million individuals). Of the \$436 billion projected retail consumption in 2009, the bottom BOP (35 million) households will account for only 5 per cent or about \$21.8 billion.

**All the cost should be minimum and economy driven positioning of the products and services**

In order to make the products available at economical price not only the product cost should be minimum but the total cost has to be minimum including marketing and distribution costs as well as pre and pro service costs.

**Economical Suppliers due to huge market size they are willing to supply at low profit margin with large sales volume**

The manufacturing cost will be less only if the cost of raw material supplies as well finish parts, packaging has to be less which is possible because of huge market size the mass scale production is possible. The suppliers may earn less marginal profit but total profit will be high.

**Collaboration and not rivalry in R and D, product development and production process by all competitive firms**

The principle of collaboration between the suppliers,



vendors, manufacturers, distribution and R& D activities will reduce the total cost to the customers.

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### **Use of PDS for distribution**

The existing public distribution System can be used effectively which will not only reduce the infrastructure cost but will also reduce the labor overheads.

### **Sales TAX and other duties if applicable Exemption by GOVT to attract major corporate**

The central and state governments can play a major role in reducing the cost of the product to final customer and end use.

### **Manufacturer and other stake holders invest in relevant infrastructure development**

Lack of Infrastructure is the major hurdle to reach to the BOP markets. It is also major hindrance in making product available to the end user of this segment.

The manufacturer and other stake holders of products to this segment of the market should come forward and join hands with Government to develop the required infrastructure.

### **Challenges to the Model**

1. Limited interest of corporate in BOP markets due to very low profit margins a major bottleneck. MNCs as well as Indian firms have been looking at the BOP Indian markets as CSR activity and not as a profit making venture
2. To bring the competitive firms on the collaboration platform to share resources and technological expertise
3. More early-stage funding is needed. In 2005, just 13 percent of deals by venture capital and private equity providers were for early-stage funding. Finance-related actions could include facilitating regulations for early-stage venture capital investments, and government provision of leveraged returns for private investments in innovation areas overlooked by the market.
4. Political will of both the ruling and opposition parties to amend income tax policies to provide income tax exemption to private firms operating in BOP markets.
5. Strengthening supportive infrastructure to attract private firms to invest in relevant infrastructure to produce and market products to BOP markets.
6. New domestic knowledge needs to be converted to commercial use. Actions to promote commercialization and strengthen links among industry, universities, and public laboratories could include providing support to technology transfer offices, creating a patent management corporation, developing technology parks and incubators, and improving

7. India's regime for intellectual property rights. Fostering the processes of collaborative efforts of various government organizations. By promoting more formal R&D efforts for poor people and more creative grassroots efforts by them, and by improving the ability of informal enterprises to exploit existing knowledge.

### **Conclusion**

Evocation is a new thinking and new ways of doing business in the world's poor markets. The huge sales volume BOP brings qualitative products to emerging markets. The poorest populations raise a new managerial challenge for the world's wealthiest companies: selling to the poor and helping them improve their lives by producing and distributing products and services in culturally sensitive, environmentally sustainable, and economically profitable ways

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