

# VIEWPOINT

## Enabling Reverse Innovation: Win in Emerging Markets with a Design-to-Value Approach

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When expanding to developing countries, most global companies initially target upper-class populations with products that were developed for the western world. To attract the mass markets in these new economies, the strategy is often limited to diluting existing products – sometimes literally – and leaving money on the table.

The biggest opportunity for growth in the developing world lies in creating fresh, innovative products tailored for the mass market with radically different value propositions and price points than those found in developed countries. These products can later be sold to underserved segments in developed markets, generating even more revenue through reverse innovation. Coined by Vijay Govindarajan and Chris Trimble in their book of the same title, reverse innovation describes the unconventional flow of innovations originating in the developing world before spreading to the industrialized world.

Progressive companies have started to embrace the concept of reverse innovation, but struggle with its execution. A design-to-value approach is the most effective means of enabling reverse innovation by developing products that are both desirable and commercially viable.

### Design-to-Value: It's all About Trade-Offs

The problem with a dilution strategy is that products fail to address real needs of consumers in developing countries. With a design-to-value approach, companies can carefully evaluate potential features and benefits to determine the mix of product attributes that will maximize perceived customer value. Robust design-to-value capabilities provide a framework for making critical trade-off decisions between product attributes, costs, development effort and price. When product performance and price are properly balanced, customer value (and the chance of in-market success) increases.

A great example of design-to-value and reverse innovation comes from the 90's, and a floor cleaner developed in Mexico called Fabuloso. When floor cleaners are formulated to remove tough stains from floors that are infrequently cleaned, they require expensive components like surfactants, builders and chelants. However, Mexican consumers clean their floors regularly, as often as twice a day, making high-cost cleaners unnecessary and overly formulated for the Mexican market. Additionally, consumers pride themselves on the fragrance left behind after these regular cleanings, as it is indicative of a job well done.

How did the developers at Fabuloso respond? They used a design-to-value approach, reducing the expensive chemistries and increasing the level of perfume in the product. The new product was an innovative, low-cost solution that delivered on attributes their customers valued. After the company established market dominance in Mexico, Fabuloso launched in several European countries with runaway success.

$$\begin{array}{ccc} \uparrow & \text{CUSTOMER} & \text{PRODUCT} \\ & \text{PERCEIVED} & \text{PERFORMANCE} \\ & \text{VALUE} & \text{=} \frac{\text{PERFORMANCE}}{\text{PRICE}} \\ & & \downarrow \end{array}$$

Value Equation

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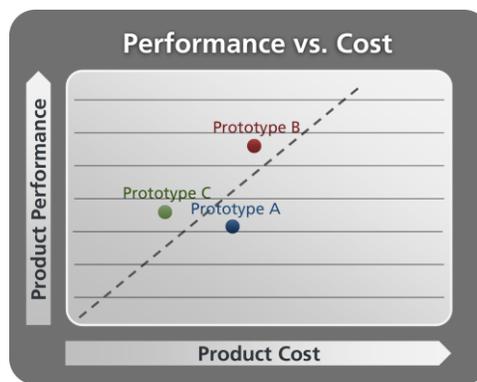
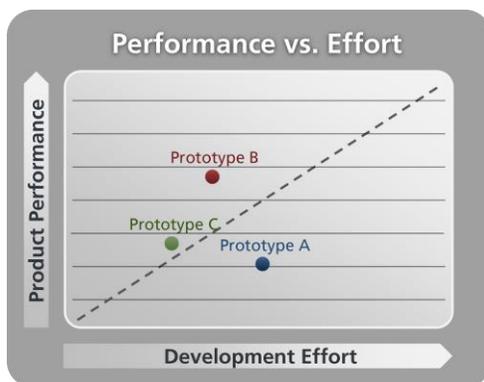
## Three Guiding Principles to Executing a Design-to-Value Strategy

Capturing market share in developing countries requires creating new products with winning value propositions, but it's easy to get bogged down in details. Here are three tips to help you keep your head above water.

1. **Focus your limited resources by understanding what customers value most.** Customer value is skewed to the unique preferences of a target population. The ideal product solution is not necessarily the one with the best performance or the lowest cost, but the one that offers the greatest customer perceived value relative to market alternatives.
2. **Avoid data paralysis** when determining the preferences of target consumers in the local market. Quantitative data on consumer preferences can be difficult to ascertain, particularly for breakthrough innovations in new markets. Avoid data overload by focusing on the *relative* importance of each product feature.
3. **Prototype multiple solutions** to learn as much about the technical feasibility of each solution as early and at the lowest cost possible. Product development teams can begin exploratory work even before marketing has identified which product features are most important. Technical risk, development time, and manufacturing complexity should all be considered when assessing the relative effort required to deliver each product feature.

Trade-off analyses, such as charting Performance vs. Effort or Performance vs. Cost, can be used early in the product development lifecycle to determine the best prototype to launch into development.

A design-to-value approach supports the development of products with superior value, and this leads to opportunities for successful reverse innovation



Products with well-crafted value propositions, such as Fabuloso floor cleaner, have the potential to yield blockbuster success in both new and established markets, driving sustainable growth. By combining customer insights with technical design expertise, a design-to-value approach supports the development of products with superior value, leading to opportunities for successful reverse innovation.

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