

IN THE FIELD

WITH GE HEALTHCARE INDIA



How can B2B companies serve low-resource business customers in emerging markets in an efficient and profitable way?

India has the world's highest record of neonatal deaths, many of which are closely associated with hypothermia. In 2013 alone, 750,000 such deaths were recorded, according to a UNICEF report.

GE Healthcare India's Maternal Infant Care (MIC) division had applied a "frugal innovation" strategy to develop its Lullaby Warmer (LW) – a baby warmer used to treat hypothermia in newborn babies – as a way to address the acute need for such appliances. It was expected that the LW would help governments in emerging countries win the fight against infant mortality. However, although by 2012 GE Healthcare had sold thousands of LWs all over the world and captured many new customers in the process, it did not manage to reach the facilities located in semi-urban and rural India – a customer group that we refer to as *low-resource business customers*. What could GE Healthcare do to win in these markets?

The broader issue

Western multinationals like GE Healthcare are lured to emerging markets by forecasts of high gross domestic product (GDP) growth and an ever-expanding middle class. They aspire to capture a share of the immense market potential by developing and distributing "customized" products and solutions. Upon closer examination, many of these products are essentially modifications of existing Western designs with a "twist" of local customization. Quite often, the

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At a glance

- The growth focus in emerging markets is shifting from big mega cities to semi-urban and rural areas.
- Serving low-resource business customers in these settings is a formidable task.
- GE Healthcare India decided to take on the challenge and developed a new infant warmer.
- The successes and bumps along this journey offer three fresh lessons for other manufacturers.

narrative is that global multinationals target the upper segments of the population in these countries with sleek, multi-featured, expensive models (high value, high price) and keep the more basic, less expensive versions for the middle and low segments (low value, low price). Given that their target customers are typically private facilities, located in tier I cities (with a population of several million), these corporations use a standard sales and distribution model that combines a direct sales force and a handful of distributors.

However, the growth focus now is shifting from the mega cities to smaller cities and rural areas (low-resource settings) and there is increasing pressure on government to improve the standard of services in these places. As a result, the current strategy of many multinationals is no longer a ticket to success in emerging markets. To date, many B2B companies appear to be unfit to serve these customers well. Much like understanding the needs of low-income consumers in business-to-consumer (B2C) markets, managers must gain a better knowledge of low-resource customers in B2B markets.

Unique challenges for manufacturers

Low-resource business customers face challenges that manufacturers may not have considered, such as tough operating conditions for machinery (energy interruptions, limited water supply, heat, dust, etc.), short

supply of skilled workers (including operators and technicians), and facilities that are difficult to serve due to poor infrastructure and lack of market data. Furthermore, although there is a modest budget for capital expenditure (especially in the private sector), resources for maintenance and service are extremely limited.

B2B companies often focus their efforts solely on product innovation when entering emerging markets. This is necessary, but it is not a sufficient condition for success. Beyond mastering product innovation, B2B firms must develop novel commercial expertise, given that the interaction with the customer is not a straightforward process. For example, the purchasing cycle – responding to product information requests, providing a quote, securing payment, delivering and setting up the equipment, and providing basic training – can consume an enormous amount of time and energy. Companies need to revisit their sales and distribution strategy and work out an efficient and pain free way to reach and serve these facilities.



A new approach

GE decided to take on the challenge of serving the low-resource business customers and launched a new product development project: Lullaby Warmer Prime (LWP). Although the company retained the Lullaby brand, it took a very different approach this time. It built the new baby warmer from the ground up, and focused on making a product that was robust, designed to withstand



From defeaturing to user-centered product design: Lullaby™ Warmer (left) and Lullaby™ Warmer Prime (above).

extreme voltage fluctuations, simple to set up and operate, and easy to service. Aware that low-resource customers had high expectations, it adopted a “high value, low price” strategy.

The mantra was “do not talk to the experts” to highlight that its people had to think differently and avoid the “I know it all” trap. The MIC staff interviewed over 250 people based in low-

resource environments in several countries. Some of the physicians and hospital staff they spoke with had never even seen a modern baby warmer before. The engineers then used the data collected to quickly develop and test “low-fidelity” prototypes that had some of the target product’s characteristics. This was a break from its usual practice of developing the best possible prototype before sharing it with potential customers. The MIC team also dared to defy the myth that a product destined for such environments should look and be cheap.

LWP had a compact structure with only two moving parts, and malfunctioning modules could easily be unclipped and replaced. It also had a sleek design and technology that was on a par with or better than current GE warmers, including a patented “J-profile” design that reflected heat uniformly, increasing comfort for the caregiver, and a reusable temperature probe made of Kevlar (the material used in bullet-proof vests). GE Healthcare introduced LWP in India in December 2013 and globally in 2014. This was less than two years after development began.

To enhance adoption of LWP, the company also employed *fast commercial prototyping*. Rather than waiting to have the “complete” solution, which was approved by everyone, the MIC division redesigned its network of distributors, experimented with new sales channels (including online and over the phone selling) and various payment options, and piloted public–private partnership programs with aid organizations in the states of Bihar and Odisha. It also introduced various packages with prices ranging from \$1,000 to \$1,500 as well as a selection of accessories, warranty lengths and service plans, making the LWP 50% to 70% less expensive than the LW, but still with a healthy profit margin.

“ WE HAVE LEARNED THAT SELLING A PRODUCT LIKE LWP IS A COMPLETELY DIFFERENT BALLGAME. WE HAD TO EXPERIMENT A LOT AND DEVIATE FROM GE’S ESTABLISHED COMMERCIAL PRACTICES. I BELIEVE THAT COMMERCIAL PROTOTYPING IS THE CORRECT APPROACH TO GET OUR GO-TO-MARKET MODEL RIGHT, NOT ONLY FOR LWP BUT ALSO FOR ALL FUTURE INNOVATIONS DESTINED FOR LOW-RESOURCE SETTINGS. THE JOURNEY HAS ONLY JUST STARTED. ”

Chandan Gupta, MIC general manager

Did it work?

A year after LWP’s launch, GE Healthcare had succeeded in reaching customers in tier II and tier III cities in India and several Asian and African countries, where the product was a big hit with small family-run clinics. The next major target for the company was rural areas and the public healthcare sector, which comprised district and sub-district hospitals as well as modest community health centers.

Reaping the benefits

The successes and bumps along the LWP journey offer three fresh lessons for other B2B companies that want to serve low-resource customers in an effective and profitable way:

1. Confront the unique challenges posed by low-resource business customers. You need to gauge the implications for your product development, marketing strategy and sales model.
2. No more defeaturing. New products should be designed from scratch and incorporate the best available technology.
3. Product innovation and commercial innovation should go hand in hand. Use fast commercial prototyping to design the go-to-market model in parallel with product development.

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