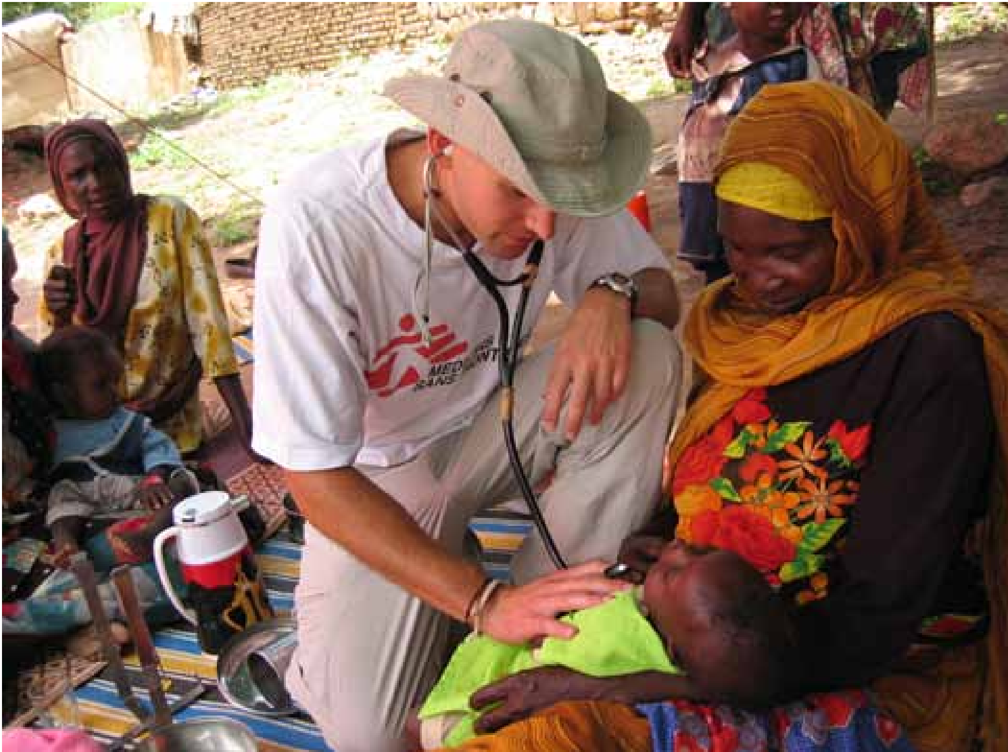
Square Meal on a Round Plate

Finding business opportunities in healthcare at the bottom of the pyramid

By: Kapil Khandelwal

The last few weeks there has been a raging controversy over what a square meal in urban India costs a common man and the poverty line and the number of people that have crossed the poverty line during the tenure of the current government. While the debate that raged throughout the country on the poor man, I wonder what would a poor man's 'Dava-Daaru' or 'Mallam-Patti' would cost him to shell out of pocket if the square meal costs were what were being discussed. There is no such benchmark on what does it cost for delivering basic healthcare to the poor man in this country apart from the NSSO survey once in a few years. However, the point of this column here is not to rake up another controversy on the cost of healthcare to a poor man in this country, like what it costs him for a square meal. The idea here is to question whether there is business at the 'base-of-pyramid' (BoP) for entrepreneurs to operate and deliver healthcare services to the poor in an effective and affordable manner given that the government programs and schemes take away almost over three-fourth of the budgets as cost of administration, leaving behind less than one-fourth of the tax payers money to actually trickle to

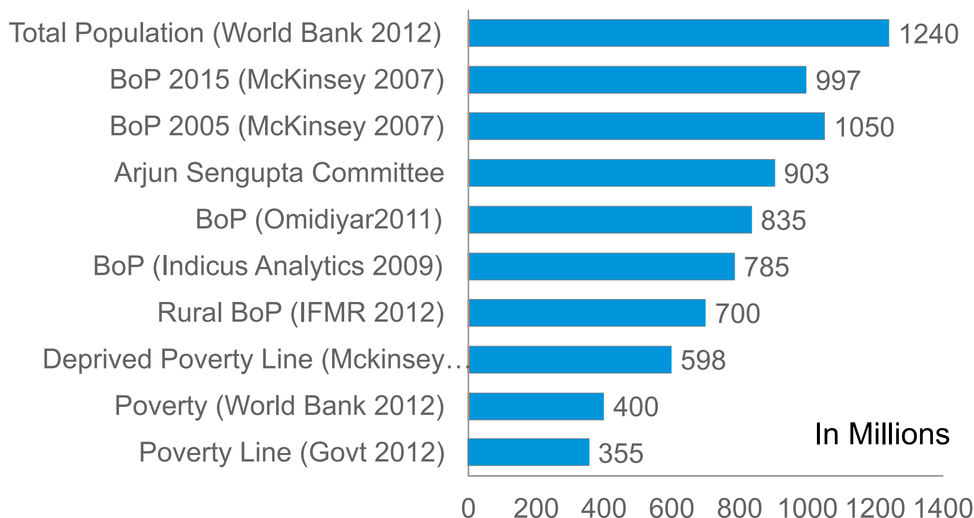


the beneficiary poor. Also, I leave the issue of whether our government will meet and beat the Millennium Development Goals on healthcare that India has been a signatory to for some other time.

Poverty & the BoP potential in India

BoP as a concept considers the poor as potential consumers by offering affordable products or services tailored to their specific needs in order to significantly improve their quality of life and help them get out of poverty. However, in India, the problem has been that there are multiple numbers being provided by various sources (see chart) and hence the real potential for BoP has a very wide range.

The BoP is as much a business strategy as a tool in the fight against poverty: a way to reconcile the logic of the market and the help of poor people. Despite numerous opportunities, the most interesting ones are in the sectors of food, access to water, health, housing, energy and transport. From the recent estimates from the World Resource Institute, it is estimated that approximately 183 million households are



What is BoP?

In 1999, CK Prahalad, Professor at the University of Michigan Business School, and Stuart Hart, then Professor at the Kenan-Flagler Business School at the University of North Carolina, wrote the article that first introduced the world to the term BoP. It was titled "Strategies for the Bottom of the Pyramid: Creating Sustainable Development." This article attempts to raise awareness of the world economic pyramid and the vastly untapped market of four billion people living on less than $1,500 PPP per capita income. Organisations that were already involved in serving BoP markets, Hindustan Lever Limited, for instance, were highlighted as examples of MNC BoP strategy.

BoP is a collective reference to 3.7 billion people populating the lowest income strata in the world. The income threshold for this group is US$ 3,000 per person per year (as per year 2002 purchasing power parity (PPP), or roughly US$8 per person per day. Landrum and Karnani argued that the promised US$4 trillion worth market does not simply exist and has some misconstrued assumptions, which need be understood and corrected by organisations entering the BoP.

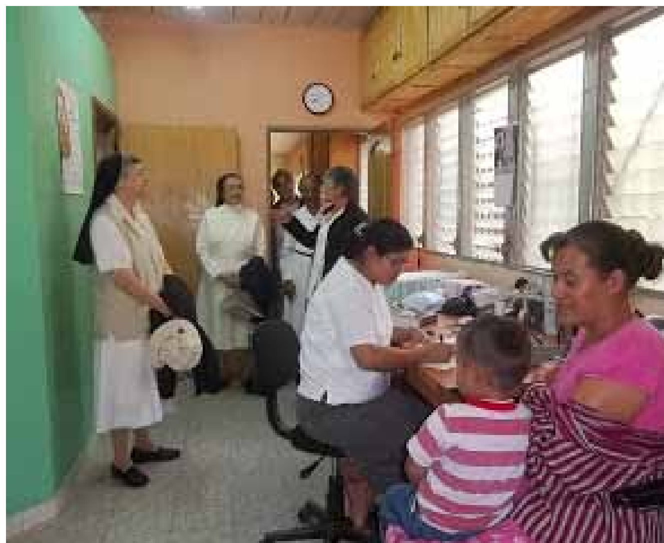
4As for Healthcare@ BoP

Availability – the extent to which customers are able to readily acquire and use a product or service. Distribution channels in bottom of the economic pyramid (BOP) markets can be fragmented or non-existent and the task of simply getting products to people can be a major hurdle to overcome.

Affordability – the degree to which a firms goods or services are affordable to BOP consumers. Many low-income consumers in developing countries survive on daily wages, meaning that cash-flow can be a significant problem. Companies need to be able to deliver offerings at a price point that enables consumption by even the poorest consumers.

Acceptability – the extent to which consumers and others in the value chain are willing to consume, distribute or sell a product or service. In BOP markets, there is often a need to offer products and services that are adapted to the unique needs of both customers and distributors.

Awareness – the degree to which customers are aware of a product or service. With many BOP customers largely inaccessible to conventional advertising media, building awareness can be a significant challenge for companies wishing to serve low-income consumers in the developing world. To overcome these constraints companies must explore alternative communication channel.



the potential BoP in India. The total expenditure is around $1.2 trillion. The table in the article gives the break up. This market has been for a long time underestimated and therefore has little competition for an impressive number of market opportunities!

Approaches to Serving Healthcare@BoP

There are three key factors that determine the approaches to healthcare@BoP as shown in the diagram. First is the availability of resources to delivery healthcare@BoP. For Example, in some states in India, the incomes are low such as Bihar, while in others literacy is high such as Kerala for BoP. This offers freedom to envision how services may be delivered. Availability of infrastructure in the states including functioning state government health institutions, roads and transportation, water, electricity, etc., to support healthcare@ BoP initiatives. Where governments are corrupt and unreliable, where roads and transportation do not exist, infrastructure availability is low. Moderate infrastructure situations might include areas where state governments have an established record to assist with initiatives such as distribution of food and medicines, and availability of schools, roads and other infrastructure. There is wide variance on this dimension across healthcare@BOP. Whether a healthcare@BOP initiative is designed to be self-sustaining over time or whether it is viewed as ongoing assistance or a one-time response to a short-term crisis depends, to a large extent, on the goals, capabilities, and philosophy of the organisation deciding how to serve the BOP market as well as the nature of the problem being addressed. For organisations to achieve sustainability, managers must integrate this goal into their corporate, business and functional level strategies. Based on these dimensions, we array different strategies for serving healthcare@BOP in a 2*2*2 framework. Some examples are given in the table.

Key considerations for delivering Healthcare@BoP

Having defined the overall opportunity in India, the key tenet on which healthcare@ BoP entrepreneur can build and deliver the business (see 4As in the box) let us discuss some of the key considerations to look into. These are based on analysis of some successful innovations at low cost healthcare:

Focus on end BoP consumers' needs: There is a significant demand-supply gap at BoP in India. There is a big gap between the pricing and quality of healthcare services provided by the private hospitals and government hospitals. There exists an unmet market need for an alternative option from the existing options. The existing options are:

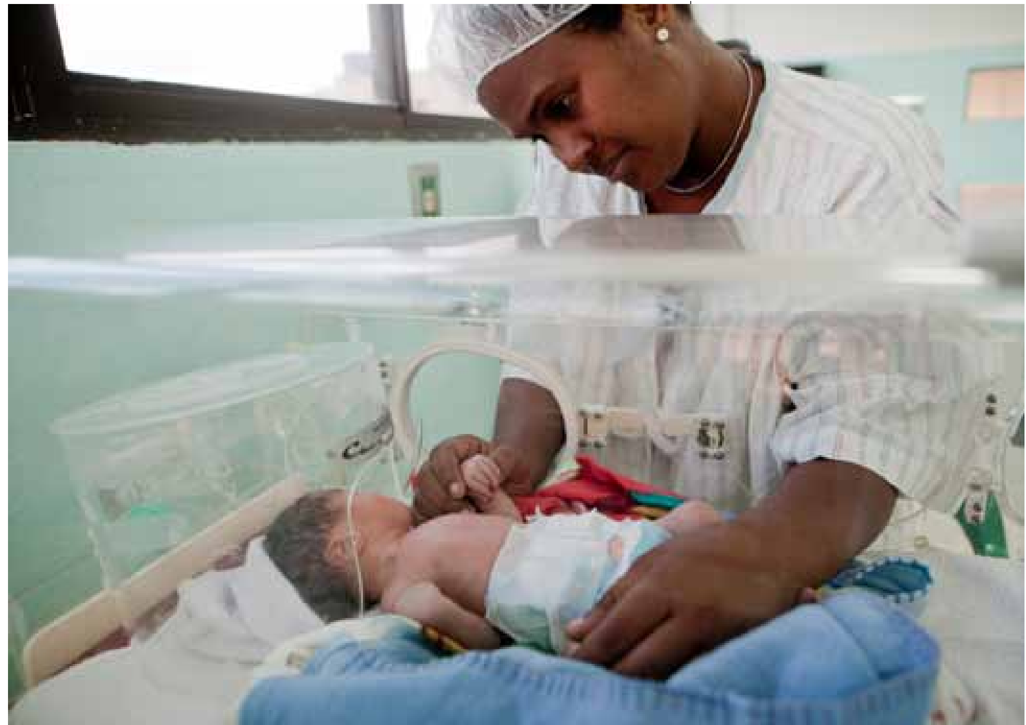
- government hospitals with limited resources;
- private healthcare services prices are beyond the reach of BoP segment;
- lack transparency in pricing

and quality in private hospitals;
- medical quacks

A major part of the rural BoP segment suffers from lacks of basic education (literacy), lack of regular per-capita income, low disposable income and lack of access to savings infrastructure.

Scalable business models: With scale comes lower cost, which makes the services affordable for the BoP consumers. Unlike other private businesses, the innovation at healthcare@BoP needs to consider the following:

- alignment with regulation and government infrastructure for healthcare on the ground
- collaboration with other organisations on the ground to maximise the reach and impact with shared resources and to resolve the scalability limitations with individual organisations
- use of technology to address the 4As of BoP affordability, accessibility and availability challenges
- it is necessary to involve local resources to ensure BoP consumers are addressed in a meaningful manner
- a business model that includes challenging conventional thinking, finding complementary partners and undertaking continuous experimentation, recruiting social-profit-oriented shareholders, and specifying social profit objectives clearly and early. Thus, business models need to be tweaked to incorporate the social aspect and not only focus on economic aspects.
- maintain focus on balancing the speed of execution, cost of execution and outreach



Talent development and acquisition at the local level: While doctors and nurses are scare and costly resources for building healthcare@BoP, some successful models have used part-time skilled resources at cheaper costs to deliver healthcare services at the local community level effectively. For instance, Aravind Eye approach of having focused training and education programs for the inclusion of the low-income local population as nurses, support staff and intermediate specialists.

BoP consumer segmentation: A couple of mistakes that many entrepreneurs make is to generalise the consumers' needs and treat them as one homogeneous segment. This

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About the Author

Kapil Khandelwal has earned recognition as an angel investor, venture capitalist and expert in health sciences, education, agri, clean tech and information communications and technology (ICT). His expertise positions him as one of the thought leaders in India, Asia Pacific and emerging markets. In his 25 years of his career, he has carried out over 30 transactions including cross-border and buyouts. He has chaired various committees at various industry bodies. Kapil runs an early stage investment fund and his own investment banking and advisory services company EquNev Capital Private Limited.

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has led to creating services that do not meet the needs of the consumers at the local level. Clearly, there is a need to identify the need and target segment at BoP to focus. BoP is a non-homogeneous and complex market, which requires clear understanding and focus before the launch of the healthcare services.

Decentralised leadership and organisation: Most BoP ventures that are successful have decentralised their decision making at the local level while centralised most of the corporate and support services to achieve scale and response to the markets. This has the flexibility to take dynamic decisions in dynamic environment like India.

Network effect: There is an increasing role for technology and funding in the success of healthcare@BoP. This signifies the importance of collaborative network of strategic partners for funding, technology and operational efficiency, which will lead to sustainable business venture at BoP.

Serving the Healthcare@ BoP a square meal

Creative market-based approaches to addressing healthcare@BoP needs are coming up. Social entrepreneurs are focusing on healthcare capacity-building and long-term viability through various innovative business models. The issue of how to create a healthcare@ BoP business model is a subject of a separate series of discussions. Currently, healthcare@BoP is ideally suited to situations where consumer resources are moderate, these initiatives might be pursued where infrastructure availability is low or moderate. The objective is to empower healthcare@BoP ventures in a way that goes beyond aid and philanthropy. The benefits include establishment of relationships with local producers and distributors, the development of new business models and new product innovations that may be transferable to currently served markets, and most importantly, enhancement of the lives of people who live in BoP. HBI

Consumer Resources (Literacy, Financial, etc)	Self Sustaining BoP		Non Self Sustaining BoP	
	Low	Moderate	Low	Moderate
Moderate	Social Entrepreneurship Eg. Vatsaalya	Capacity building CSR. Hybrid profit/ non-profit partnerships	Specific cause related marketing campaigns Eg. Rotary Polio Eradication	Traditional CSR: sell repackaged/repriced products/corporate philanthropy
Low	Government services for a fee eg. Government Hospital	Non-profits with products /service for a price eg. Bombay Hospital	Government aid for welfare or intuitional aid for infrastructure eg. World Bank	Assisted from non profit as needed eg. Red Cross, Doctors without Borders

Healthcare Infrastructure Availability