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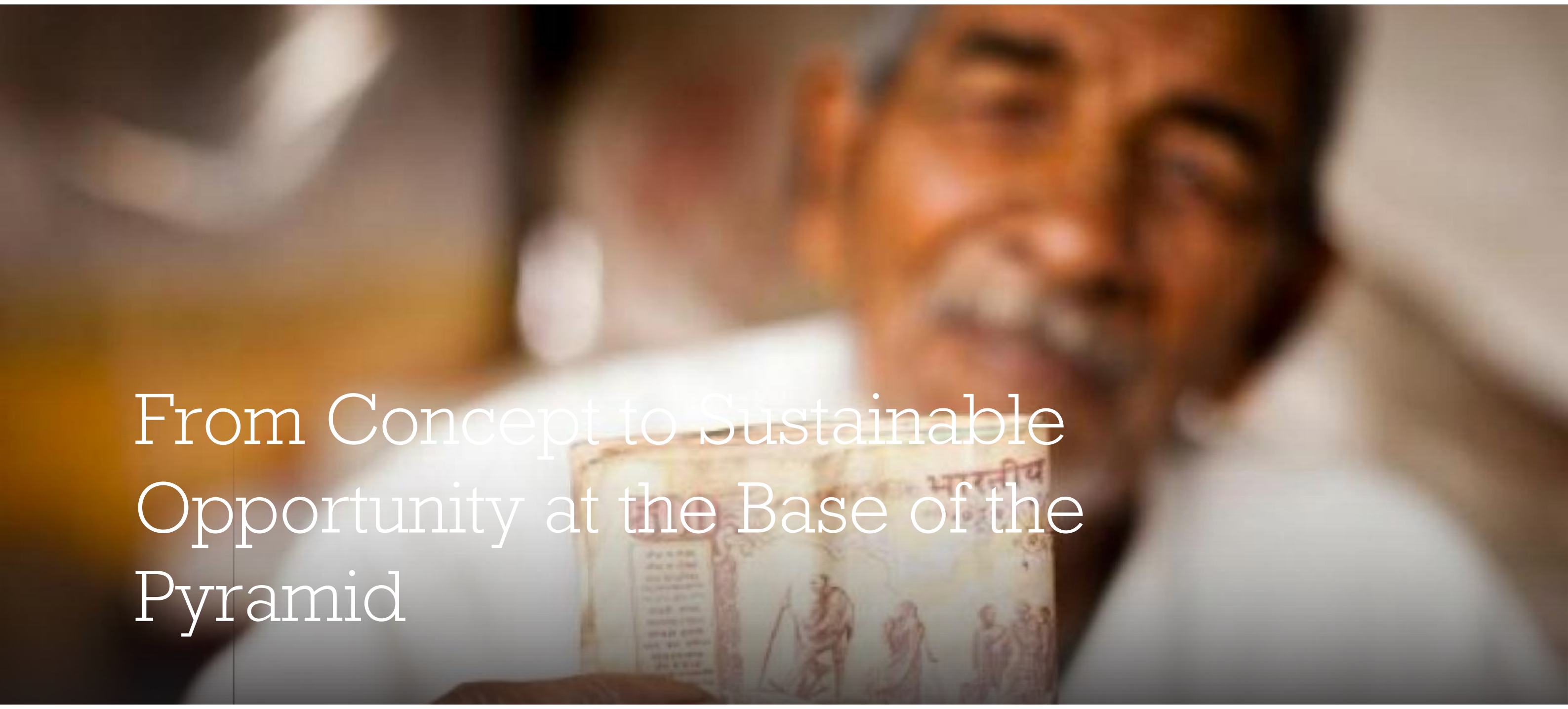

From Concept to Sustainable Opportunity at the Base of the Pyramid

How to reach the underserved in a scalable and sustainable fashion, while pursuing strategic priorities of innovation and growth.

Compared with developed markets, the ratio of doctors to patients in India is woefully low at a national ratio of 1:1,700. In rural areas, the gap is even wider, at 1:25,000. Even compared with other emerging market averages, India is massively underserved when it comes to healthcare. The rural populace accounts for two thirds of the country's overall population, but full-scale hospitals, specialist doctors and operating theatre facilities are limited to cities and towns.

Those living in rural areas typically visit medical practitioners who have graduated in alternative medicine (Ayurveda, homeopathy and Unani). Some are simply not qualified or have mostly achieved grade 12 education. Some serve as assistants to city doctors and start their own practices in villages.

By and large, however, seeking medical care from a practitioner of any kind is a last resort in rural India. A variety of traditional herbal remedies at home are often used before medical help is sought. Men also control the purse strings and wage earners are given priority to keep the bread winners at work. The money for treatment is taken from savings or borrowed from friends or family members as most rural Indians live at a subsistence level.

It starts at the top

In his seminal work, *The Fortune at the Bottom of the Pyramid,* C.K. Prahalad likened the distribution of wealth and income to a pyramid, with a small number of affluent individuals at the top and a large base made up of the poor in emerging markets. Although poor, the bottom of the pyramid (BOP), he argued, is potentially a huge market.

As we detail in **this case study**, such an opportunity was spotted by Novartis when the company was looking for ways to expand on its already strong history of philanthropy and corporate social responsibility. It had built a world class reputation among global health stakeholders for its contributions to fighting leprosy and malaria. But, could Novartis reach the underserved in a more scalable and sustainable fashion, while pursuing its strategic priorities of innovation and growth?

Inspired by the success of several multinational companies such as Hindustan Unilever and Coca-Cola in emerging markets, especially India, the senior management gave a directive in 2007 to investigate whether Novartis could sustainably improve access to healthcare for the world's poor. A team was assembled to identify a target market and a segment with the potential to improve the health for poor people at scale, while yielding economic value for the company. India was a logical choice as a first priority, given the evident growth potential of the market.

The challenges

Looking at the positives, a 2007 McKinsey report forecast that the Indian pharmaceutical market would triple in size by 2015 to US$21 billion. The presence of private healthcare eliminated the need to work through intermediaries in the government, often a source of red tape. Additionally, many of Novartis' products addressed the disease burden there. For Novartis, tuberculosis (TB) was a good entry point as the country accounted for 23 percent of the world's TB cases and few Indians had access to appropriate treatment services. But the company would have to change mindsets. It needed to encourage "health-seeking behaviour" and make it affordable and accessible.

In addressing this, Novartis would have to keep in mind that BOP consumers did not like leaving villages or going far afield. Another challenge was legality. It was against the law for any pharmaceutical employee to engage patients directly with the products or make patients aware of the need to seek early and complete treatment. Medical representatives would therefore need to become "health educators".

Same but different

To do this, Novartis started Arogya Parivar ("Healthy Family" in Hindi), which began as an outsourced, separately managed entity, operating independently of Novartis, a move that proved vital to its success in building alliances with non-traditional partners. It targeted Maharashtra and Uttar Pradesh in the beginning.

It worked with a recruitment firm to hire health educators and set about training them on tuberculosis, nutrition, allergies and infectious diseases. Arogya Parivar's main aim was to create awareness of these diseases and the existence of treatment so that people could get screened and diagnosed if they had concerns.

The health educators targeted community meetings to educate local residents, conducting at least four group meetings a day across two villages. People were free to ask the health educators questions and given recommended doctors to address their issues. On the distribution side, Arogya Parivar worked to develop a network of doctors to take on patients as well as a network of chemists/pharmacists to stock relevant products using sales supervisors.

It also had to contend with vast infrastructure shortfalls to get to this end consumer in the first place. As it was too expensive to move audio-visual equipment around to villages for awareness videos, Arogya Parivar had to piggy back on other organisations looking to reach villages with A/V demonstrations.

But there were challenges at every step of the journey, such as affordability. Given the rural populace typically earned weekly wages and prescribed medicine was expensive, small packets of medicine was a consideration, but that made compliance more difficult. If a patient felt better after a few days, they would stop coming back for the rest of the recommended dosage. Changing a preference for traditional remedies was also a major challenge.

Achieving scale

How Arogya Parivar got from here to its current position across ten Indian states and a number of other countries in Africa and Asia will be the subject of class discussion as part of my new executive development programme, **Market Entry Strategy for India**.

In my view, the factors of Arogya Parivar's success have been:

- Moving ahead of the game and approaching the bottom of the pyramid from the early stages.
- Setting Arogya Parivar aside from the main brand gave the unit flexibility and agility to build partnerships and authenticity in front of the consumer.
- Partnering with doctors to treat patients for a variety of ailments and not necessarily to be treated with Novartis products.
- Leveraging existing infrastructure in a challenging environment.

As organisations and executives ponder approaches to these complex emerging markets, the key tenets of success are a very deep understanding of the local market and a willingness to break the corporate mould.

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