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**Berrett-Koehler Discussion Guide**

**The Business Solution to Poverty**

*Designing Products and Services for Three Billion New Customers*

By Paul Polak and Mal Warwick

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**Introduction—Eight Keys to Ending Poverty**

The authors offer five reasons in making the case for business to become involved in ending poverty by marketing to the bottom billions. What are those reasons? Do they make the case to your satisfaction? Are there other reasons you can think of?

FYI: Those five reasons are: (1) Huge market opportunity. (2) Crowded home markets. (3) Disruptive forces. (4) Growing interest within Big Business. (5) Access to scarce resources.

How many of you *disagree* with the authors’ contention that only business, not government or nonprofits, can end global poverty? How many *agree*? Now, divide into those two groups and debate that question.

The authors introduce a new term: *zero-based design*. What do they mean by that?

They write about “Eight Keys to Ending Poverty”—essentially, the aspects of zero-based design. Can anyone remember all eight? Then, let’s try together. Discuss: do these eight ideas make sense to you? Do any of them *not* make sense to you?

FYI: (1) Listening. (2) Transforming the market. (3) Scale. (4) Ruthless affordability. (5) Private capital. (6) Last-mile distribution. (7) Aspirational Branding. (8) *Jugaad* innovation.

**PART ONE: ONLY BUSINESS CAN END POVERTY**

**Chapter 1—“The Poor Are Very Different From You and Me”**

*In this chapter you’ll meet your customers where they live, and you may gain new perspective on poverty as it’s experienced in developing countries.*

If you were born in a developing country, or if you’ve spent time in one, either working or studying, do you think the authors have presented an accurate and credible view of life in a poor village?

The authors cite five ways in which the life of poor village people is different from that of educated people in rich countries. Who can remember one of those five? And the others? Discuss: in your opinion, are there other ways in which the life of the rural poor is different from ours?

**FYI:** Those five ways are (1) The poor just get by. (2) The poor receive little news. (3) The poor rarely travel. (4) The poor have very few choices. (5) The poor live with misfortune never far away.

Compare poverty in the US with rural poverty in one of the poor nations of the Global South.

**Chapter 2—What Is “Poverty?”**

*Get ready to learn about the surprising nature and breadth of the potential market among the world’s poor.*

The authors claim that trillions of dollars in foreign aid invested in over half a century has failed to eradicate global poverty. They cite three fundamental lessons from this experience. What are those three lessons?

**FYI:** Those three lessons are (1) True development rarely comes from the outside. (2) Giveaways breed dependence and self-doubt instead of change. (3) Traditional approaches are ill-suited to fight poverty.

How do you define poverty?

**Chapter 3—What Can Government and Philanthropy Do?**

*For more than half a century, millions of people have been engaged in well-meaning efforts to eradicate poverty from the human experience. Here’s how they’ve fallen short of their goal—and what they have done and still can do to make a real difference.*

Paul Polak and Mal Warwick contend that trillions of dollars in foreign aid from rich nations to poor ones have not significantly reduced the incidence of poverty in the world. However, they insist that foreign aid has been effective in two areas. What are those two areas? If you agree with this argument that those two areas have benefited, why do you think that’s the case?

**FYI:** Those two areas are health and education.

Discuss what you think are the shortcomings of foreign aid.

Do you agree with the authors that the work of NGOs has been ineffective in reducing poverty in the Global South?

The authors are highly skeptical about the value of microcredit. Why? Do you agree with them?

Polak and Warwick have a broad view of the terms *social entrepreneur* and *social enterprise*, encompassing both nonprofit and for-profit ventures. Are you comfortable with this definition? Do you agree with them that the collective impact of social entrepreneurs in reducing poverty has been as modest as they claim?

What is your opinion of the authors’ stance on the role of government? Do you agree that the impact of governmental action in the Global South has been minimal? What do you think about the course of action that Polak and Warwick counsel for national governments?

**FYI:** The authors’ recommendations for government priorities include: upgrading the legal system, expanding physical infrastructure, improving business conditions, and simplifying procedures for registration and regulation of businesses.

The authors urge NGOs and philanthropists to pool and focus their efforts in order to achieve much greater impact. Does this make sense to you? What specific areas of focus do they recommend? Do those areas seem appropriate to you?

**FYI:** Those areas of focus are (1) o*rganizing to monitor government*, (2) *policing predatory business activities*, (3) p*ioneering innovative, market-based service delivery models, and (4) building civil society*.

**Chapter 4—Why Business Is Best Equipped to Fight Global Poverty**

*It’s not just that traditional methods have failed. Businesses possess unique characteristics that are ideally suited to the task to innovate new approaches—and take them to scale.*

The authors offer six reasons why business is ideally suited to fight poverty. What are those reasons? Do you agree that they justify the argument?

**FYI:** (1) Profitable businesses attract substantial capital. (2) Successful businesses hire lots of people. (3) Successful businesses are capable of reaching scale. (4) Businesses can marshal specialized expertise in design, financial management, marketing, and administration. (5) Private businesses are less susceptible to political pressure than governmental and citizen organizations. (6) Prosperous enterprises stimulate economic growth in the communities where they do business.

Polak and Warwick assert that poverty can eventually be eliminated by building multinational businesses that cater to people living on $2 a day or less. What are the characteristics of these companies? Does it seem feasible to you that businesses established along these lines can eradicate poverty?

**FYI:** The businesses the authors’ envision will (1) Transform the livelihoods of 100 million $2-a-day customers within 10 years. (2) Generate annual revenues of at least $10 billion. (3) Earn sufficient profits to attract investment by international commercial finance.

**PART TWO: ZERO-BASED DESIGN AND THE BOTTOM BILLIONS**

**Chapter 5—What to Do Before You Launch Your Business**

*First, forget everything you know about how to start a business. Here, you’ll find out what you really need to do to begin building a global enterprise that will transform the lives of a hundred million poor people.*

Does it make a difference to sell things to poor people instead of giving them away? What’s that difference? Why? What connection does that difference have to the proposition outlined in this book?

**FYI:** Poor people have to invest their own time and money to move out of poverty.

What do the authors mean by the “Don’t Bother Trilogy?”

**FYI:** Takeaway #6— The Don’t Bother Trilogy: if you don’t understand the problem you’ve set out to solve from your customers’ perspective; if your product or service won’t dramatically increase their income; and if you can’t sell 100 million of them, don’t bother.

The authors contend that the biggest challenge in economic development is scale. Do you agree? Disagree? Why?

The authors suggest seven guidelines for beginning a new business along the lines outlined in their book. What does each of these mean?

* Begin at the end with your goal.
* Consider how your business can transform the market.
* Design for scale.
* Design for a generous profit margin.
* Pursue ruthless affordability.
* Design for last-mile distribution.
* Incorporate aspirational branding.

Polak and Warwick assert that the enlightened approach to business that they describe will define “The Corporation of the Future”—in other words, that only those companies that pursue the same path will thrive in the decades ahead. Do you agree with them? Disagree? Why?

**Chapter 6—The Ruthless Pursuit of Affordability**

*When we say “affordable,” we mean really, really cheap—and we’ll lay out 12 guidelines for getting there.*

The authors claim that finding ways to reduce prices sharply—by an order of magnitude—is not just a wise approach to reach poor people but advisable for any company that that seeks to flourish in the 21st Century. They refer to market-disrupting products such as the Model T Ford, the Sony Walkman, and the Apple II personal computer. What were the consequences that flowed from the introduction of these products?

Polak and Warwick are skeptical about the prospects of companies like Apple that depend on high-priced products for their profits over the long run. Do you agree? Disagree? Is there room for large multinational companies marketing only high-priced products for the rich?

The authors spell out 12 guidelines for achieving what they term “ruthless affordability.” What do these guidelines mean?

1. Identify the heavy hitters.
2. Put your product on a radical weight-loss diet.
3. Make redundancy redundant.
4. Avoid bells and whistles.
5. Move forward by designing backward.
6. Make it as infinitely expandable as a LEGO set.
7. Use locally available materials.
8. Streamline the manufacturing process.
9. Interchangeability lowers costs.
10. Durability doesn’t last.
11. Right-size your product or service.
12. Make last-mile delivery ruthlessly affordable.

**Chapter 7—Zero-Based Design in Practice: Low-Cost Drip Irrigation**

*If you’re wondering how our ideas work in practice, you can get a pretty good sense from the case study in this chapter.*

This case study illustrates, step by step, how Paul Polak and his colleagues developed the low-cost, small-plot drip irrigation system now used by millions of small farmers in South Asia, Sub-Saharan Africa, and elsewhere. What conclusions do you draw from this story?

* About how to begin the design process?
* About how to test the first prototype?
* About how to introduce a working system into a new country?

**Chapter 8—Design for The Market**

*In a market that’s new and strangely different, how do you design products and services that people want and are willing and able to buy? Here are 10 steps to accomplish this.*

The authors cite what they call the failure of the Appropriate Technology movement as an ideal example of the importance of designing for the market, not just creating new products that seem cool. Who knows what Appropriate Technology was all about? Do you agree with Polak and Warwick’s assessment of their history?

In this chapter, the authors list 10 guidelines for successfully designing new products and services for poor people in developing countries. What do you understand about these 10 ideas?

### **Design to a customer**-**derived target price**-**point.**

### 2. **Select the price/effectiveness tradeoffs acceptable to customers**.

1. **Create a proof-of-concept prototype.**
2. **If it works, put it** **in the hands of at least 10 customers, and use their feedback to modify it.**
3. Design and implement a last-mile delivery infrastructure.
4. **Design an aspirational branding and marketing strategy.**
5. Use all available local media.
6. **Conduct a field test.**
7. **Scale up systematically to reach millions of customers.**

10. Keep in mind the global implications of your marketing plan.

The authors insist that marketing to $2-a-day customers requires understanding—and use—of traditional communication channels, not necessarily contemporary advertising media, to market new products and services. They describe the effort to market treadle pumps to poor farmers in Bangladesh to show what they mean. Who can cite examples of some of these channels?

**FYI:** The ten ideas are: (1) Calendars, leaflets, and poster. (2) Drama. (3) Feature-length movies. (4) Troubadours. (5) Rickshaw processions. (6) Giving customers the opportunity to touch, feel, and operate the product. (7) The integral role of village dealers. (8) Strategically placed demonstration plots. (9) Influencing policy-makers and government officials. (10) Working with and through NGOs.

**Chapter 9—Zero-Based Design in Practice: A Cautionary Tale**

*Markets can be merciless. New technology, no matter how brilliant and innovative, will not survive in the marketplace unless it meets customers’ real needs as they perceive them and offers a true competitive advantage over existing products, whether in price, value, or accessibility.*

This chapter relates the experience of a development team in rural Haiti led by Professor Amy Smith of MIT. What did the team set out to do? What happened? Why did things turn out as they did? What is the authors’ assessment of what was missing from the MIT team’s approach? Based on the information available to you, what is *your* assessment of the project?

The authors suggest there are three ways the MIT project could have been improved:
(1) Change the technology. (2) Change the public perception of charcoal. (3) Change the way the team did marketing. Do you feel each of these suggestions is warranted? How would you go about accomplishing them?

**Chapter 10—Design for Scale**

*Starting a new business from scratch is one thing. Starting one that’s designed to go global is very different—and that has implications that need to be addressed from the outset.*

How would you go about starting to design a business for a global market?

Polak and Warwick recommend three concepts to keep in mind when undertaking the process of designing a global business: (1) Pick a scalable problem to work on at the outset. (2) Plan for scale from the very beginning. (3) Use market-driven approaches to reach scale. As a practical matter, how would you go about that?

The authors refer to “The Elements of Scale.” Who can name one of those? Others?

**FYI:** The 10 Elements of Scale are: (1) A powerful idea. (2) Escalating capital investments. (3) Skilled management with experience of scale. (4) Intensive supply-chain management. (5) A logical sequence of production steps. (6) World-class branding and marketing. (7) Efficient and exportable recruitment and training procedures. (8) A modest pilot test. (9) Successive rollout waves. (10 Ongoing monitoring and evaluation.

**Chapter 11—Zero-Based Design in Practice: Safe Drinking Water for Small Villages**

*If you’ve been wondering whether the ambitious approach we advocate will really work in practice, read this case study about the early days of one such company as it moves beyond the pilot stage.*

This chapter details the story of the early days of one company already in business in India that was designed according to the guidelines proposed in *The Business Solution to Poverty*. To get the company up and running, the managers confronted a series of critical choices. Who can describe one of those choices? Others?

**FYI:** Those choices included: (1) Which water-purifying technology to use. (2) How to brand the company. (3) How to distribute the product. (4) How to ensure quality. (5) How to arrange for last-500-foot delivery. (6) How to transport the water. (7) How to train and supervise the employees.
(7) How to price the water.

How did Spring Health’s managers solve the problem of quality assurance?

How did they solve the problem of last-mile delivery?

**Chapter 12—Design for Delivery the Last 500 Feet**

*When your customers are scattered all over the map, and there’s nothing like FedEx or a working postal system available to deliver your product, the cost of getting your goods into customers’ hands can be prohibitive—unless your business model incorporates a way to fill the gap.*

What do the authors mean by “delivery the last 500 feet”?

Describe two practical solutions for the last-500-feet-delivery (or collection) problem.

**FYI:** The authors describe four solutions: (1) Local sales representatives. (2) Local distributorships. (3) Create village-based aggregation centers. (4) Stimulate the development of profitable transport enterprises for the last 500 feet.

Give an example of a last-500-foot delivery or collection system in practice.

**Chapter 13—Building a Mission-Driven Global Business**

*Just try building a business with only a terrific product and the will to win. You won’t get far without an organization of committed people and the structure to make the most of their talents.*

Polak and Warwick claim that decentralization and a stakeholder-centered business model are both essential to the success of a company built along the lines described in their book. Who can explain what they mean by decentralization and how it would work in practice? And what about a stakeholder-centered business model?

The authors justify their belief in the stakeholder model in detail. What is the basis for their trust in that approach? Do you agree? Disagree? Discuss.

In addition to the general guidelines listed in this book, the authors cite several “down-to-earth problems” they claim are likely to arise in many developing countries. What are those problems? Can you think of others?

**FYI:** Those potential problems are: (1) Pay scale. (2) PR risks.
(3) Community relations. (4) Legal environment. (5) Corruption.
(6) Language.

**Problem-Solving Exercise**

The following video posted on YouTube can be used as an introduction to as many as eight different challenging problems in Zero-Based Design. Participants may be asked to identify those problems and, if time and format allow, to adopt one or another in small groups as a practical project.

<http://www.youtube.com/watch?v=5WIoxuya60A>

**PART THREE: OPPORTUNITIES ABOUND**

**Chapter 14—If You Don’t Do It, Who Will?**

*If you still harbor any doubts that the approach we advocate is feasible, you should change your mind within the next few pages, as you become acquainted with the four new companies Paul is setting up—and some of the many areas of opportunity in which you can do the same.*

How many potential $2-a-day customers must there be to make it practical for a prospective global business to acquire 100 million customers in the course of a decade, as the authors urge?

The authors cite a total of eight areas in which an urgent need exists among at least 1 billion poor people. Name those areas of opportunity. Can you think of others?

**FYI:** (1) Small-plot agriculture. (2) Food. (3) Sanitation. (4) Electricity. (5) K-12 schools. (6) Healthcare. (7) Cooking and heating. (8) Safe drinking water.

**Takeaways**

[We will list the Takeaways here in their final form.]

**What We Say to Critics**

Do you agree with the following statements? Why?

* “Poverty Isn’t Any Business of Business”
* “Business Will Inevitably Exploit Poor People”
* “It’s Immoral to Make Profits Off the Poor”
* “Any Business that Uses Natural Resources is Acting as Though the Carrying Capacity of the Planet Is Unlimited”