

Approaching Innovation MART's 3i Innovation Framework In EMERGING MARKETS

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Business Mind Social Heart

About MART

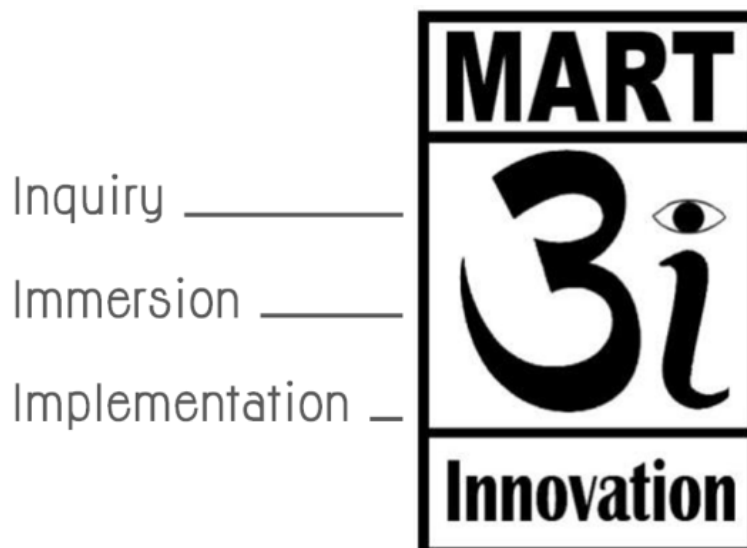
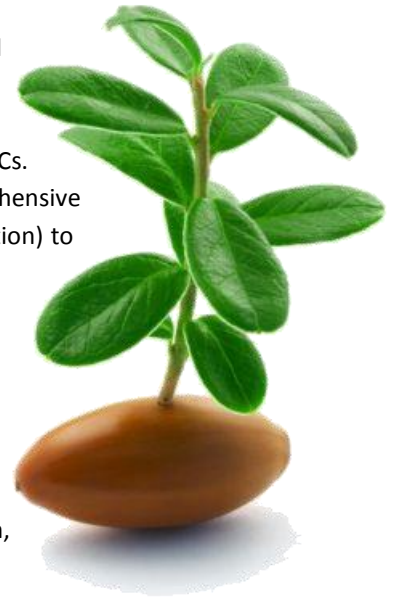
Established in 1993, MART is a pioneer in the rural domain and over the years has also developed as the Leading Consultancy and Knowledge based organization on Emerging Markets. MART's vision is to become the most respected, employee owned organization in the emerging markets creating innovative and effective solutions to help the poor improve their quality of life.

MART's expertise lies in its understanding of the Emerging Markets and Base of the Pyramid (BoP) segments, their eco system and behavior. MART has been at the forefront of BoP innovation in India for a decade starting with co-creating Project Shakti with Unilever and later having partnered Colgate, Novartis, HPCL, GE healthcare, Shell and many more MNCs. Based on the learning and experience over the years MART has developed a comprehensive Innovation approach called MART 3i Innovation Model (Inquiry, Immersion and Implementation) to help companies undertake both product and process innovation systematically.

MART enjoys a unique position as an end to end solutions facilitator for both the corporate and development sectors. We offer a range of services from research, strategy formulation, strategic implementation, scale up and training.

MART has been offering its services in South Asia region - India, Bangladesh, Nepal, Malaysia, Afghanistan and Indonesia. To create and disseminate knowledge MART works in partnership with a number of international academia and knowledge agencies in US, Japan, UK and Netherlands.

MART has an impressive clients list which includes several fortune 500 companies such as GE, Intel, PepsiCo, Tata, Honeywell and many more and leading international development agencies like World Bank, UNDP and DFID.



OM Represents the creation of the universe which contains in it all potential innovations. Third eye of Lord Shiva represents the insight and wisdom needed for innovation

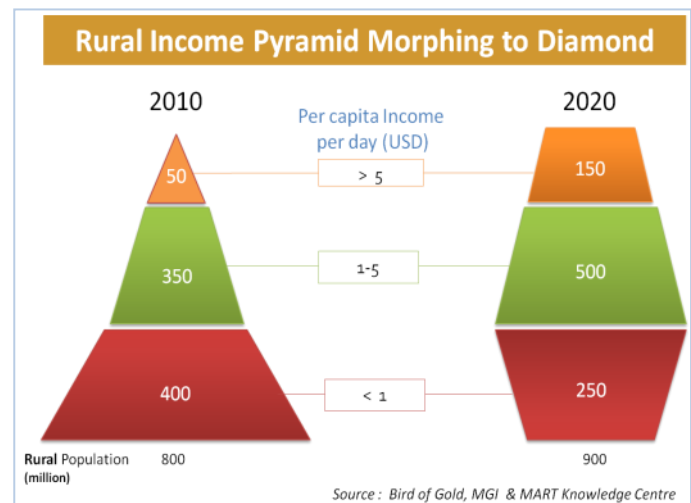


Emerging markets including BoP are being increasingly realized as a promising segment to do serious business

Leveraging Growth

The impressive and sustained growth of Indian the economy coupled with large scale social investments by government has pushed a large chunk of low-income consumers to move up the economic ladder. Investment in infrastructure and improved road connectivity is rapidly spreading prosperity to the hinterlands. The rural income pyramid in India is fast morphing into a diamond. By 2020, in India it is expected that the middle income (\$ 1 – 5 per day) will swell to 500 million from the present 350 million, thus adding 150 million first time consumers of brands.

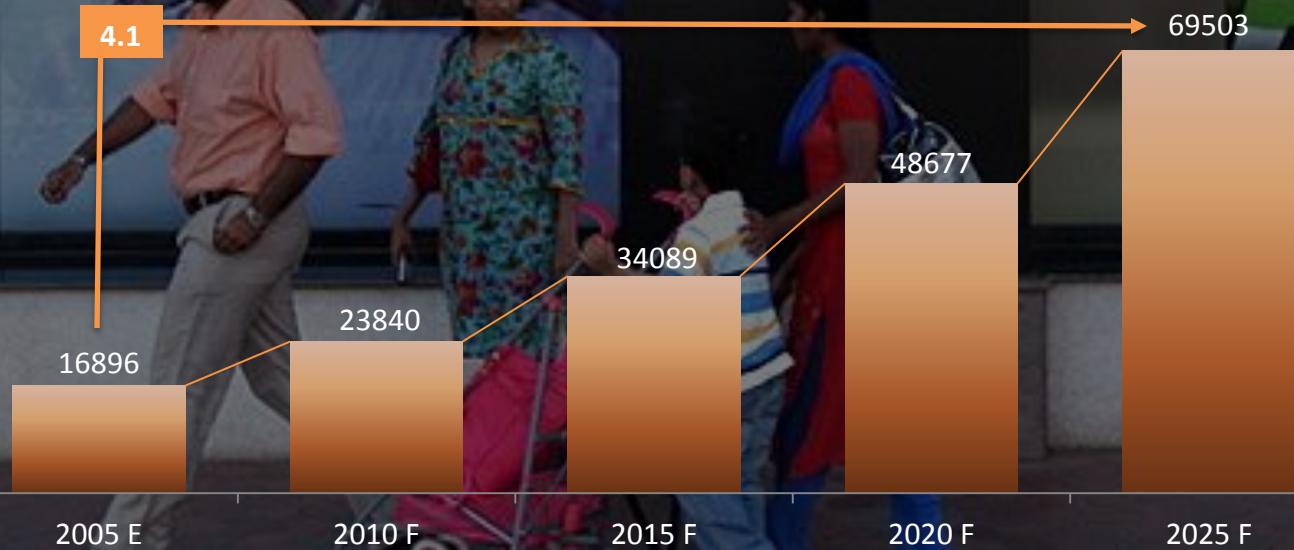
Even consumers at the base of pyramid are showing keen interest to adopt new products and services. Increased spending by them on health care, housing, education and agriculture offers huge opportunities to companies. Information and communication technology is making inroads and changing the face of these markets. The evolution of internet and mobile phone is having tremendous impact on the lives of these emerging consumer segments.



Emerging markets including BoP are being increasingly realized as a promising segment to do serious business. Companies have started finding ways and means to tap this segment as they think this would be relevant for their future sustenance. Companies are looking at innovative solutions to cater to these markets.

India's consumer market will quadruple over next two decades

Total Household Consumption, Billion Indian Rupees, 2000



Source: Mckinsey Global Institute

The Opportunity

Emerging markets today provide three key opportunities – new growth markets, talent hubs and innovation hubs. Western economies have realized the potential of innovation in the emerging markets and are tapping into it already. Fortune 500 companies have 98 R&D facilities in China and 63 in India. In emerging markets innovation is not about being niche or sophisticated but about cost-effectiveness and mass-appeal. What works in the developed world will not work in the emerging markets. Products have to be redesigned. Incremental changes to an existing product or service to tailor it to local needs will not work.

Understanding Complexities

While the market is ready it is time for companies to understand the complexities and dynamic of these markets. Companies must recognize the difference between the emerging market and markets currently catered by them. Affordability of low income consumers is to be addressed while developing any new product or service. The ability to create a balance between performance and price will be the winning proposition in this market.



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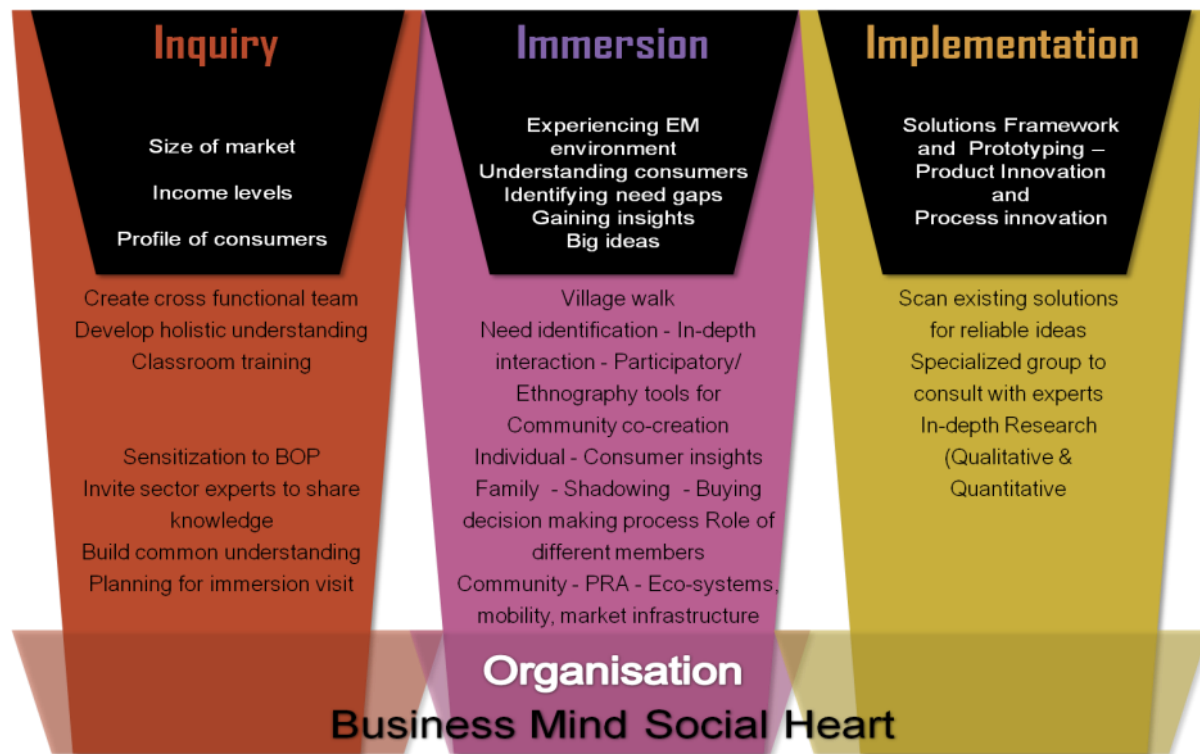
My recommendation is 75% performance at 50% price. Consumers in emerging markets carry different mindset while assessing new products, for example touch-n-feel or seeing-is-believing are crucial while deciding to buy any product. In fact right impact can be made in the market if behavior patterns of consumers are impacted in the right manner. Companies need to find out-of-the-box solutions

Similarly making products and services available at the door steps at the lowest possible cost that create maximum impact needs innovative thinking. Even before finding delivery and distribution solutions, innovation in creating effective awareness and communication processes are crucial. To overcome the complexities companies have to think not only in terms of product innovation but also process innovation.

Redefining Approach to Innovation

Companies have recognized that Innovations in emerging markets is a necessity now. The market development efforts in India's low-income groups have the potential to become sustainable business opportunities for companies provided they pursue the innovation agenda more aggressively. Companies must invest their energy to know the eco-system of these markets and delve deep into the nuances of the market before innovating products or processes.

Based on our decade long experience in working with companies like Unilever, Intel, Shell, DuPont, GE, John Deere and Syngenta to innovate products and processes in India we have come out with a comprehensive framework for Innovation - the MART 3i Innovation Framework– Inquiry, Immersion and Implementation.



This first stage is 'Inquiry'. This involves sensitizing a cross functional innovation team put together by the company. The team needs to comprehend the macro scenario and dynamics of emerging markets, particularly the BoP segments. The key purpose of inquiry is to gain knowledge on size of the market, income levels and profile of consumers etc.

For this the innovation team should interact with right experts who carry sizeable experience on working on business application of ideas related to emerging market and BoP, knowledge on social infrastructures (such as SHG, Asha workers etc.), government led initiatives and schemes, local practices and familiarity with geography. I believe the innovation team should have people from streams like R&D, marketing, finance and sales. Our experience suggests what adds significant value is involvement of top management to ensure commitment to the innovation initiative; this also allows flexibility to the team in managing the operations.

INQUIRY



The second step is Immersion. This focuses on how to arrive at the big ideas for innovation. This starts with a walk around the village to understand the ecosystem followed by interactions with villagers using ethnography and participatory approaches to map their needs. This intensive 360 degree approach ensures that the team understands the needs at three levels – Individual level, family level and community level. This process helps the team in experiencing the environment, understanding consumers, identifying need gaps and in gaining real insights before arriving at Big Ideas for Innovation

IMMERSION

*...social infrastructures play an important role in making
Process related innovations viable in emerging markets...*



IMPLEMENTATION

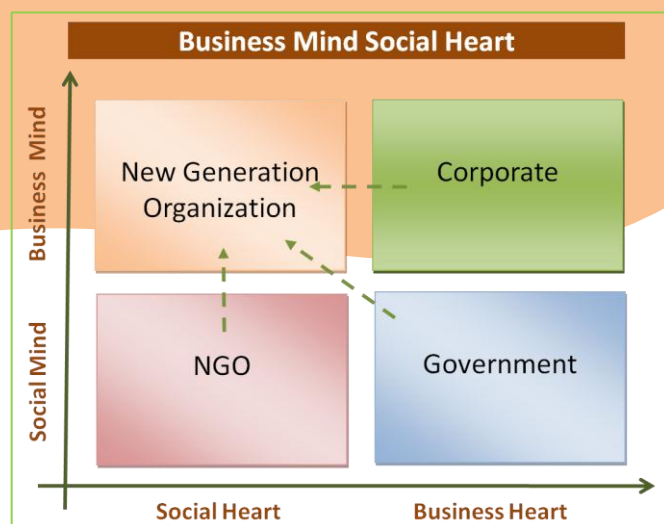
The third and final step, Implementation starts with scanning of existing documented sources for already available solutions of the big ideas identified at the end of the immersion process. Each big idea needs a dedicated team which consults with experts to develop the action plan. Thereafter in-depth research needs to be conducted to understand the nuances and the minutest details to finalize the business strategy and prepare business plans. Our experience suggests that this should start with qualitative research to test out key factors that would make the idea a viable business proposition. This should be validated through quantitative research. This process results in a rigorous business solutions framework for prototyping innovation.

Risks in Innovation

At this juncture I would like to share some critical risks that managers encounter while innovating in emerging markets. Many managers who have originally come from a rural background and believe that being familiar with the target group they are in a position to find best possible solutions, not realizing that the local reality has changed dramatically from their times. Similarly some think that due to apparent simplicity of these low income consumers finding solutions will be equally simple. Many become victims of their own overconfidence and end up predicting unviable answers. Likewise companies fail to anticipate the pace of diffusion of innovation in these markets which is much slower than in developed markets and companies often abandon the innovation initiative half way.

Right Organization Culture

The innovation effort does not stop here. The most important element of innovation is having a responsive organization with the right culture and mindset. I believe companies should have the ability to work with the underserved and informal markets, ability to manage the cost of transactions that are likely to bring results in medium or long term, ability to collaborate and develop partnerships with stakeholders and create a win-win proposition for all. Flexibility in operation and ability to take quick decisions are part of the DNA of such companies. More than this, companies that encourage risk taking by stretching limits and do not penalize failure would bring maximum innovations.



We believe companies that pursue the larger purpose of serving underserved markets with passion will make sustained profit. These companies believe 'what is good for the society is good for the company' and therefore focus on benefiting wider stakeholders rather than just the shareholders while focusing on innovations in emerging markets. I call this the - Business Mind Social Heart™ approach. I would conclude by saying that companies need to innovate at three levels - product, process and people (organization) to make their offering most relevant to low income consumers.