FROM A KARAOKE CAPITALISM TO A SUSTAINABLE CAPITALISM

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“We are surrounded by the mania of markets and live in a society where money is meaning; where freedom does not always equal happiness; and where technological opportunity does not necessarily lead to profits”

Ridderstråle and Nordström (2006)
FROM A KARAOKE CAPITALISM TO A SUSTAINABLE CAPITALISM

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Abstract

Nowadays, we live in a globalized world which is ruled by the free capitalist market. Companies are constantly challenged by intense competition and the economy is dependent on markets. Thus enterprises, especially MNCs, have a strong impact on societies and should be aware of their responsibility towards them.

This master thesis picks up the concepts of karaoke capitalism created by Ridderstråle and Nordström (2006), social innovation and the BOP proposition from Prahalad and Hart (2002) in order to analysis how MNCs can be profitable and competitive by addressing the less fortuned people at the BOP in underdeveloped countries through social innovation contributes.

To analyze properly how it is possible, two case studies were developed that took place in the rural India. The first one covers one MNC that was not able to find profit by addressing the Indian rural poor as the BOP protocol defends, though it contributed for a prospered community. The second presents another MNC which was able to find profit at the Indian rural BOP costumer also improving social gaps in the meanwhile.

Further, the theory behind social innovation and the BOP Protocol is explored, so that we can better understand and try to find the reason why and how one case was more successful than the other.

The challenge of making profits while improving and bringing benefits to society is a subject worthwhile studying. Thus, this is also the main goal of this study: to prove it is possible to have a healthy business by creating social innovation.

Keywords: Social, Innovation, BOP, Strategy, Communities
JEL Classification: M14, M16
**Resumo**

Atualmente, vivemos num mundo globalizado que é regulado pelo mercado livre capitalista. As empresas estão constantemente a ser desafiadas pela intensa competição e a economia está dependente dos mercados. Neste contexto, as empresas, especialmente as multinacionais, têm um impacto forte nas sociedades onde exercem a sua atividade e devem estar conscientes da sua responsabilidade relativamente a elas.

Esta tese de mestrado tem como base o conceito de capitalismo karaoke, criado por Ridderstrale & Nordstrom (2006), assim como o de inovação social e a proposta de Pralahad e Hart (2002) para aproximação aos mercados com consumidores BOP, para desenvolver a análise de como as empresas multinacionais podem ter lucro e ser competitivas nestes mercados, em países menos desenvolvidos, com o contributo da inovação social.

Para uma análise correcta destes temas, foram desenvolvidos dois casos de estudo, que tiveram lugar no meio rural da Índia. No primeiro caso, a multinacional em questão não foi capaz de encontrar lucro neste mercado, como defende a proposta de aproximação aos BOP, apesar de ter conseguido contribuir para a prosperidade da comunidade local. No segundo caso, é apresentada uma outra multinacional que conseguiu ter lucro e contribuir para a prosperidade da comunidade local.

Mais, é desenvolvida a teoria por trás da inovação social e da proposta para aproximação aos mercados com consumidores BOP, para tornar mais perceptível e procurar compreender as razões pelas quais um dos casos foi mais bem sucedido que o outro.

O desafio de conseguir obter lucros enquanto se traz benefício para a sociedade é um assunto que merece estudo e dedicação. Assim, este é também um dos objectivos da dissertação: provar que é possível ter um negócio saudável através da inovação social.

Palavras-chave: Social, Inovação, BOP, Estratégia, Comunidades

Classificações JEL: M14, M16
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List of Abbreviations:

BBGR – Benoist-Bethiot with Guilbert-Routit
BOP – Bottom of the Pyramid
CARG – Compound Annual Growth Rate
CCFOT – Costumer Case-Fill On-Time
CEO – Chief Executive Officer
CO2 – Carbon Dioxide
DNA - Deoxyribonucleic Acid
FMCG – Fast Moving Consumer Goods
GDA – Guideline Daily Amounts
GDP – Gross Domestic Product
GHG – Greenhouse Gases
HLL – Hindustan Lever Limited
HUL – Hindustan Unilever Limited
INR – Indian Rupee
IT – Information Technologies
MNC – Multinacional Company
NESTA – National Endowment for Science Technology and the Arts
NGO – Non-Governmental Organization
PC – Personal Computer
PPP – Purchasing Power Parity
R&D – Research & Development
SL – Société des Lunitiers
SME – Small and Medium Enterprises
STP – Sodium Tri Poly Phosphate
TRFR – Total Recordable Frequency Rate
UFLP – Unilever Future Leaders Program
USA – United States of America
US$ - United States Dollars
1. Executive Summary

Ridderstråle and Nordström (2006) came up with the concept of Karaoke Capitalism to describe the actual business scenario of intense competition, where competitors are copies of each other’s by following the business best practices and resorting to benchmarking to be successful. This thesis intends to break up the benchmarking mind concept and promote wealthy way of doing business by promoting social innovation.

In this field Prahalad and Hart (2002) proposed to do business by addressing the poorest of the poor profitably and covering social gaps at the same time. In order to explore their proposal, this thesis starts by analysing two multi-national companies (MNC) Essilor and Hindustan Unilever Limited (HUL) case studies. Both companies implemented a bold and innovative solution to address the Indian rural BOP market. However, they got different results.

Essilor developed an on wheel project that travels through Indian villages providing eye care services and commercializing their vision disorder corrective products and that struggled to cover its own operating expensive. While HUL trained local women to be its brand’s ambassador in villages, which end up being a perfect scenario where the company is profitable and contributes to communities’ wealth at the same time.

Further, the theory behind social innovation and the BOP proposition is explored, so that we can better understand why one had better results than the other. It is acknowledged that making profit while improving and bringing benefits to society is challengeable and requires breaking up with a set of prejudices and intense innovation through all the supply chain.
2. Cases

2.1. Problem Presentation

The concept of Karaoke Capitalism represents a now-a-days dilemma. Companies commercialize homogeneous products and services, using homogeneous strategies, following the so called best practices and resorting to benchmarking. The best actual example is the dispute between Apple and Samsung for the Smartphone market worldwide, which is so intense that apple is suing Samsung (Raustiala and Springman, 2012).

Moreover, sustainability is top of mind subject these days since there is just one world to live and there’s the need to take good care of it and of the ones who inhabit in it. The latest example on this matter is the Levi’s new WasteLess collection on October 16 (Berfield, 2012), on which 20% of each model is composed by recycled plastic.

Thus, MNC’s must seek new sustainable solutions if they want to succeed the competitive business world. A possible solution, which breaks up with the traditional way of thinking in developed markets and is sustainable at the same time, is the Bottom of the Pyramid (BOP) proposition to serve the world’s poor profitably (Prahalad & Hammond, 2002). BOP markets represent a challenging and unexplored market composed by billions of people who live in extreme poverty. Research by C.K. Prahalad (2004) has shown that there is fortune at the BOP. However, it is a controversy theory that has been being criticized.

As many enterprises invested on BOP markets, some have been successful and many unsuccessful. Thus, is it true that a sustainable solution for MNC’s is to address BOP markets, contributing to eradicate poverty and being profitable at the same time? On the one hand there is an example of very successful MNC that have been serving the Indian BOP market successfully, Hindustan Unilever (the Unilever subsidiary in India), and on the other hand, there is an example of another MNC that, despite the effort, was not able to find profit at the Indian BOP Market, Essilor. Studying these two cases, we can
understand better what made the difference for one to succeed and for the other to fail, and learn some lessons from it.

2.2. Essilor Case Study

2.2.1. Company Introduction

Essilor is a multinational company with presence on over than 100 countries, being the world’s number 1 ophthalmic company with US$ 5.5 billion of revenue and approximately 30% of market share (Karnani, Garrette, Kassalow and Lee, 2010). According to the Essilor 2011 Annual Report it is the owner of 19 lens manufacturing plants and 390 prescription laboratories, processing the design, manufacture and sales of plastic optical lenses.

Essilor is the result of a merger between Essel and Silor in 1972 (Essilor, 2011). Though it is 41 years old, the company has a heritage of more than 160 years of experience. According to its history record, available on the company website, ESSEL was founded in 1849 by the name of Société Fraternelle des Ouvriers Lunetiers further improved to Société des Lunetiers (SL). It was only in 1964 that the company rebranded itself becoming Essel. Lisor on the other hand, was a younger company, born in 1969 from a merger between Sil and Lor. Despite each other histories, by the half of the twentieth century both companies dominated the French optical eyewear market.

From the merger in which Essilor was born a tradition of entrepreneurial mutual trust was left as well as the respect built upon the differences from both companies. In addition, since 1972, as it was part of the founding agreements of the group (Essilor, 2011), there is the determination to improve eyesight in order to contribute for people’s better lives.

Nevertheless the key cultural aspect is innovation. The group has 5000 existing patents and a team of 550 researchers spread over 3 R&D centers (Essilor, 2013). The innovation guide culture is present since the very beginning, starting with the plastic progressive lenses Varilux Orma launch in 1972, passing through 1198 technological
breakthrough of the extraordinary solid, fin and lightweight Airwear polycarbonate lens, which material was used by NASA for astronaut’s visors, and more shown on the timeline presentation on Essilor website.

Although there is a vast historical record, Essilor entered in the Indian market in 1998. The decision was driven by a market research, which estimated a 20% growth rate per year for plastics lenses (Karnani, Garrete, Kassalow and Lee, 2011), bearing in mind that, at the time, the majority of Indian consumers used glass lenses. The group ended up surpassing the estimated growth rate by reaching an annual growth of 35% by 2007 (Karnani, Garrete, Kassalow and Lee, 2011).

2.2.2. Market Analysis

2.2.2.1. Introduction

India is a remarkable large market for the eye care industry (Italian Trade Commission, 2008). It is the world’s second largest population where near a third suffers from vision disorders. Despite this, there is a general lack of awareness issue when it comes to eye care from part of the costumer, which is actually improving. Companies are investing on urban and rural markets and promoting the benefits of vision correction and how to be assisted. The market is price sensitive, asking for high quality at the best price (Karnani, Garrete, Kassalow and Lee, 2011). Even though, place for premium products is increasing, year after year, as lifestyles are changing (Italian Trade Commission, 2008).

Moreover, the Italian Trade Commission (2008) describes Indian eye care market as fragmented, diverse, guided by distribution and, above all, urban centered. Nevertheless, the eyewear Indian industry is gaining strength, growing in volume as in value. It counts with the presence of strong multinational companies as well as strong local players and frequent partnerships between them.

In sum, the eye care market in India is a strong valuable market with global presence and has further potential for growth, where costumers are gaining awareness and becoming willing to attend eye care service for vision correction.
2.2.2.2. Market Size and Evolution

Engaged to the case study propose, the segment of the eye care market to be evaluated concerns the spectacle lenses. Thus, this segment size and evolution are represented on the following charts in terms of volume and value.

![Chart 1: India spectacle lenses market volume (on the left); Chart 2: India spectacle lenses market Value (on the right)](source: Italian Trade Commission, 2008)

The chart 1 show us the evolution of the volume of spectacle lenses between 2003 and 2007, while chart 2 provide us data about the evolution of value in billion rupees within the same years. The market growth rate calculated average for spectacle lenses within those five years is 17.75% for volume and 17.25% for value, which is a non-significant difference (minor than half percent).

There is a boost in the first half of the last decade, and a decrease on the second. This is justified by the eye health promotion campaigns, made by various entities, to overcome the lack of awareness about the subject allied to Indian economic growth, growing urbanization, rising incomes and additional lifestyle changes (Italian Trade Commission, 2008). However, it is important to notice that most part of the market still remains urban, thus rural market represents an opportunity for further growth.

2.2.2.3. Market Players

According to Euromonitor International (2012), Essilor has been the leading player in matters of spectacles lenses in the Indian eye care market, even though, it is shared by
strong Indian and international players and a parallel market of unbranded eyewear, which competes on the unorganized market (Italian Trade Commission, 2008).

International players have marked their presence through setting their own subsidiaries, joint ventures and tie-ups. Most of them have only started manufacturing in the country in the last 10 to 15 years regardless of how long they have been commercializing their products in India (Italian Trade Commission, 2008). Aside with them, there are several national companies which are emerging as strong players over the last decade. These players gain strength through setting-up state-of-art plants and working in collaboration with multinational companies.

Despite of being national or international, all companies have dependence on imports (Italian Trade Commission, 2008). Global players import lenses from their other facilities worldwide, whereas Indian ones resort mainly to China and Hong Kong in order to import raw products and items for finishing or assembling.

Beyond that, unbranded brands represent a large parallel market that cannot be ignored. The portfolio of products is mainly composed by ophthalmic spectacles and low-quality plastic lenses with prices varying between US$ 2 and US$ 10 (Italian Trade Commission, 2008). The products are mostly imported from China and, afterwards, sold in the unorganized market.

2.2.2.4. Consumer Profile

With the Indian economic growth, the rising incomes and consumer behavior shifts, price and quality are no longer the overall decision making issues in the eye wear market. Though they remain important, nowadays consumers concerns spread to style, comfort and wearing satisfaction (Italian Trade Commission, 2008). However, in the buying process there is a opinion maker with strong influence on consumers. Opticians influence is a key part of the selection process, which makes them a strong allied in the distribution channels.

At the same time 70% of Indian population lives in the rural part of the country (Booz & Company Inc, 2010), where access to opticians and eye care services are limited.
Most optical shops are concentrated in the urban centers. This means that 70% of the market is not well served and is yet to explore. Regarding that, the major part of the consumers is poor, belonging to the BOP and have a series of issues attached.

Firstly, they are not aware of their vision disorder and they don’t realize the need to seek eye care. According to Karnani, Garrete, Kassalow and Lee (2010) rural poor assume there is no affordable treatment for poor vision; some enter in a form of psychological denial of their deficient visual condition, and other do not appreciate the benefits a good vision as to offer. The truth is that BOP rural costumer are unaware that there are affordable alternatives to correct vision as they assume there just are expensive spectacles to solve their visual impairment. Secondly, as part of the reason behind the first issue, there is a lack of education about vision correction and its importance as well as knowledge about where to find eye care services available. The third and final issue is the price. In February 2010 there was a study (Keay et al., 2010 cited in Karnani, Garrete, Kassalow and Lee, 2010) in which free eyeglasses were distributed to an Indian rural poor population. After a moth of free access to the benefits of a good vision, delivered by the eyeglasses they were using, the subjects were asked about how much they would be willing to pay for it. The median value answered was US$ 4, though it must bear in mind that this value is overestimated. It is a result of a hypothetical question after the recognition and use of all the benefits of the product. Moreover, in addition to the price of purchasing eyeglasses, which a customized pair cost in average US$ 50 (Karnani, Garrete, Kassalow and Lee, 2010), BOP costumers also concern about indirect costs related to the purchase, cost such as the need to go to a urban center for having eye care services plus doctor fees and the time it would consume.

2.2.2.5. Distribution Channels

The optical industry is a multi-structured network formed by import agents, producers, distributors and retailers (Italian Trade Commission, 2008). In India this sector is highly import dependent thus import agents play a crucial role in distribution and promotion aside with the need of taking care of regulatory requirements. Even producers may import materials and products form import agents in order to perform. Distributors represent the key link between brands and the retail sector, which is fragmented and has
geochartal prevalence in the urban centers. Though distributors remain the principal linkage, most companies have their own sales force to maintain a direct contact with retailers.

According to the Italian Trade Commission (2008) research, the margins level shared by the distribution channel varies between 25% and 35%, each tier of the network retains a margin within 12% and 20%. However, at the final stage of selling to the consumer, retailers practice margin in the range of 70%.

Furthermore, the channel is impacted by two main constraints. On the one hand, due to lack of funding there is a scarcity of eye screening centers, and on the other hand there also is a lack of trained personnel including optometrists and ophthalmic support personnel (Karnani, Garrete, Kassalow and Lee, 2010). Regardless of the impact on urban areas, they have much higher impacts on rural areas since eye care services and optical eyewear shops are concentrated in urban centers and an extra impairment concerning the lack of infrastructure of Indian countryside.

2.2.2.6. Market Trends

The optical industry is being affected by consumer-related and market-related trends shown on the Italian Trade Commission (2008) report that doesn’t go unnoticed.

The consumer-related trends result from consumer profile and behavior. Consumer behavior is shifting, allying fashion with eyeglasses. Its perception is improving from a simple vision corrective devise to a fashion accessory and a personality enhancer. Lifestyles changes are driving an increase in the use of colored contacts lenses, tinted spectacles and more sophisticated lenses. Moreover, as medical camps have been increasing in rural India, BOP costumers have been receiving advice on health issues concerning eye care. Thus, they are becoming more aware of the importance of a good vision and, in addition, companies are offering free eyeglasses to first buyers through the camps aiming to gain brand loyalty.

Regarding the market-related trends, leading players are highly investing on exclusive brand outlets in India major cities, a strategy that has been helping manufactures and
retailers to collectively increase market share. In addition to this strategy, stores under
the same deal of exclusivity are being opened in smaller cities in order to gain
competitive advantage in terms of product visibility and better access to the rural
customer.

2.2.3. Essilor Corporate Strategy

2.2.3.1. Mission

Essilor (2012) states its mission as “to enable the maximum number of people around
the world to enjoy a better life through better sight.”

2.2.3.2. Shared Values

Through the entire Group there is a base of values which are followed and reflect the
corporate culture. Essilor (2012) presents a list of values consisting on respect and trust,
working together, innovation, diversity and entrepreneurial spirit.

Respect and trust are crucial values that the company shares with all partners as it is the
center value of the Group’s human relationship and shared commitment. Then, working
together is what allows having a dynamic continuous improvement of performance. As
for innovation, it is the heart of the group and a key strategic matter, thus being the
group development driver. Since the group is spread worldwide, diversity is inherent,
making the Group stronger and opening doors for geochart expansion and adaptation to
a diversity of local markets from different cultures. Finally, as part of the founding
characteristics, Essilor’s entrepreneurial spirit is a key value as it incentives initiatives
and autonomy.

2.2.3.3. Market Segmentation

Within the eye care market, Essilor competes on the eyewear segment, where it is fully
committed to the plastic lenses market segment developing and offering high quality
products. (Essilor, 2013)
2.2.3.4. Steps for Winning

Essilor runs on following strong pillars: innovation, partnerships and acquisitions (Essilor, 2012). It is these pillars that provide the Group a strong infrastructure to develop a strategy, being inherent to it, which allows serving costumers with state-of-art solution to correct their visual impairment. Furthermore, to win in the optical industry the group’s strategy involves a strong distribution channel, support of people that execute it and sustainability.

2.2.3.4.1. Partnerships & Acquisitions

Born from a merger, Essilor mastered the capacity of working closely with partners. It was through a joint venture with SFR Limited that it entered the Indian market (Karnani, Garrette, Kassalow and Lee, 2010). Moreover, within 2007 and 2011 the group signed 128 acquisitions and partnerships, 29 of which took presence in 2011 (Essilor, 2012). Partnerships and acquisitions are inherent to the company inorganic growth strategy.

In order to strengthening networks and increasing market share, partnerships with local market leaders are made. They are a win-win relationship representing opportunities for both parts of the deal. Local companies are well positioned in their markets and close to costumers, even though they are opened to partnering up with a global leading multinational that provides them technological and marketing resources and knowledge combined with contact with a global network. On the opposing side, local enterprises provide additional diversity and a thorough knowledge of their markets.

Essilor looks toward acquisition not only as a financial transaction, but also as long-term partnerships. Thus, the group promotes independent management, entrepreneurship, respect and a better understanding of the local area. The inorganic growth strategy philosophy passes through integrate partner while respecting local cultures and their specificities.

It was by partnering up with Sankar & Co that Essilor entered the Indian market back in 1998 (Essilor, 2012). At the time the company had a lack of knowledge about
ophthalmic optics. Now, a decade and half later, Sakar & Co is well established in the market with seven laboratories and enjoyed 2011 as its strongest year where it launched five new products. This evolution was driven by Essilor's support with strategy definition, sales teams train and laboratories development. The partner’s feedback states that it was possible due to Essilor’s assistance and support and, above all, due to the Group humility posture which allows management freedom. Thus, the partnership and acquisition approach has been showing effectiveness not only in this example in India, but also worldwide.

2.2.3.4.2. Innovation

Innovation is the key driver of Essilor’s strategy as it allows pursuing its mission of helping people to see the world better. The company is recognized as the 28th most innovative company by Forbes (2013) in its list. Just in the year of 2011, the group developed 235 new products and 45% of revenue was achieved through products which were launched to the market in the three previous years (Essilor, 2012). As a global leader, the group sees in itself the responsibility to create further value for costumers and opticians. Consequently, innovation is engaged in its culture and strategy.

Essilor's innovation strategy is supported by a network of partnerships with universities, industrial groups and innovative SMEs. Since ophthalmic lens industry research resources are limited when compared to other industries, the share of intelligence within the group network turns out to be essential. It provides the access to fundamental research conducted in other sectors and additional breakthrough technology from other fields.

The group has three innovation and technology centers located in France, the USA and Singapore (Essilor, 2013). In addition, complementing the innovation network, there also are a few R&D centers in joint venture and some R&D laboratories in partnership. All partnerships are monitored by one of the three innovation and technology centers on a daily basis independently from the degree of synergy. The approach toward innovation consists on having researchers that, on a first step, seek for innovations in the technological field that wake interest to the Group, then, on a second step, identify the best team capable of developing and working with it.
It is through innovation that consumer needs and expectation are met. In 2011, Essilor launched in the market an innovative product highly requested by consumers. The Optifog anti-fogging lens was a revolutionary technological innovation awarded with a Silmo international gold medal (Essilor, 2012). This is an example of one of the innumerable successful innovative products and services that the group launches in order to better fulfill its mission and better serve consumers and opticians.

2.2.3.4.3. Distribution Channel

Essilor developed a strong distribution channel in order to be competitive in the eyewear industry and to allow their position as global market leader. The group overcomes the challenge to manage the mass production and customized production flow at the same time worldwide. Moreover, the group is fully committed to fulfill three services requisites: flawless service, that matches costumers’ requested specifications, assure constant quality and increase competitive costs. (Essilor, 2012)

According to Essilor’s website it is an international distribution channel composed by twelve centers installed in North and South America, Europe, and Asia that allows the Group to have complete optimal distribution coverage of its markets. In order to reach an optimal performance in the distribution network, all plants follow a set of universal criteria applied by the name Six Sigma (Essilor, 2006). The six main rules to follow are: improving processes, expanding capacity, enhancing quality, improving service, eliminating waste and reducing variability.

2.2.3.4.4. People

Being Essilor a global group made out from innumeros partnerships and acquisitions worldwide, human resource management is both crucial and challengeable. Thus, promoting adaptation, trust and mutual respect throughout the group is a major concern. Here in, the mission statement is critical in order to maintain 50,000 people working together towards the same direction (Essilor, 2012).
In keeping the Group working as one to achieve its objectives, human resources promote the respect of Essilor’s principle in their human relations. Health, safety and working conditions are a priority for providing a pleasurable work environment. Further employee competences are developed through training and job mobility. In order to implement sense of fairness, respect and recognition, principles of individual evaluation were developed and established.

Above all, as it is part of Essilor DNA, innovative spirit is a shared and promoted characteristic throughout the Group. In 2011, an indoor innovation contest was launched where 3,000 employees promoted their ideas in 270 presented, 6 of which progressed to the R&D centers (Essilor, 2012).

2.2.3.4.5. Sustainability

Poor vision is the world’s most widespread handicap counting with 2.5 billion people that, besides being affected, don’t have corrective eyewear (Karnani, Garrete, Kassalow and Lee, 2010). Therefore, Essilor business area is, by nature, sustainable as it adresses a public health issue. Consequently, the Group recognized its mission as “to enable the maximum number of people around the world to enjoy a better life through better sight”, putting on itself a worldwide responsibility to provide better vision for all.

Following the ambition above mentioned, the Group developed programs and partnerships to address the less fortunate. In this field, Essilor (2012) presents some of the actions that were taken. In 2007, the Group created the Essilor Vision Foundation in the USA addressing children, screening them for vision disorders detection and providing the needed corrective eyewear. Previously, back to 2003, a partnership was made, which was recently renewed, with the Special Olympics, a global organization which cares for mental handicaps by helping them to find life fulfillment through sports. In India, the company runs a project to address the rural BOP costumer offering eye care services and providing the opportunity to purchase the corrective eyewear which otherwise they didn’t have access to.

However, Essilor’s sustainable concerns go beyond providing better vision. Environment concerns are also being addressed. A partnership with Veolia Water STI
was made in order to reach eco-efficiency, more specifically water efficient usage. By combining water recycling technologies with production, a unique eco-friendly solution was created and piloted at the BBGR plant in France (Essilor, 2012).

2.2.4. Essilor Addressing the BOP

2.2.4.1. Addressing the BOP

It was in the early 2000’s that Essilor started to gain interest in the Indian rural market (Karnani, Garrete, Kassalow and Lee, 2010). Optical shops were essentially located in the urban centers whereas 70% of India population lived in the rural side of the country with no access to Essilor’s lenses or any other eye care services (Booz & Company, 2010; Karnani, Garrete, Kassalow and Lee, 2010). The group realized it as an untapped market to be explored for its own economic growth aside with the opportunity to address the visual impairment in India, which represented a major public health issue in the country.

However, addressing rural India represented a tremendous challenge. In order to do so, it was needed to overcome four major issues as argued by Karnani, Garrete, Kassalow and Lee (2010). The lack of infrastructure, such as to poor roads or communication networks, the lack of awareness, which contributes for the unwilling to purchase attitude of consumers, the issue of affordability, as the product and service must be affordable for the BOP costumer, and, finally, the lack of trained optometrists, representing a barrier to deliver vision correction.

Therefore, Essilor developed an ambitious and innovative distribution strategy aiming to surpass those major issues and being profitable at the same time. The strategy consisted on equipped vans, which were able to travel through different villages, delivering vision correction service, prescription and the eyeglasses at the moment (Karnani, Garrete, Kassalow and Lee, 2011).
2.2.4.2. Eyeglasses on Wheels

To launch a pilot of the project in 2005, Essilor made a partnership with Aravind and Sankara Nethralaya, two respected non-for-profit eye hospitals (Karnani, Garrete, Kassalow and Lee, 2011).

According to Karnani, Garrete, Kassalow and Lee (2011) the on wheel project was composed by a team of two vans, one was the tele-ophthalmology van and the other was the refraction van, which would travel through villages providing eye care and distributing eyeglasses. The tele-ophthalmology was equipped with state-of-art equipment consisting on screenings connected to a hospital through satellite for various eye disorders. Meanwhile, the refraction van was an optical shop on wheels carrying frames, lenses, a grinding machine and refraction equipment.

The vans were meant to stop in villages in order to host eye camps. Here in, at a first step, patients were screening for vision disorders analyzes and afterwards, at a second step, provided with a prescription which allowed the third, and final, step which enabled the costumers to buy the eyeglasses they needed at a price of US$ 4. This solved the inaccessibility of rural BOP costumers to eye care facilities and enabled the purchase of high quality eyeglasses, meeting their visual needs at a much affordable price.

In sharing the costs, while Essilor stayed financially responsible for the refraction van equipment and stock, which was composed by 200 to 500 frames and approximately 1,000 lenses making a fully stocked van cost near US$ 50,000 for the group, plus the additional cost of training the optometrists, the hospitals agreed to be financially responsible for the tele-ophthalmology vans and its operational costs, such as wages and fuel costs (Karnani, Garrete, Kassalow and Lee, 2011).

Essilor started for profit growth reasons, expecting that this untapped market would make a significant increase on revenue. Profits would be generated by the sales and sponsorship from government’s authorities, NGO’s and philanthropists that supported the project as a return of having their names on banners. In perception of future growth and further scale up of operations, the company calculated that 1,000 vans would be needed, in order to cover 600,000 villages (Karnani, Garrete, Kassalow and Lee, 2011).
The project continued on. By 2007, 50% of clients screened received a prescription from which only 40% percent had purchased eyeglasses from the van, resulting in an average sale of 35 pairs a day (Karnani, Garret, Kassalow and Lee, 2011). However, the revenue generated from sales and sponsorships were not enough to cover the operating expenses of the operation, meaning that there was no profit (opposing what Essilor expected).

Aiming to improve the financial performance, the company applied some improvements in 2010. The price of a prescription of a pair of eyeglasses was increased from US$ 4 to US$ 5, and the product range was expanded with a low-cost alternative of ready-made reading glasses with no need for prescription, which were outsourced from low cost external providers (Karnani, Garret, Kassalow and Lee, 2010).

According to Karnani, Garret, Kassalow and Lee (2011) the improvements along with some costs reduction initiatives allowed Essilor to claim that the project covered its operating costs. However, it only takes into account the operational and depreciation costs, thus not charging the initiative overhead and capital costs. The company kept on operating the vans, after tried to franchise it, limiting future investment to the revenue generated by the operation. By the end of 2010, the project accounted six vans and plans for investing in some more.

2.2.4.3. A Win-Win Relationship

In the beginning, the scenario seemed like a perfect case to make business with the rural in BOP in which company and community would benefit. However, it didn’t end having the initial perceived potential. What started as a profit seeking project, ended up being a corporate social responsibility operation.

Lack of eye care services in rural India was a major public health issue and this operation enabled the BOP costumers to benefit from a service of which they didn’t have access to before. Though vision impairment is a health condition, it has direct impact on people lives making it more than a simple health problem. A single pair of glasses is a life improver. It enables the user to increase earnings (as it increases
productivity and allows to better performance in near-vision tasks), increases health and occupational safety (by preventing accidents caused by lack of vision), improves educational opportunities (since inability to see jeopardizes children learning capability, impacting their educational potential and career prospects) (Karnani, Garrette, Kassalow and Lee, 2010). In sum, it fosters to perform everyday tasks. There is a charismatic example stated by VisionSpring of a Indian farmer that had a all crop ruined due to having mistaken the seeds during the plantation phase. This example is a perfect demonstration of how vision impairment is a constraint in people lives.

Although community benefits were met, corporate ones stayed unmet. Essilor created an innovative distribution strategy aiming to make profit out of an unexplored market full of potential for growth. Yet, the profit goals were not reached. The operation didn’t scale up, as it was intended, as it also was not able to cover its operational expenses. Only after a needed re-adjustment, it started covering them. In the end, although it brought improvement to community, Essilor was not able to make profit from the rural BOP market in India.

2.3. Hindustan Unilever Limited Case Study

2.3.1. Company Introduction

HUL is the MNC Unilever Indian subsidiary, and the largest FMCG Company throughout the country (Hindustan Unilever Limited, 2009). It has a reach portfolio of brands, whose products touch 2 out 3 of Indians every day.

Despite Unilever being present in India for more than 75 years, the name Hindustan Unilever Limited was just implemented in 2007. The company first step into India, as Lever Brothers at that time, dates back to 1888 still, when Sunlight started to be imported to Kolkata (Hindustan Unilever Limited, 2009).

Like Sunlight, new brands started to be imported and sold India by Lever Brothers. Thus, as sales grew, in 1913 Lever Brothers India Limited was created, a subsidiary placed in England to do business in India. However, by 1930 sales had dive to lowest
record as a result of the *Swadeshi* movement empowerment, a movement that stood for India nationalism and self-sufficient capacity by boycotting British goods and promoting Indian goods. Responding to this threat, Lever Brothers India Limited settled and started to produce in India in 1933.

At the same time, by 1930, Lever Brothers merged with Margarine Unie, the owners of Vanaspati (which had started and grew a side with Sunlight). Unilever was born out of this merger. Moreover, two subsidiaries were created, Hindustan Vanaspati Manufacturing Company (1931) and United Traders Limited (1935). By 1956, the three subsidiaries merged to become Hindustan Lever Limited (HLL) offering 10% of equity to the Indian public (Hindustan Unilever Limited, 2009); being the first time a foreign subsidiary to do so.

Throw the time HLL has grown in two different ways. On the one hand, it has grown organically by exploring the Indian market and understanding India culture, having its first Indian chairman Prakash Tandon by 1961. On the other hand, it has grown inorganically through joint ventures and worldwide acquisitions.

It would be just in 2007 that HLL changed its name to the today Hindustan Unilever Limited. Thus, straightening the linkage with the Unilever as a global company and reflecting the company’s Indian heritage at the same time.

Throughout its history in India, HUL always has been pro-active foreseeing market and economic stimulus. It started manufacturing in India as a response to the *Swadeshi* movement. It took the opportunity, offered by the liberalization of the Indian economy, to explore every product and opportunity segment. In 2001, the launching of project *Shakti*, an initiative to reach the rural BOP consumer. Moreover, the inauguration of the state of art Learning Centre campus and the Consumer Insight & Innovation (CiiC) in March and April of 2012 respectively (Hindustan Unilever Limited, 2009). These are examples of how HUL always has been and still is embracing opportunities and growing in line with Indian opinions and aspirations.
2.3.2. Market Analysis

2.3.2.1. Introduction

The Fast Moving Consumer Goods (FMCG) market stands for products that have a quick turnover, thus, getting replaced within a year. It accounts for a variety of products, from salt to soap, which can be allocated in three groups: household care, personal care and Foods & Beverages.

In India, the industry is segmented in two segments: the premium and the popular. The first is confined to the urban upper middle class whereas the second accounts for the mass segment in urban and rural markets. The BOP consumer belongs to the popular segment being 22% urban and 78% rural (Booz & Company Inc, 2010).

2.3.2.2. Market Size and Evolution

In 2010 the Indian FMCG market size was estimated as INR 1,300 billion (US$ 2.399 billion – US$ 1 – INR 54,18) (Company Inc, 2010), making it the fourth biggest sector of the economy, responsible for 2.2 per cent of India's GDP. The market is split in urban and rural markets. The urban market accounts for 66% of total FMCG consumption while the rural accounts for 34% (www.mbarendevezvous.com). Nevertheless, rural India accounts for 70% of India population, which, in major FMCG categories, are responsible for 40% of the consumption.

![Chart 3: FMCG Indian industry growth](source: Adapted from Booz & Company Inc, 2010)
From 2001 to 2010 the market grew on average 11% per year. It is notable that the second half of the decade grew faster than the first one, as shown in table 1. On the first half (2001-2005) the average growth rate per year is 6%, while on the other half it almost tripled to an average of 17%. However, in the recent years, the growth rate declined due to the slow down on the India’s economy.

The boost on the market growth was caused by the growth of modern and rural retail, the growing urbanization, the increase of rural income, the evolving consumer life style as well as the changes in the mind set of the consumer, and, a cultural change in the spending pattern raising the average consumption (Booz & Company Inc, 2010). It is needed to notice that in 2008 the rural and semi urban markets contributed almost 80% to the market growth (Singh, Booker and Barasia, 2009)

2.3.2.3. Market Players

The Indian FMCG market is explored by three different types of competitors: foreign players, strong Indian players and regional or small domestic players (see chart 4). According to Booz & Company Inc (2010) foreign players, in which Unilever is included, mark their presence through subsidiaries and have a strong growth as through organic as inorganic routes. A strong Indian player usually explores a niche segment with a differentiation strategy, being leaders of their category, thus straightening the entry of new competitors. At last, the regional or small domestic players are mainly present at rural areas and small towns and compete on a price basis, offering products with similar appearance of the bigger brands though with lower prices. Having lower corporate overheads and focus on specific consumer demands, regional or small domestic players find here a competitive advantage against larger players.

Though all players grew their sales along with the market growth, it is important to notice that they didn’t grow equally. As it is noticeable in chart 4, foreign player sales growth rate grew the by far the most from the first half to the second half of the decade. On the other hand regional and small domestic players don’t show a significant change. Thus, Indian players and mostly foreign players are the main responsible for the market growth.
FROM A KARAOKE CAPITALISM TO A SUSTAINABLE CAPITALISM

2.3.2.4. Consumer Profile

FMCG goods treat daily and basic needs of consumers, thus reaching urban and rural consumer. According to Booz & Company Inc (2010), among both groups the spending patterns are increasing due to lifestyle and mindset changes. The increasing penetration in the rural markets and young population, in which women are joining the workforce and there are increases on the disposable income that came along with GDP growth, are boosting a consumption-driven economy. Moreover, consumer mindset is evolving; people awareness about health and hygiene conditions is higher, thus consumers are now looking for “money for value” instead of “value for money”, they seek for high quality products at competitive prices. According to Babaria and Dharod (2009) in 2011 the percentage of Indians that would take notice of packaged goods labels containing nutritional information would grow from 59% to 71%.

2.3.2.5. Distribution Channels

Fast moving consumer goods are low evolvement products. If a brand is not available at the point of sale, it is easily surpassed by a substitute of a competitor brand. Thus, the role of distribution network is vital when it comes to maximize sales and market share. A well managed distribution channels allows for efficient product availability, having the product available in the right quantities at the right time, resulting in lower inventory
holding costs, minimized lost sales and high substitution sales (substituting non available competitors’ products).

According to Booz & Company Inc (2010) the FMCG market supply chain in India accounts for five levels of intermediaries across the whole chain. Besides the number of intermediaries there are constraints that difficult the management of the distribution channel in this market. For starters, they have to deal with a fragmented markets and a flood of channels in a constant state of flux. In India, there are approximately 12 million retail stores, of which 9 million are mom-and-pop and kirana stores (Vora, 2011). Furthermore, the channel structure is constantly affected by regulatory changes that create difficult adaptation challenges (Booz & Company Inc, 2010). Therefore, distributors and retailers govern the penetration efficiency of a distribution channel.

2.3.2.6. Market Trends

According to the Booz & Company Inc (2010) there are nine key trends that are parted into three different groups as it is settled in the following table.

<table>
<thead>
<tr>
<th>Consumer-related Trends</th>
<th>Market-related Trends</th>
<th>Environment-related Trends</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Accelerating &quot;Premiumization&quot;</td>
<td>• Rapid Globalization</td>
<td>• Eco-consciousness</td>
</tr>
<tr>
<td>• Evolving Categories</td>
<td>• Many Indias</td>
<td>• Game-changing Technologies</td>
</tr>
<tr>
<td>• Goldmine at BOP</td>
<td>• Growing Modern Trades</td>
<td>• Enabling Policies</td>
</tr>
</tbody>
</table>

The consumer-related trends accounts for the changing in consumers profile and behavior. According to the research behind the report, there are three main trends. Firstly, there is an accelerating “premiumization” resulting from increasing of consumers’ incomes and willingness to spend, thus taking consumer to up-trade, demand higher quality products, which are higher priced. Secondly, categories are evolving in three different ways. A change in consumer’s needs demands for more
evolved and sophisticated products along a category. Moreover, consumers started to
demand tailored products that meet their unique needs. And, at last, a healthier and
more hygienic lifestyle are generating a higher concern about beauty, health and
wellness, thus consumers are shifting towards personal grooming products. Thirdly, the
goldmine at the Bottom of the Pyramid is pointed. For the research of this report BOP is
composed by households that earn less than INR 200,000 (US$ 3,691.40) per year,
which involves 900 to 950 million people across India. The BOP consumer is mainly
rural (78% according to the report) and their basic needs, from electricity to basic
healthcare and communication, still remain unmet.

Concerning the market-related trends first we have a rapid globalization trend. Not only
are more FMCG MNCs entering the Indian market, but also the Indian FMCG players
are evolving internationally through organic and inorganic growth. Then there is the
problematic of many-Indias trend. India gathers 29 states across 3.3 square
kilometers, meaning that there is plenty heterogeneity. Thus, FMCG players are realizing be
conscious about the disparity of consumer preference and that the growth potential of
certain categories also varies from state to state. Bearing in mind Indian population, it is
imperative to decentralize the operational model, working each state or region,
composed by a certain amount of states, as one, in order to be more effective meeting
the consumer needs. Finally, there is a growing modern trade. Indian is largely
composed by unorganized retail, represented by the mom-and-pop stores. However,
modern trade retail is growing. Though it is still on a nascent stage, it shows clear signs
of growth, since it grown at 24% CARG between 2005 and 2009.

Regarding environment-related trends, there are eco-consciousness, game-changing
technologies and enabling policies. The first one relies on the importance of doing
sustainable business especially in the FMCG industry. Environmental concerns are
increasing and companies will have pressure from key stakeholders to become more
sustainable. Stakeholders such as the Indian government, which is committed to a
reduction of 25% of carbon emissions by 2020; consumers, where “87% believed that is
was their “duty” to contribute to a better environment” according to survey conducted
by Edelman in 2008, thus changing their purchase behaviors to do so; or even channels,
counting with the growth of modern trade, some players may require sustainable
footprints from their suppliers. Technologies affect the whole business in all its areas,
thus game-changing technologies are an inevitable trend. According to the Booz & Company Inc (2010) report FMCG players will need to increase their investments in technology to create competitive advantage, since it facilitates front-end processes of business, allows an efficient management of sales and distribution and runs back-end processes. The last trend concerns enabling policies that are under government consideration and, if applied, can create better operating environment, boosting supply and demand.

2.3.3. HUL Corporate Strategy

2.3.3.1. Mission

HUL states its mission as the following: “We work to create a better future every day.”

2.3.3.2. Vision

Hindustan Unilever Limited (2013) states that the company vision to guide the company in term long term relies on four pillars:

✓ “We work to create a better future every day”
✓ “We help people feel good, look good and get more out of life with brands and services that are good for them and good for others.”
✓ “We will inspire people to take small everyday actions that can add up to a big difference for the world.”
✓ “We will develop new ways of doing business with the aim of doubling the size of our company while reducing our environmental impact.”

2.3.3.5. Market Segmentation

HUL segment the market in three different segments: Affluent, Aspirers and Strivers (Hindustan Unilever Limited, 2008). The affluent segment is the high class consumer which is served with the top end business luxury products, the aspirers are a representative growing middle and upper middle class and the strivers represent the BOP opportunity which is being exploited with goods at affordable prices.
2.3.3.3. Steps for Winning

According to Hindustan Unilever Limited (2012), the global strategy towards succeeding in the Indian market presents four distinctive key areas: Brands and Innovation, Market Place, Continuous Improvement and People. Moreover, the plan is completed with the HUL Sustainability Living Plan.

2.3.3.3.1. Brands and Innovation

As an umbrella brand the company has to manage its brand portfolio and respective innovation for winning. It is perceived that HUL products are used by two out of three Indians, being then part of everyday life helping people to get more out of life, feeling and looking better. Brands and innovation are accepted as the crucial for what HUL does. So, R&D are core to the company and it is explored in order to have bigger, better and faster innovation allowing to embrace, explore and answer appropriately to consumer needs.

2.3.3.3.2. Market Place

To win in the market place, HUL works on coverage expansion in urban area, going along with the modern trade trend the company made joint marketing plans with market leaders like Walmart, Metro and Tesco, and more remote rural areas as well. To fasten up the coverage process, it counts with its insights, technology, the project Shakti and the flagship program. Within 2010 and 2011, HUL enlarged its distribution network in one million new stores. However, coverage by itself is not enough, as 70% of decision making to purchase takes place inside the points of sale, makes the presence in point of sale a crucial issue. Thus, there is the Perfect Store program which pretends to improve availability by maintaining and building assortment in outlets and to ensure visibility in store as well, and there is also the 3G platform (Gain, Grow, Get ahead) which aims to motivate associates to better perform in the market through recognizing and rewarding the ones with a top performance and increasing their capabilities by providing knowledge for business growth. Nevertheless, centricity is on the costumer. In order to better connect with costumers, HUL created the “Happy 2 Help” program, playing
across 2300 distributors, which represents an active effort to identify and solve costumer issues.

2.3.3.3. Continuous Improvement

HUL makes an ongoing effort to improve products, services and processes aiming to bring better quality and service to consumers along with cost savings and accelerated growth for the company. This effort is made in every area. For starter, as a consumer-led organization, being products and services shaped to aspire their needs, there is an effort to keep up with them which are not a constant and are changing rapidly.

Efforts are also made to improve service and quality. Service witnessed improvement in 2011 over “On Shelf Availability” and overall service level measured through CCFOT (Costumer Case-Fill On-Time), as for quality systematic improvements are made and perceived by consumers. In 2011, complains dropped by 13% per million units. Further there is continuous improvements on flawless execution, costs savings and cash management. To support business growth capacity is being added into a structured and cost effective framework. Just in 2011 global Unilever capacity increased in 20%. Wherever the company finds an opportunity to add value or to save costs across the value chain, it is rapidly executed and implemented. Across all possible improvements, HUL prey for a sustainable growth.

2.3.3.4. People

As market rapidly improves with the rise of incomes and consumer’s aspirations, HUL growth requires the best talented and organizational culture with high performance teams able serve and please consumers. Thus, company’s teams are oriented to innovate, work faster and take advantage of the inside knowledge of a global scale multinational to meet consumer full satisfaction.

In the war of talent, HUL keeps on worrying about attracting recruiting and training brilliant minds that match the company’s growth ambitions. In this matter, there is the Management Trainee program, mostly known as Unilever Future Leaders Program
(UFLP), which trains young managers to be able of being in charge of leadership positions across the globe.

To improve organizational culture, there are efforts to clear goal-setting, encourage learning and to listen to employees. Moreover, the company aims to offer a desirable work-life balance to its employees by building culture of engagement, flexibility and inclusion. Thus, performance is not measured in terms of time or attendance, but by the results. Since the business needs are met, people can work anytime and anywhere.

2.3.3.4. Unilever Sustainable Living Plan

Having a clear view over the actual concerns about global warming, resource scarcity and more, Unilever, well-known for its sustainable way of doing business, launched in 2010 a 10 year long term plan addressing these concerns. The Unilever Sustainable Living Plan 2011 is destined to decouple the company growth from its environment footprint, while at the same time increasing its positive social impacts. Thus the plan is focused to achieve three main goals by 2020:

- “Help more than a billion people improve their health and well-being”
- “Halve the environmental footprint of our products”
- “Source 100% of our agricultural raw materials sustainably”

The Plan is divided into three categories, each one addressing one goal, plus a final category concerning the company employees, which is intrinsic to the others. Within the groups there are seven topics explored with different goals and measures.

Table 2 – Unilever Sustainable Living Plan

<table>
<thead>
<tr>
<th>Category</th>
<th>Goals</th>
</tr>
</thead>
<tbody>
<tr>
<td>IMPROVING HEALTH &amp; WELL-BEING</td>
<td>“Help more than a billion people improve their health and well-being”</td>
</tr>
<tr>
<td>REDUCING ENVIRONMENTAL IMPACT</td>
<td>“Halve the environmental footprint of our products”</td>
</tr>
<tr>
<td>ENHANCING LIVELIHOODS</td>
<td>“Source 100% of our agricultural raw materials sustainably”</td>
</tr>
<tr>
<td>HEALTH &amp; HYGIENE</td>
<td></td>
</tr>
<tr>
<td>IMPROVING NUTRITION</td>
<td></td>
</tr>
<tr>
<td>GREENHOUSE GASES</td>
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<tr>
<td>WATER</td>
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<td>WASTE</td>
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<tr>
<td>SUSTAINABLE SOURCING</td>
<td></td>
</tr>
<tr>
<td>BETTER LIVELIHOODS</td>
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</tr>
</tbody>
</table>

Source: Hindustan Unilever Limited, 2011
2.3.3.4.1. Improving Health & Well-being

Hindustan Unilever Limited (2011) quotes “We provide millions of Indians with a variety of affordable, quality products which help improve their diet, lifestyle and overall health and well-being.” Herein the company acts in the following fields:

- **Health and Hygiene**

  HUL aimed to reduce diarrheal and respiratory diseases and to provide safe drinking water. Concerning the first one, the global target was set to change the hygiene of 1 billion consumers across Asia, Africa and Latin America by 2015 through promoting the benefits of hand washing with soap, a goal for the Lifebuoy soap brand to reach. It is important to notice that washing hands with soap reduces the risk of diarrheal diseases by approximately 47%. In India, Lifebuoy spread the hand washing messages to 30 million people within 2010 and 2011 with the “Khushiyon Ki Doli” (Caravan of Happiness) program. This program was designed to outreach the remote rural areas, which the company believes, based on an average household of five, to have the potential to reach 150 million people.

  The global target for providing safe drinking water aims to create availability of affordable safe drinking water to 500 million people in the world through Puriet in-home purifier by 2020. 80% of all diseases are water-born, which makes in the developing countries the poor quality of the drinking water a major trigger of diseases. With no need of electricity or running water, Puriet in-home water purifier provides safe drinking water that meets the United States Environment Protection Agency standards for safety from germs. It has an upfront cost starting from INR 900 (US$ 16.61) and an ongoing costs of INR 1 (US$ 0.02) per four litters of safe drinking water. In India, 30 million people have already gained access to safe drinking water through Pureit.

- **Improving Nutrition**

  For this matter HUL intends to tackle micronutrient deficiency, reduce salt levels, remove saturated fat, remove trans fat, reduce calories and provide healthy eating information. Addressing the low-income consumers’ nutrition needs, the company is
making everyday nutrition affordable, a journey that started with the iodine fortification of Annapurna salt.

The global target for providing healthy eating information is for all products to contain energy per portion information on the front of the pack and a list of the eight key nutrients and percentage Guideline Daily Amounts (GDA) for five nutrients on the back of the pack by 2015. Concerning the same topic, HUL already participates in “The Choices Program”, which is a cross-country labeling program and multi-industry initiative from Choices International Foundation. This labeling program design to help consumer making a healthier choice.

2.3.3.4.2. Reducing Environment Impacts

Hindustan Unilever Limited (2011) quotes “Our commitment to sustainability requires us to go beyond our own operations and reduce total environmental footprint. We ensure that our impact on the environment is minimized across the value chain, from sourcing materials to consumer use.” Herein the company acts in the following fields:

- **Greenhouse Gasses (GHG)**
  Unilever made a commitment to reduce greenhouse gases from washing clothes, company manufacturing, transport and refrigeration. Concerning laundry, the global target is to formulate products to reduce greenhouse gas emission by 15%. In India, the reduction of STP (Sodium Tri Poly Phosphaste) is responsible for a considerable reduction of GHG emissions. Further, the target in manufacturing is to get to 2020 with equivalent or lower CO2 emissions from energy as in 2008 and to reach 40% of total energy requirement from renewable energy also by 2020. Concerning refrigeration, Unilever is remodeling all freezer cabinets to use climate-friendly (hydrocarbon) refrigerants.

The company set the goal for 2020 to maintain the CO2 emissions from logistics below 2010 levels despite the increases on volume, meaning a 40% improvement in CO2 efficiency. India represents the major challenge on this matter. However, in 2011 there was a CO2 efficiency improvement of 17.8% over 2010.
• Water
As water is a scarce resource, the company intends to reduce water consumption and to improve water efficiency. Unilever works with suppliers and partners to reduce water use in agriculture. For this matter the company is persuading suppliers to use drip irrigation system to grow corps since it reduces considerably the water usage. However, the system is expensive and not adaptable to all scenarios. In 2010, Unilever provided drip irrigation systems to 25 Indian farmers that work with their suppliers. Also in manufacturing there is the goal to reduce water usage, aiming that by 2020 the water abstraction of all manufacturing network will be the same or lower than 2008 levels despite higher volumes.

Besides manufacturing and suppliers, in India, HUL and the Hindustan Unilever Vitality Foundation work on community projects towards conserving water. In some states of the country there are being implemented rainwater harvesting and soil conservation project. It expects to lay up a hundred billion liters of water, benefiting one million people and in some cases rising crop production up to 50% by 2015.

• Waste
The waste produced by the company is a serious issue. Unilever is tacking measures to reduce waste and recycle in packaging and reduce waste in manufacturing. Concerning manufacturing the global target is to send an amount of waste for disposal equivalent or lower to 2008 by 2020. The company recycles more than 95% of its total waste in an environment-friendly way.

For packaging reduction the global target is to reduce the weight of packaging used by a third with usage of lightweighting materials and concentrated products. In India, HUL developed more than 30 projects with the potential of reducing 2,000 tones of plastic and 1,750 tones of plastic per year. More than reduce waste, it also looks towards recycling. The target goal in this matter is to increase recycling and recovery rates by 5% until 2015 and until 15% by 2020. Within packaging, the sachets represents a recycle challenge though they are an efficient use of packaging by generating less waste per milliliter of product sold compared to bottles. The company aim to create a sustainable business model to handle with the sachet waste
based on technology that involves catalytic de-polymerization of plastics into fuel that can be used in factories.

- Sustainable Sourcing

In matters of sourcing Unilever aims to achieve 100% sustainable agricultural raw materials sourcing. Concerning palm oil, the goal is to acquire all of it from certified sustainable sources by 2015. For tea, in 2011 more than 16% was sourced from sustainable sources in India. However, it is aimed to have all Lipton tea sourced from Rainforest Alliance Certified™ by 2015 and all Unilever’s tea sourced from sustainable suppliers. Concerning fruits and vegetables the global target is to acquire 100% of fruits and 100% of the company’s top 13 vegetables and herbs from sustainable sources.

2.3.3.4.3. Enhancing Livelihoods

Hindustan Unilever Limited (2011) quotes “From sourcing to distribution – we work with millions of small-scale business. The majority are smallholder farmers and small-scale distributors who sell our products. We have been piloting a number of initiatives focused on improving the quality of their livelihoods.”

Aiming to improve livelihoods, HUL helps small and marginal farmers across India improving their corps and profits through sustainable agricultural methods, developed the project Shakti, which makes entrepreneurs out of ordinary woman in rural areas, and implemented the Kwality Wall’s mobile vending channel that provides entrepreneurship opportunities across India, allowing each vendor to make approximately INR 3,000 (US$ 55,37) a month.

2.3.3.4.4. People

Hindustan Unilever Limited (2011) quotes “We will enable our people to make sustainable choices at home and at work”

People are the engine behind the vehicle. Thus, the employees are naturally involved in the effort to achieve the sustainable living plan goals. Indoor goals are related to
reducing workplace injuries and accidents, employee travel, energy and consumption in offices, office waste and to improving employee health and nutrition.

In India, workplace injuries and accidents improved considerably as the Total Recordable Frequency Rate (TRFR) has been reduced 46.4% from 2008 to 2011. Unilever uses behavior based safety systems since 2004. However, the model has been re-launched in 2012. Besides injuries and accidents, employee travel has also been reduced. To improve communication and reduce traveling Unilever is investing in advanced video conference facilities. Just in India, video conferencing facilities provide fluid contact between 10 offices without the need for dislocations within the country.

Concerning office waste, the goal is to have 90% of it reused, recycled or recovered and 30% of paper consumption reduced by 2015 and send zero waste to landfill by 2017 through the top 21 countries. For energy consumption in offices, the global target is to purchase half of the energy (kWh) per occupant by 2020 versus 2010 in the top 21 countries.

The long-term goal for improving employee health and nutrition is to extend the Lamplighter program to all the countries where the company operates. The program covers the top three health risks identified: mental health, lifestyle factors and ergonomic factors.

2.3.4. HUL Addressing the BOP

2.3.4.1. Addressing the BOP

HUL is concerned about the BOP consumers since the 90s (Prahalad, 2004). By then, HUL, as market leader in India, hadn’t just limited itself to keep its market share, but also, innovate, look up for opportunities and for the challenge of penetrating the rural India (Hindustan Unilever Limited, 2009). Now-a-days, the company is well established through rural India and yet with room for growth and improvement.

To address the rural BOP consumer, HUL created a bold and innovative distribution network to beat the practically inaccessible rural villages across the country named
Project Shakti. According to Prahalad (2004), this project had to overcome three major challenges. The low consumption per capita allied to the fact that the target market was huge and spread over a large area represents the first challenge. The second is the lack of infrastructure as innumerable villages had no connection by train or air and had poor roads connectivity. Finally, due to poor purchase power, the products needed to be as affordable as possible.

2.3.4.2. Project Shakti

According to Unilever’s article on “For Rojamma, Project Shakti means being able to educate her daughters”, Project Shakti model consists on recruiting women from self-help groups to provide train in selling, commercial knowledge and bookkeeping, and give them the opportunity to become a Shakti Amma, distributor of HUL brands, thus, bringing and commercializing the company products to their villages and nearby villages. In order to start business, they have to invest on an initial stock within INR 10,000 to 15,000 (US$184,57-276,85), which can be borrowed from self-help groups or micro-finance banks with the company’s support. The merchandising is comprised by single use sachets in order to be affordable to the villagers. Most Shakti entrepreneurs reach sale of INR 10,000-12,000 (US$184,57-221,48) with a netting profit of INR 700-1,000 (US$ 12,92-18,46) ending up with an average income of INR 500 (US$ 9,23), which, as an additional activity, doubles the household income.

To launch the project and improve it along the years, HUL counted with the support of NGOs, banks and both state and local government. These partners recognized the positive economic impact that the project would have and cooperated with HUL. It was put in practice first with a few pilot villages in Andhra Pradesh in 2000. By 2004, the project was operating with 13,000 Shakti women across 12 states. In 2011 HUL accounted 45,000 Shakti Ammas with the capacity of reaching 3 million households across 100,000 villages. As a goal, the company aims to increase the number of recruits to 75,000 by 2015 (Hindustan Unilever Limited, 2013).

To go further with the project, the company trained local women to give talks to villagers concerning basic health practices. These women, the Shakti Vani (voice), accelerate the process of educating consumers and they inform and teach useful
practices to improve health conditions. In addition, Shakti Vani runs an awareness creation program with Lifebuoy on the importance of hand washing (World Bank Institute, 2008).

As an extension of the project, kiosks with internet-linked computers were set in villages, most of them installed in Shakti’s houses. This IT initiative, which is called i-Shakti, was formally launched in November of 2004 in partnership with the Andhra Pradesh government and over time it was adopted to other states as well. It was created to meet the information needs of the villagers providing free and interactive interface with information on various subjects as agriculture, finance and health. The content is voice-enabled allowing the usage for illiterates. Moreover, it was develop in the local language by institutions and NGOs with the experts on the field so that it could be available in different local languages.

2.3.4.3. A Win-Win Relationship

There are many ways to describe the Shakti initiative. It can be described as micro-entrepreneurs networking which delivers products directly in consumer homes or a distribution initiative that creates livelihoods and improves the standard of life. No matter how it is described, it evolves corporate social responsibility, sustainability and business ending up in a win-win relationship between HUL and communities. That is the engine behind the machine. If the shakti project is sustainable and scalable, it is because communities grow along with the project.

HUL gained a direct reach to rural consumer, untapped markets that weren’t exploited yet, beat local outlets moving the market place frontline directly to consumers’ home, and, consequently, increased the sales network resulting in higher profit for the company (Hindustan Unilever Limited, 2012). Moreover, the project increased brand awareness and better than that, due to the direct home-to-home contact between Shakti entrepreneurs and consumers, it built brand loyalty (World Bank Institute, 2008).

According to Unilever’s article on “For Rojamma, Project Shakti means being able to educate her daughters”, the access to internet-linked computers with educational programs in dark media zones, the talks concerning to improve health conditions and the access to quality products at affordable prices are some of the benefits that
communities obtained from the project. Nevertheless, the main achievement, which was the social goal, was the empowerment of unprivileged women resulting in the increase of livelihood for innumerous households. The economical empowerment takes a critical place, however it is not everything. The self-esteem development and a place in society come along with the project for many women. The article presents the example of Rojamma, an early widow left with two daughters to rise. More than not being able to gain enough to feed the household, she lost her place in society since she couldn’t get married again, due to cultural reasons, what would jeopardize her daughters future even in marriage. Once Rojamma became a Shakti Amma she was able to provide food for her family, send her daughters to school and regain a place in society. “When my husband left me I had nothing except my daughters. Today everyone knows me. I am someone now”, she says.

2.4. Problem Recap and Conclusion

The two cases above presented are examples of two different MNCs competing in distinct markets that made an effort to think out of the box and developed an innovated solution to untapped the BOP opportunity in India.

Essilor and Unilever Indian subsidiaries created and implemented projects to address its rural BOP market. This market presents itself as an ultimate challenge: poor infrastructures, lack of awareness and knowledge, a variety of local languages, low purchase power. Although both projects were design to overcome the challenges profitably they didn’t have the same results. While HUL was able to untap the hidden opportunity defended by Prahalad and Hart (2002), Essilor was not able to find profits by addressing the BOP.

Essilor’s project consists on two vans responsible for setting up eye camps on villages where consumers are screened, get a prescription and can buy a the prescriptive pair of spectacles. Though, the project had some limitations. The settled price did not meet the price-performance trade-off requested by the BOP costumer, only 40% of the poor that received a prescription, after being screened, bought the glasses on the van. Moreover, the operation had problems to cover it expenses, couldn’t be scaled up as well.
On the other hand, HUL developed an alternative distribution channel which included community members as local distributors (shakti amma). Aside with the project shakti HUL created an IT infrastructure by providing internet-linkage computers to communities, the majority placed in Shakti Amma household, plus the company trained local women to be shakti vanni, who would give talks to villagers, thus educating consumers.

In sum, Essilor had to make some adjustments to the initial project in order to keep it running covering its one expenses, and HUL created a self-sustain system of micro entrepreneurs that distribute their products to the villages profitably. Regardless of how profitable or not, both projects are innovations that brought social benefits to communities, thus being business made out of social innovation systems.

Questions to the case studies:

**Why was Essilor not able to find profit at the Indian rural BOP market?**
- ✓ The answer to this questions is by answering the following ones:
- ✓ How did Essilor reached the Indian rural BOP consumers?
- ✓ How did Essilor innovated its products, processes and distribution?
- ✓ Why are BOP willing to purchase?

**Why was HUL able to find profit at the Indian rural BOP market?**
- ✓ The answer to this questions is by answering the following ones:
- ✓ How did HUL reached the Indian rural BOP consumers?
- ✓ How did HUL innovated its products, processes and distribution?
- ✓ Why are BOP willing to purchase?
3. Pedagogical Note

3.1. Case Target-Segment

The cases develops a nowadays subject concerning economics, business strategy, social innovation, humanitarian work and sustainability. Thus the target group consists on the following list:

✓ Students from the fields above mentioned
✓ Corporate institutions professionals
✓ Governments
✓ Humanitarian institutions

3.2. Pedagogical Objective

The case study analysis enables the target-segment to:

✓ better understand social innovation and it can contribute for doing business
✓ prove it is possible making profit while contributing for society
✓ break up with assumptions taken for granted being more open-minded
✓ learn from the innovative solutions

3.3. Literature Review

3.3.1. Karaoke Capitalism

The concept of Karaoke Capitalism was created by Jonas Ridderstråle and Kjell Nordström on their book “Karaoke Capitalism: Management for Mankind”, first published in 2006, in which, they developed a metaphor between our society and a karaoke club where institutionalized imitation takes place.

As if in a karaoke club, where people try to do their best singing someone else’s song, nowadays companies also ought to be successful by using benchmarking and the so called “best practices” instead of becoming a “first class version of themselves”
(Ridderstråle and Nordström, 2006). The authors describe the former determinations as “fancy labels” intended to replace the word imitation.

Being the world capitalistic, it is dominated by markets, money matters and people’s lives are depending on the willing of these markets. Thus, it is possible to describe it as individualistic. There are “an infinite possibility of individual choices”, as the authors defend, therefore the new generation “I” appears, where “I” stands for international, informed, informal, impatient, intense, and individualistic. As a result people rely on what they purchase to express themselves as (extremely) a unique individual. The authors, highlight the words of Barbara Kruger when she says “I shop therefore I am”. Nevertheless, not everyone is able to join the Karaoke Club. Either capital or competence is requested in order to have access to freedom of choice provided by the club.

From an economic point of view, Ridderstråle and Nordström (2006) argues that we are transiting into a “Double Economy”. Here in, the world finds itself polarized; on the one hand we have a very wealthy part of the population while on the other hand we find the rest of the population living in poverty. This transition is visible even in countries which focus is on equality. As an example the authors make reference to the salary difference between a Swedish factory worker and the CEO, which has grown from 1:9 to 1:46 throughout the last two decades. The truth is that it is starting to be difficult to distinguish poor countries from rich countries; the truth is that “most places tend to be both”.

Another premise of the Karaoke Capitalism is that organizations seek for monopolies as if it is a situation they can reach. Since it is rare, most of the cases it nothing but a mirage. As competition gets tighter and tighter, companies are trying to destroy one another. “Indeed, they are trained to do so. They are rewarded to do so. Be warned. Do not believe anything else. Corporations exist for the simple reason of continuously and creatively crushing competition. They are created to fight the spirit of free enterprise.” (Ridderstråle and Nordström, 2006) In this conditions, successful entrepreneurs resort to creative destruction. And, “It is this very sequence of creative destruction resulting in temporary monopolies that ensures development and economic growth in a market economy”. Entrepreneurs find a way of mutilating an actual product or service, creating
a new one that surpasses the present one, thus ending up with a temporary monopoly while competitors don’t catch up.

3.3.2. Social Innovation

3.3.2.1 Social Innovation Vs Innovation Itself

Before understanding the meaning of social innovation, one must understand the simple concept of innovation by itself. The simplest definition of it is actually accurate and enlightening. Innovation consists on “new ideas that work” (Mulgan, 2007). This means evolution of concepts, generating more effective technologies, products, services or even processes. While improvement is a form of invention that reflects an incremental change, innovation requires invention which has to pass through implementation and diffusion allowing the new idea to work and be useful.

According to Mulgan (2007) innovation can be used for different reasons. What separates social innovation from innovation itself is the reason behind it. Thus, social innovation is the process of innovation aiming to meet social goals, while for innovation itself is a process to maximize profit concerning the risks and rewards and measuring success with financial statements. Social innovation uses innovation to overcome a social gap and its success is measured by the impact on society, measuring weather it meet the needs it was supposed to.

There is a variety of social goals in need. Mulgan (2007) highlights the following as having the highest innovation deficit: rising life expectancy, happiness, incidence of long-term conditions, difficult transitions to adulthood, stark inequalities and behavior problems of affluence.

3.3.2.2. Why Innovate

Social innovation needs no proper reasons or conditions to be done, though there are some scenarios where it becomes a necessity. According Mulgan (2007) there two main drivers that make clear the necessity for innovation.
A first one is when social problems start to get worse, which can be allied with systems failure, when they are no longer working, and when institutions reflect past problems instead of the present ones. The second driver relies on the awareness of gap between of what there is and what there should be, between what society needs and what institutions have to offer.

Despite of critical drivers that awake the need for innovation, there is always space for innovation. As Mulgan (2007) highlighted using Lord Macauley words: ‘There is constant improvement precisely because there is constant discontent’. The continuity of innovation is essential in order to avoid getting to the extreme drivers.

3.3.2.3. Actors in Social Innovation

Social innovation doesn’t just appear as time passes by, the idea creation and implementation is made by people who spot the social gaps and work to meet that need. According to Mulgan (2007) there are three main types of actors in charge of making social innovation happen. These actors are individuals, movements and organizations.

Throughout history, many social changes resulted from the energy and lack of patience of single individuals, who persuaded the majority of the value of the change. A good description of these pioneers is the one that Tony Flower does over Michael Young creator of the Young Foundation: “sheer persistence, a kind of benign ruthlessness, clutching onto an idea beyond the bitter end, always taking no as a question” (Mulgan, 2007).

Although pioneers are the key idea creators for social innovation, they can’t implement it alone. Therefore, movements for changes are crucial to make the changing happen, as for example the feminist movement. Movements make history as much as individuals. Though they group thousand and millions of people, they are guided by a few percentage responsible for the idea, organization and campaign to express the discontentment from which the movement was born.
Mulgan (2007) points organizations as the third actors. A successful organization does not limit its focus to existing activities. Beyond that, they seek solutions for unexplored needs that are able to prevail in the future and contribute to the organization wealth.

While the later two actors are only focused on innovation, organizations have always focused on the present operations and sometimes perceiving innovation is seen as distraction from efficiency and performance management.

### 3.3.2.3. Social Innovation Barriers

According to Mulgan (2007) there are four major barriers that prevent the implementation of new ideas. Regardless of how beneficial changes coming from a new idea can generate are, these barriers must be accepted and overcome.

The first barrier is efficiency. People doubt about the efficiency that would result from change. They programmed their selves to work on the present system and may feel threatened by the implementation of a new idea, as it is sensed that it will make performance even worse regardless of how inefficient it is now already. No matter how well a new approach is designed, when compared with one that is already on the run, it will always appear to be less efficient and effective.

The second barrier concerns peoples’ interests. There are the ones well placed benefiting from the running approach, who are not much open to the risks of change. Also, there are the interested groups who, despite all the benefit they could get from change, have realised how to be indispensable and how to work with the system to meet their own goals. (Olson et al., 1982 cited in Mulgan 2007)

Thirdly, peoples’ minds represent a barrier as well. All social system grows stronger in peoples’ minds, becoming inherent to life in forms of assumptions, values and norms. Moreover, the more it seems to work, the more attached to peoples’ sense of identity will become.

The fourth and final barrier consists on relationships. Systems’ movers and shakers relationships go beyond formal organization chart. This creates resistance to radical
changes as they represent a settled network of mutual commitment, which relies on a sequence of favours and debts responsible for making things work within a system.

3.3.3. The BOP Proposition

3.3.3.1. Introduction

“The bottom of the pyramid” proposition is firstly developed by C.K. Prahalad and Stuart & Hart in their article “The Fortune at the Bottom of the Pyramid” published in 2002. It looks towards the lowest tier of the tier of the economic pyramid as a large unexplored market composed by billions of poor, whose needs are far from being met. Moreover, the authors argue that the proposition represents the way to eradicate poverty. An inclusive capitalism in which the poorest of the poor are not forgotten unlike what Franklin D. Roosevelt stated “the forgotten man at the bottom of the economic pyramid” (Roosevelt, 1932).

Eradicating poverty is a concern that historically has been taken into account by governments and non-for-profit organizations through aid programs and charity donations. However, it has been showing itself as not being effective. As proof, the evolution in percentage of people living in global poverty dropped only 3% within 1987 and 1998, from 29% to 26% (World Bank, 2001). In fact, counting with population growth the total number of people remained unchanged.

Thus, Prahalad and Hart (2002) saw in addressing the BOP as consumers a large market to invest in, with bidirectional benefits for company and community. The initial proposition finds in MNCs the responsibility to be the first addressing the BOP as a costumer since they have the needed resources to do so. They argue that though developing a sustainable and profitable business addressing the poor of the poorest is challengeable with the need to overcome barriers, in the end, if implemented successfully, the risk taken will be worthy due to returns. So, MNCs would be eradicating poverty making profit at the same time just by focusing on the untapped BOP market opportunity.
The initial proposition was further developed by Prahalad (2004) presented a book titled “The Fortune at the Bottom of the Pyramid”. It was also criticised and refined by others. Karnari (2007) and Landrum (2007) show concern about the risk of MNCs addressing the poor would just result on further exploitation of those individuals already in need. Jaiswal (2007) presents a framework separating the “undesirable exclusion” from “undesirable inclusion”, concerned about the potential impact of emerging business in BOP lives.

### 3.3.3.2. The BOP Consumer Proposition

#### 3.3.3.2.1. Definition of BOP Consumer

Prahalad and Hart (2002) presented table 3 in their paper dividing society in four tiers. A first one composed by 75 to 100 million people with an annual per capital over US$ 20,000, a second and a third tier that combined reach 1.5 to 1.75 billion people with an annual per capital between US$ 1,500 and US$ 20,000, and a last tier, the forth, composed by 4 billion people with an annual per capital lower than US$ 1,500. This last tier accounts for the poorest of the poor to whom the BOP proposal turn focus to.

<table>
<thead>
<tr>
<th>Annual Per Capita Income*</th>
<th>Tiers</th>
<th>Population in Millions</th>
</tr>
</thead>
<tbody>
<tr>
<td>More Than $20,000</td>
<td>1</td>
<td>75–100</td>
</tr>
<tr>
<td>$1,500–$20,000</td>
<td>2 &amp; 3</td>
<td>1,500–1,750</td>
</tr>
<tr>
<td>Less Than $1,500</td>
<td>4</td>
<td>4,000</td>
</tr>
</tbody>
</table>

Source: Prahalad and Hart, 2002

There is an unexploited market composed by billions of costumers that per unit have low purchasing power, who will be willing to purchase if served in a right way. The source of market promise is “the billions of aspiring poor who are joining the market economy for the first time” (Prahalad and Hart, 2002). The BOP represents a market of 4 billion aspiring poor mostly present on the developing countries.
Prahalad (2004) makes an analogy with an iceberg. The pick of it is the exploited markets of tiers 1, 2 and 3, and hiding below the water level is the fourth and largest tier.

### 3.3.3.2.2. Prejudices Against the BOP

This submerse tier is wrongly not seen as consumer material, Prahalad and Hart (2002) argue “most MNCs automatically dismiss the bottom of the pyramid because they judge the market based on income or selections of products and services appropriate for develop countries”. They defend that low income markets are, in fact, an unexplored opportunity. What keeps MNCs from seeing the BOP market as an opportunity are a set of shared assumption. Prahalad (2004) highlights five major assumptions and respective implications.

On a first hand, poor cannot afford the product therefore they are not a target costumer, it implicates that they see their cost structure as given so that they are not able to serve the BOP market. Secondly, the poor do not have use for the product, since MNCs are committed to a form over functionality it implicates that most of the cases the BOP cannot afford the product or service due to its format. Thirdly, only developed countries are willing to pay and have appreciation for technological innovations, this implicates that the BOP market does not need and wont purchase advanced technological solutions. Fourthly, MNCs don’t see how BOP market can have critical impact for the company wealth in the long-term therefore they assume it as an attractive distraction. At last, they assume that intellectual excitement is in the developed world making it hard to recruit managers to work on the BOP market, this implicates the need to assign people to work on developing the BOP market.

Prahalad (2004) argues that there is the need to break up with these prejudices and recognise the hidden opportunity. However, it is true that the BOP represent a challenge. It can’t be served in a traditional way; it requires radical innovations in technology such as in business model. It is a culturally sensitive market that needs to be served in an environmentally sustainable and economically profitable way. It presents a
new challenge: how to combine low cost, good quality, sustainability and profitability. Nevertheless, it promises growth, profit and incredible contributions to humankind.

3.3.3.2.3. BOP as Consumers

The BOP market is not a traditional market. Though it is worth to invest and explore, it is challengeable. Prahalad (2004) highlights five critical characteristics that are needed to bear in mind before approaching it.

1. “There is Money at the BOP” – He cites that there is a prejudice that poor people don’t have money to spend, assuming then there are no market amongst them. Knowing that the purchasing power per each is lower than US$ 2 a day, it is true that an individual by himself doesn’t seem to be attractive to sell to. However, there are billions, which results in a latent purchasing power to explore and unlock. Thereby the profitability of a business is engaged by volume and capital efficiency.

2. “Access to BOP Markets” – It is assumed that distribution access is difficult representing a constraint for the MNCs. In fact, urban areas have become home to a lot of the poor. There has been a trend to migrate to big cities. In developing countries one city is place for millions of citizens, including a considerable number of BOP citizens. This means that part of the BOP market is concentrated on cities where access is not a constraint, even though there are rural poor as well. In the last scenario, distribution access is indeed an impediment. Most of rural markets can be designated as “media dark” since they still haven’t had access to audio and television signals. As a result, not only they don’t have access to products and services, but they also don’t have access to knowledge about them or how to use them. Ireland (2008) argues that companies should focus on the urban BOP since a large amount of BOP live in the urban slums where there is already established a network of small retail outlets.

3. “The BOP Markets are Brand-Conscious” – Prahalad (2004) states that it is wrongly assumed that the poor are not brand-conscious. Brand consciousness is universal and the poor are no exception. The aspiring of a new quality of life is
everyone’s dream. The brand is a major part of perceived quality, as Mulky (2011) refers “poor consumers have very little margin for error and try to reduce risk by purchasing well-known brands which are viewed as less risky compared to cheaper local brands.” They are value buyers seeking for good quality at prices they can afford. Moreover, Ireland (2008) suggests that urban poor look towards the high quality brands purchased by the middle class as “aspirational brands”.

4. “The BOP Market is Connected” – Prahalad (2004) defends the existence of a couple of components that prove that the BOP can be connected. Firstly, wireless connectivity is spreading among the poor. Second, it has become easier to get telecommunications handsets and service. And, to conclude, an emerging number of kiosks that provide access to PCs at low prices. So, BOP costumers are able to communicate with each other and the world in most of the cases. As a result they are able to share knowledge between villages and countries, so, the mouth-to-mouth becomes a strong communication tool. In fact, consumers rely on social networks in order to get information and assistance used for decision making in the purchase process (Mulky 2011).

5. “The BOP Consumers Accept Advanced Technology Readily” – It is believed that BOP costumer is not apprehensive or frightened of new technology. It couldn’t be more far from the truth. Since they don’t have nothing to forget, they embrace and adopt new technologies as it is useful for their life. As an example, Prahalad (2004) presents as the example the fisherman of Kerala at South India, who have adopted the cell phone for bidding, finding highest bidders along the coast to berth after a day in the sea.

3.3.3.3. How to Address the BOP Market

3.3.3.3.1. Commercial Infrastructure

Prahalad and Hart (2002) argue that “serving Tier 4 is not the same as serving existing markets better or more efficiently”. The authors call the need for a commercial infrastructure able to overcome the challenges that the BOP market presents. Thus, it
must be recognised as an investment. Table 4 presents the commercial infrastructure model presented in the paper.

Chart 5 – BOP Commercial Infrastructure Source: Prahalad and Hart, 2002

The infrastructure passes through creating buying power, shaping aspirations, improving access and tailoring local solutions. As poor as low purchasing power, income generation and access to credit are issues to address in order to elevate consumers’ buying power.

In shaping aspirations the authors argue that sustainable product innovations should be developed instead of forcing premature technology, developed for the top tiers and later promoted through consumer education. Moreover, they state these innovations triggered by addressing tier 4 needs may end up reshaping tier 1 way of living.

Concerning the improving access point, Prahalad and Hart (2002) recognise the lack of infrastructure mainly within reaching rural BOP costumers, thus the call for developing better distribution systems and communication links. Technology, such as telephones and wireless connection, can be taken to villages allowing numerous applications, as
tele-education, micro banking or agricultural extension services for example, in order to reduce the lack of infrastructure.

Finalizing the infrastructure model, the authors highlight the need for tailoring local solutions. When addressing the BOP MNCs must go beyond a re-application of their western models and get together their global knowledge with local in order to come up with solutions that meet the BOP specific needs.

The creation and implementation of such infrastructure requires the involvement of multiple players. Prahalad and Hart (2002) argue that such an investment can’t be made by any company alone, thus suggesting partnerships between MNCs, governments, NGOs, financial institutions and more. In the Confederation of Danish Industries (2007) report it is specified how different partners can help to overcome different challenges. In matters of overcoming the low purchase power of BOP customers and respective price sensitivity, it is advisable to perform partnerships with humanitarian and non-governmental organizations since they can provide non-profit services distribution which allows for a better reach of consumers and costs savings at the same time. In fighting the geochart and cultural barriers the report highlights partnerships with local companies and organizations, which can share relevant knowledge about BOP costumers regarding their values, habits and tastes, plus access to local networks crucial to a successful distribution channel. In order to develop and implement an educational campaign, it is suggested to have local non-profit organizations and international humanitarian organizations. Moreover, in overcoming the physical and institutional infrastructure the main partners should be local companies and organizations with knowledge about the informal institutions that goes beyond legal regulations. The Confederation of Danish Industries (2007) says that international donors and development partners can help to achieve longer time frames for reaching economic targets since they can finance BOP strategies implementation.

In sum, the Confederation of Danish Industries (2007) states that the choice of partners is crucial and must consider the challenges which a company is trying to overcome.
3.3.3.3.2. Innovation

Addressing the BOP market is challenging and claims for the creation of a solution demanding for a new philosophy of product development and innovation. In this matter Prahalad (2004) suggests twelve principles as the pillar for a new innovation philosophy. The principles are presented on the following table

1. Price Performance – As value-conscious costumers, BOP ask for more than a price lowering rejecting a drop in quality for a better price. The price-performance trade-off requires for innovation and a new perspective when addressing these markets. Any solution must evolve high quality at affordable price making the price-performance trade-off worthy from the BOP costumer perspective. The BOP approach does not rely on margins but on volume just as Prahalad (2004) argues “BOP market is based on expectations of a large-volume, low-risk, and high-return-on-capital employed business opportunity.”

2. Innovation: Hybrids – Bop markets must be addressed with advanced and emerging technologies solution, and not old inundated technology created for developed market demands. Innovative solutions must pass through the combination of advanced technology with the existing and evolving infrastructure.

3. Scale of Operations – The return of investment on BOP markets depends on volume due to low margins charge per unit driven from a innovative price-performance relation. Therefore every sustainable solution ought to be able to gain scale. BOP dimension asks for scalable solutions. However, scaling-up must surpass some barriers such as a variety of cultures and languages. Thus, solutions must be designed to have an easy adaptation within similar BOP markets. Herein Prahalad (2004) highlights the possibility for companies partnering up with NGO and local community organizations as a way to overcome constrains and better develop innovative scale systems.

4. Sustainable Development: Eco-friendly – The world can afford the 4 billion people at the BOP consuming resources as massively as the top tiers do. BOP
solutions ought to be sustainable and ecologically friendly thus product development must focus on reducing resource intensively.

5. Identifying Functionality: Is the BOP different from Developed Markets – Functionality required in products and services for BOP differ from developed markets. BOP consumers live and work with a different level of infrastructure. Thus rethinking functionality within that environment is required. Product development begins from a deep understanding of functionality. Since BOP consumers’ needs might not be clear, managers must make an effort to acknowledge it.

6. Process Innovation – Process innovation is no less crucial than product innovation is critical. As Prahalad (2004) refers “how to deliver is as important as what to reliever”. Further, the presence of distribution infrastructures within the BOP markets cannot be assumed. Thus, innovative distribution solution must be developed to succeed in the existent infrastructure. Though it represents a challenge, processes are, in fact, an opportunity for innovation that allows for cutting costs, making it easier to serve products and services at affordable prices.

7. Deskilling of Work – When designing products and services for BOP it must be taken into account the lack of skilled and trained personnel and infrastructure. By deskilling of work it is possible to overcome these constraints.

8. Education of Costumers – Educate the costumers the right product usage is critical. Since many BOP costumers have no access to radio and television, traditional advertisement loses its impact. Therefore there is also a need of innovation on the educational process. In these markets a lot of consumers are first users so they have to learn the appropriate usage and benefits of a product or a service.

9. Designing for Hostile Infrastructure – BOP markets represent not only a hostile environment, but also a hostile infrastructure. Thus, when designing innovative solutions, it must bear in mind that products and services must be able to overcome the hostile conditions that they will be put through.
10. Interfaces – Prahalad (2004) mentions that “the design of interfaces must be carefully thought through”. The heterogeneity of the BOP consumer added to the fact that many of them are first-time users represents a challenge. Though he defends that BOP markets can rapidly accept and assimilate new technologies thus having more space for innovation than in developed markets.

11. Distribution: Accessing the Costumer – Products and services must reach costumers, thus innovation in distribution is no less important than product and process innovations. BOP costumers are split in two different markets: the dispersed rural one and the dense urban one. Both this markets challenge traditional approaches, being then an opportunity to innovate distribution methods and find innovative costs reducing solutions.

12. BOP Markets Essentially Allow Us to Challenge the Conventional Wisdom in Delivery of Products and Services - Overcome the challenges and constraints, which the BOP markets requires, demands innovation and breaking up with the traditional way of doing business. Moreover, Prahalad (2004) suggest that “product developers must focus on the broad architecture of the system – the platform – so that new features can be easily incorporated” as he defends that BOP markets presents a rapid evolution.

3.3.3.4. BOP Discussion

Since the BOP proposition as been introduced by Prahalad and Hart in 2002, it has been target of discussion. There are disagreements about its efficacy, market size and even if BOP should be seen as consumers.

3.3.3.4.1. Market Size

Prahalad and Hart (2002) suggest that BOP represent a large untapped market composed by 4 million people with a per capita income below US$ 2 a day. Moreover, Prahalad (2004) claims BOP market to have the potential size of US$13 trillion measured in PPP. Whereas the World Bank (2005 cited in Karnani, 2006) assumes
estimate a PPP market size of US$1.2 trillion composed by 2.7 billion poor with an average consumption of US$ 1.25 per day. However, within the World Bank there are disparities as some researchers argue it to be over-estimated, claiming that the number of poor to is 600 million (The Economist, 2004 cited in Karnani, 2006). Considering the BOP market is quite small, Karnani (2006) argues that the profits of MNCs are repatriated at financial exchanges rates, does the market should not be measured at PPP rates. Thus, he acknowledges the market size to be less than US$ 0.3 trillion.

3.3.3.4.2. BOP Proposition Criticism

The BOP proposition creates concerns about consumer exploitation as there is inadequate consumer protection in developing countries, argument shared by Walsh, Kress and Beyerchen (2005) and Karnani (2006). The last, alarms for the poor vulnerability since they suffer from educational and informational gaps and economic, cultural and social privations. According to Gangopadhyay and Wadhwa (2004), 80% of the poor income is spent on food, clothing and fuel. Thus, the previous authors concerns about poor deviating their purchases from their needs to less needed products or services. “The only way he can purchase the newly available product is to divert expenditure from some other products” states Karnari (2006) if there are no income raises.

Moreover, Karnani (2006) states the BOP proposition to be a “harmless illusion” or a “Dangerous Delusion”. He argues that there is no fortune at the BOP. Not only doesn’t he recognize it as a large market as Prahalad and Hart (2002), but he also considers costs of serving those markets “very high” justified by poor being geochartally dispersed, culturally heterogeneous, existent infrastructure being weak and the small size of each transaction.

3.3.3.4.3. BOP as Producers

On the contrary of Prahalad and Hart (2002) suggestion to see BOP as consumer, Karnani (2006) suggests an alternative approach to alleviate poverty of seeing poor as producers. “Rather than emphasizing selling to the poor, we should emphasize buying to the poor” he says, as it is what allows raising their income. Not refuting the initial
BOP proposition, Jaiwal (2007) argues that in order to generate sustainability while addressing the poverty alleviation, the poor as producers play a critical role and needs to be strengthened.

In addressing poor as producers, Karnani (2006) highlights the importance of microfinance to see poor as entrepreneurs investing in their business, the importance of improving market efficiency, he also claims for job creations that small and medium enterprises can generate, and, as key, the government role of facilitating the creation and growth of private companies in labor intensive sectors by providing proper policies, infrastructure and institutions.

3.4. Animation Plan

<table>
<thead>
<tr>
<th>Session</th>
<th>Goals</th>
<th>Supports</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>1º session</td>
<td>Gather audience attention to Essilor and HUL innovative solutions through a video of each one</td>
<td>. Video 1 Project Shakti . Video 2 Essilor India's Rural Marketing Initiatives</td>
<td>30’</td>
</tr>
<tr>
<td>Out of the sessions</td>
<td>Create a diagnosis regarding</td>
<td>. Reading of the two case studies</td>
<td>60’</td>
</tr>
<tr>
<td></td>
<td>Identify benefits for MNCs and benefits for local communities</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>Identify reasons behind the disparity of results between HUL and Essilor innovative solutions</td>
<td>. Resolution of the case studies</td>
<td>120’</td>
</tr>
<tr>
<td>2º session</td>
<td>Resolution of the case studies guarantying pedagogical goals</td>
<td>. Presentation of solutions frameworks</td>
<td>90’</td>
</tr>
</tbody>
</table>

Video 1 available at [http://www.youtube.com/watch?v=E7Hyp_CCtYY](http://www.youtube.com/watch?v=E7Hyp_CCtYY)
Video 2 available at [http://www.youtube.com/watch?v=KJbMsCZPLnA](http://www.youtube.com/watch?v=KJbMsCZPLnA)
3.5. Solutions

3.5.1. Why was Essilor not able to find profit at the Indian rural BOP market?

3.5.1.1. How did Essilor reached the Indian rural BOP consumers?

In order to address the BOP market Prahalad and Hart (2002) argue the need to build a commercial infrastructure. The following table shows how Essilor developed the proposed infrastructure plus former partnerships to help the implementation.

<table>
<thead>
<tr>
<th>Prahalad and Hart (2002) Commercial Infrastructure</th>
<th>Essilor’s Solution for serving the BOP market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating Buying Power</td>
<td>In order to create buying power for consumers, the Group lowered the price of eyeglasses and, by going directly to the villages and offering the screening for disorders, in order to get prescriptions, the undirected costs related to getting eyeglasses were eliminated</td>
</tr>
<tr>
<td>Shaping Aspirations</td>
<td>In this field, the Group set the eye camps, where a free eye care service was provided as well as former knowledge about eye care health and the benefits of good vision in life.</td>
</tr>
<tr>
<td>Improving Access</td>
<td>The project consists on two vans which host the eye camps, thus being able to travel between villages overcoming the accessibility issue. Moreover, the tele-ophthalmology van, equipped with screenings, had satellite connection to hospitals.</td>
</tr>
<tr>
<td>Tailoring Local Solutions</td>
<td>Essilor’s solution is built out of vans equipped with state-of-art technology, providing service and customized products anywhere, anytime and at a low price.</td>
</tr>
</tbody>
</table>

To better implement the innovative solution the Group partnered up with Aravind and Sankara Nethralaya, two respected non-for-profit eye hospitals, which provided the tele-ophthalmology van equipment and covered its operating expenses. Moreover,
sponsorships were taken, helping to support the project’s costs. Government’s authorities, NGO’s and philanthropists sponsored it and in return they got their names present at the eye camps.

3.5.1.2. How did Essilor innovated its products, processes and distribution?

Prahalad (2004) suggested twelve principles for innovation when addressing the BOP costumer. The following table shows how Essilor work those principles.

<table>
<thead>
<tr>
<th>12 Principles of Innovation</th>
<th>Essilor innovation to serve the BOP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Price-Performance</strong></td>
<td>By setting up the eye camps on villages offering free screening and prescription, undirected costs related to the process of acquiring spectacles were eliminated. To provide the best price performance trade-off for BOP costumers, Essilor lowered significantly the price of customized eyeglasses to US$4 a pair maintaining the high quality that the brand promises. However, the price was still too high for the value-conscious BOP costumers. So the group offered low-cost ready-made eyeglasses alternative, which not only do not have as much quality as the Group’s products, but also increased the price of the high quality customized eyeglasses.</td>
</tr>
<tr>
<td><strong>Innovation: hybrids</strong></td>
<td>To address the BOP costumer, Essilor developed an innovative solution using vans equipped with state-of-art technology. One for analyzing vision disorders, the other for assembling customized eyeglasses.</td>
</tr>
<tr>
<td><strong>Scale of Operation</strong></td>
<td>The operation turned out not to be scalable as it struggled trouble just to cover operating expenses.</td>
</tr>
<tr>
<td><strong>Sustainable Development</strong></td>
<td>(none)</td>
</tr>
<tr>
<td><strong>Identifying Functionality</strong></td>
<td>Essilor identified eyeglasses functionality for BOP as life improvers as it enables to increase earnings, health, occupational safety and to improve educational</td>
</tr>
</tbody>
</table>
process innovation

Essilor designed an innovative on wheel mobile infrastructure, which is in charge of logistics, assembling and eye care services, so that they overcome the challenging lack of existing infrastructure.

Deskilling Work

In deskilling work, Essilor trained optometrists to screen customers in the tele-ophthalmology van being connected to hospitals through satellite.

Education of Customers

In this field Essilor solution didn’t develop much beyond the contact BOP would have with the eye camps where they could acknowledge their vision disorders.

Designing for Hostile Infrastructure

Essilor solution services where host in vans thus being adapted to the hostile infrastructure. In addition, the Group only works with plastic lenses, which are far more resistant that the glass ones, making eyeglasses more resistant to the hostile environment.

Interfaces

(none)

Distribution

The innovative distribution channel of the operation consists on the vans which host eye camps in villages. Since there were no eye care services or products available in villages, the vans flexibility made it possible to cover a variety of villages and expose vision corrective services and products to Indian rural poor.

BOP Markets essentially allow us to change the conventional wisdom in delivery of products and services

Essilor’s solution for addressing the BOP consumers goes beyond traditional approaches presenting an innovative distribution network. Furthermore, the existent platform allows for the insertion and launch of new products in the future, as it was already done in the past.
3.5.1.3. Why are BOP costumers willing to purchase?

There are three reasons behind the purchase of an Essilor’s pair of eyeglasses by a rural BOP consumer. Firstly, after being screened he acknowledges that he has a vision disorder, secondly he realizes that a better vision is a life improver, and finally he sees in Essilor’s a high quality brand providing him an affordable solution.

However, not all BOP consumers are willing to acquire spectacles in the eye camp after being screened and acknowledged their vision disorder. It means that they don’t realize the benefits of a good vision or that they don’t find Essilor’s solution affordable. The fact is that Essilor did not implement a structured and persistent educational program, thus it may justify why rural poor people don’t acknowledge the benefits of a good vision and why they don’t find the Group’s solution affordable. In addition, the price of, initially, US$ 4 and, later, US$ 5 is not the best price-performance trade-off perceived by BOP. Although compared to developed countries it is remarkably inexpensive, for the BOP costumer it remains too expensive thus being a constraint for purchasing.

3.5.2. Why was HUL able to find profit at the Indian rural BOP market?

3.5.2.1. How did HUL reached the Indian rural BOP consumers?

In order to address the BOP market Prahalad and Hart (2002) argue the need to build a commercial infrastructure. The following table shows how HUL developed the proposed infrastructure plus former partnerships to help the implementation.

<table>
<thead>
<tr>
<th>Prahalad and Hart (2002) Commercial Infrastructure</th>
<th>HUL Solution for serving the BOP market</th>
</tr>
</thead>
<tbody>
<tr>
<td>Creating Buyer Power</td>
<td>HUL solution empowers women that are consumers as well as increases the household buying power. Moreover, HUL provides easy credit to facilitate women to invest on being Shakti Ammas. To make the products affordable for the poor, it was available on low price single use sachets so that they could buy according to their convenience.</td>
</tr>
</tbody>
</table>
Shaping Aspirations

The choice of local women allows a deeper relationship with the BOP costumer, plus these women gain voice inside communities and educate them on how and why to use HUL products as well. Furthermore, talks covering health and hygiene topics were provided to villagers by the Shakti Vanis, local women which got trained and prepared for the talks by the company.

Improving Access

HUL solution is based on micro enterprise system guided by Shakti Ammas that distribute its products to the community within their villages. Moreover, HUL provided them and the community with internet-linkage computers, thus overcoming an existent informational gap.

Tailoring Local Solutions

HUL tailored their products into single use sachets, which are priced on a range of INR 1 to 2 (US$ 0,02-0,04). So, products are available at affordable prices for the BOP consumer and it can be bought as it is convenient to them.

Through the project, HUL used partnerships to implement it. Firstly, it used SHG to pick up women to be Shakti Ammas and agreements with banks to facilitate credit for the initial stock investment. Secondly, to overcome language barriers, the company partnered with local NGOs. Plus, it also made partnerships with local governments as in Andhra Pradesh to launch the “I Shakti Program”.

3.5.2.2. How did innovated its Products, processes and distribution?

Prahalad (2004) suggested twelve principles for innovation when addressing the BOP costumer. The following table shows how HUL work those principles.

<table>
<thead>
<tr>
<th>12 principles of innovation (Prahalad, 2004)</th>
<th>HUL innovation to serve the BOP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Price-performance</td>
<td>The single use sachet offers the BOP consumer to</td>
</tr>
</tbody>
</table>
purchase according to his daily basis budget and needs at an affordable price. Moreover, HUL has a portfolio composed by strong brands with high quality recognition specially when compared to low-cost local alternatives.

**Innovation: hybrids**

HUL innovate on some products addressed for the BOP products such as fortification of iodine on the Annapurna Salt.

**Scale of operations**

HUL solution was to set up through a network of entrepreneurial women that become HUL brands ambassadors in their local community. Thus, the scalable issue is directly related with the Shakti Ammas success. Since they were able to make living of the business and increase profit for the company, the operation was able to scale up.

**Sustainable Development**

Reduction in weight of packaging by a third plus sachets generated less waste per milliliter of product compared to bottles, but they are also a recycling challenge

**Identifying Functionality**

BOP costumers don’t consume FMCG products like in the costumers from the developed countries. They are not able to afford bottles, to use during a long time run. Instead they buy FMCG as it is convenient to their daily budget. By recognizing it, HUL developed the single use sachets to be bought and used according to daily basis needs.

**Process Innovation**

The Shakti project allowed the process to innovate in terms of sales and supplying. Shakti Ammas are an innovative home-to-home sales network. Having direct contact with costumers, they are able to better predict local needs thus having a more efficient ordering process.

**Deskilling Work**

HUL deskilled the sales force work from local stores, or mom and pops shops, into local women, which were trained for it. In addition, within the project efforts were split between Shakti Ammas and Shakti Vani. While the first is in charge of sales and part of costumer education concerning the products, the
second would complete their education with talks concerning health practices.

**Education of Costumers**

In order to educate costumers, HUL on the project’s three areas: Shakti Amma, Shakti Vani and I-Shakti. The first as commercial knowledge allowing her to sale and educate costumers about the need of a better hygiene. The second is in charge of increasing the aware of hygiene, educate about basic health practices and how HUL product are helpful. The internet linked provided information about a variety of subjects including health and wellbeing.

**Designing for hostile infrastructure**

Concerning the hostile environment and infrastructure, single use sachets packaging is well adapt since once it is open the product is used.

**Interfaces**

I-Shakti project interface is interactive and was developed in different local languages with voice-enabled content counting with those who are illiterate.

**Distribution**

The innovative distribution channel makes entrepreneur out of local women, which stay in charge of ordering and commercializing HUL products within their villages. Moreover, it strengthened the relation with costumers, having better product availability in a packaging and price range adapt to BOP needs.

**BOP Markets essentially allows us to challenge the conventional wisdom in delivery of products and services**

HUL’s solution for addressing the BOP consumers goes beyond traditional approaches presenting an innovative distribution network. Furthermore, the existent platform allows for the insertion and launch of new products in the future.

3.5.2.3. Why are the BOP costumers willing to purchase?

The BOP rural consumer is willing to acquire HUL products from a Shakti Amma because he realizes the importance of hygiene standards for increasing health and wellbeing (such as preventing diseases), he sees in her a local trust worthy respectful women and, he recognize in HUL brands the requested high quality and also he finds it affordable.
The willingness to purchase was well worked by the company through a strong program of customer education and a good final tailored product, the single use sachet. It allows to sell the product at a very low price and small quantities which able the BOP consumer to buy product according to his convenience.

3.6. Conclusion

As it was shown through the cases studies analysis, Essilor and HUL developed innovative solutions to address the Indian rural BOP consumer with different results. While HUL was able to be profitable with its operations, Essilor was not.

There are key differences between the two projects that may justify the disparity of the results. Essilor has a weaker commercial infrastructure for implementing the operations. It doesn’t present a well developed customer education campaign and the price of glasses is not affordable enough for the BOP consumer. Moreover, the Group has few partners to help in the implementation of the solution. Meanwhile, HUL present a strong commercial infrastructure combined with good usage of partnerships, for example the Project Shakti implementation. The project not only addresses BOP as consumers or as producers (as Karnani (2006) suggested), it creates job opportunities for local women thus increasing their household income. Furthermore, HUL solution relies on a well developed and implemented customer education campaign in addition with a close relationship with the BOP consumer offering a adequate price-performance trade-off.

It is crucial to understand the environment where the BOP consumer and producer live, in order to create a sustainable approach to this market. A company must work with local communities, in order to have an interpreter, not only for words, but also for habits. This will enable the company to look within itself to develop the innovative distribution network above mentioned.

Therefore, in order to better address the BOP customer it necessary to understand that specific customer needs and to develop a innovative distribution network where innovation takes place in processes, products and distribution systems thus allowing for restructuring costs in relation with operations in order to achieve an optimal price-
performance trade-off for products, combined with a strong customer educational campaign, supported by strategic partnerships network.

Independently from being profitable or not, both cases present a scenario where a MNC developed an innovative solution which addresses a social disparity, ending up with CSR program, doing business practices respecting communities. As such, it has been proven that, by exploring the BOP proposition, MNCs can improve business through social innovation, having a beneficial relationship for both (company and society).
4. Bibliography


