

A BUSINESS SOLUTION TO POVERTY: DESIGNING PRODUCTS AND SERVICES

- JANICE GOW PETTEY, ED.D.
- SOLAR COOKERS INTERNATIONAL

SOURCE: THE BUSINESS SOLUTION
TO POVERTY
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FACTS

- 2.7 BILLION PEOPLE (EST.) LIVE ON <\$2 DAY.
- THE COLLECTIVE PURCHASING POWER OF THOSE AT THE “BOTTOM OF THE PYRAMID” IS \$5 TRILLION.
- TOP DOWN APPROACHES RARELY WORK.

A citizen-sector approach to poverty could greatly increase impact if it shifted from service delivery to building **capacity** of poor people for self-governance by **collaborating**, pooling widely scattered resources, and taking direct action to support the emergence and **replication of scalable, market-based solutions**.

EXAMPLE: MICROCREDIT FINANCE INSTITUTIONS (MFI)

- Use of treadle pumps in Bangladesh:
 - Re focus loans on income producing activities
 - \$1 million in microcredit loans in Bangladesh would enable 40,000 small farmers to install treadle pumps which would permanently increase their yearly net income by \$4 million after paying off their loans with interest in less than six months.

SCOPE AND SCALE

- Reducing poverty globally cannot be done singularly.
- Progress will be uneven.
- Adoption curve (Metcalfe's Law)
 - as the number of individuals in the network of adopters grows, the number who are attracted to join increases ever more rapidly because more and more people hear about the advantages from a growing number of neighbors. This is a manifestation of peer pressure.

PRACTICAL ADVICE

Zero based design:

How to build a business that will help transform the lives of 100 million poor customers over a decade, earning revenues of \$10 trillion and returning generous profits.

- Poor people have to invest their own time and money to move out of poverty.
- Providers (businesses) must understand the problem needing to be solved from the customer's perspective.
- Businesses/organizations must aim to transform the lives of 5 million customers within 5 years and 100 million within the first 10.
- Zero-based design requires starting from scratch, without preconceptions or existing models, beginning with a goal in mind.
- Scale costs to the customers. A \$500 piece of equipment will not be usable. Redesign equipment to appropriate cost points for the customers.
- Expandability is good.
- Use locally available materials.
- Interchangeability lowers costs.
- Durability doesn't last.
- Test, re-test, and test again.