



# The \$300 House

from idea to reality



Vijay Govindarajan (VG) & Christian Sarkar  
*February 2011*

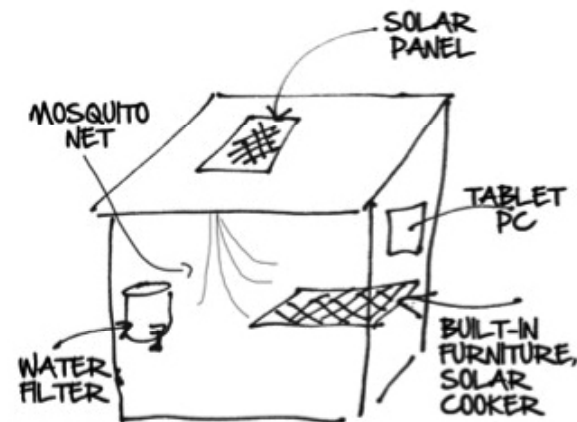




# The \$300 House

The **\$300 House** was first described in a *Harvard Business Review* [blog post](#) by **Vijay Govindarajan** and **Christian Sarkar**. Due to the overwhelming response from all over the world, the authors decided to see how far they could go to make the idea a reality. They invited others to join in, and soon a series of blog posts appeared – each one by an expert – describing a particular aspect of the challenge:

- [The Financial Challenge](#)
- [The Design Challenge](#)
- [The Energy Challenge](#)
- [The Co-Creation Challenge](#)
- [The Marketing Challenge](#)
- [The Performance Challenge](#)
- [The Corporate Challenge](#)
- [The Sustainability Challenge](#)



THE \$300 HOUSE



# The \$300 House: 5 questions

We started with five simple questions:

- How can organic, self-built slums be turned into livable housing?
- What might a house-for-the-poor look like?
- How can world-class engineering and design capabilities be utilized to solve the problem?
- What reverse-innovation lessons might be learned by the participants in such a project?
- How could the poor afford to buy this house?



# The \$300 House: Collective Action

Very quickly we found that organizations, businesses and individuals wanted to help make this housing idea by participating in the process, and the idea of collective action began to take shape.

We built a website:

[www.300house.com](http://www.300house.com)



# The \$300 House: The Goal

Our goal is to **design, build, and deploy a simple dwelling** which keeps a **family safe** from the weather, allows them to **sleep at night**, and gives them a **measure of dignity**.

If we can give the poor a chance to live safely and build **an inclusive ecosystem of services** around them which includes **clean water, sanitation, health services, family planning, education and micro enterprise**, maybe we can start reducing the incidence of poverty. By helping create this **ecosystem**, we know that **businesses can make money while providing needed services to the poor** at an affordable cost.

We also believe that companies which learn to serve the poor will gain new insights and harness the power of “**reverse innovation**” to make them far more competitive globally.





# The \$300 House: Our Approach

We're bringing together three sets of players:

- the **residents** of the \$300 House
- the **designers** of the house, and
- the **organizations** - the implementers (private and public) who will build it.

The **residents** of the \$3000 House can be in any part of the world. We're planning to start with a two pronged approach - India and Haiti. Dartmouth (through VG) is sending teams of students to both places to work with groups on the ground to evaluate the prospects, challenges, ecosystem opportunities, community strengths, etc.

The **designers** will be amateurs, students, and professional designers. We're going to ask them to submit their concepts and ideas in a simple but usable format. We'll also invite professional architects and design firms to step up in this collaborative effort.

The **organizations** will include non-profits (NGOs), for-profit vendors, and of course public organizations - both regional and national governmental agencies. As execution becomes our priority, we'll work with existing, trustworthy organizations to construct and assemble the \$300 House in the selected locations.



# The \$300 House: Our Advisors

**[Ramona Albert](#)**, Albert, Johnson

**[Makrand Bhoot](#)**, Architect Makrand Bhoot + Associates, Inc

**[Christian Blyt](#)**, Emily Carr University

**[Gaurav Bhalla](#)**, Knowledge Kinetics

**[Scott Berinato](#)**, *Harvard Business Review*

**[Alex Bogusky](#)**, Fearless Cottage

**[John Seely Brown](#)**, Deloitte Center for the Edge

**[Samuel Freeman](#)**, IXL Center

**[Bob Freling](#)**, [Solar Electric Light Fund](#)

**[Vijay Govindarajan](#)**, Tuck School of Business, Dartmouth College

**[Vinay Gupta](#)**, [Hexayurt Project](#)

**[John Hagel III](#)**, Deloitte Center for the Edge

**[Umair Haque](#)**, Havas Media Lab

**[Stuart L. Hart](#)**, Samuel Curtis Johnson Graduate School of Management, Cornell University

**[David Hinds](#)**, [Steel Pulse](#)

**[Daniel Klein-Marcuschamer](#)**, Lawrence Berkeley National Laboratory

**[Arun Lal](#)**, [Miloka.com](#)

**[Fred Murrell](#)**, [Rocky Mountain College of Art + Design](#)

**[Doug Pushard](#)**, [HarvestH2O](#)

**[David Sands](#)**, Bamboo Living

**[Manoj Sinha](#)**, Husk Power Systems

**[David Smith](#)**, [Affordable Housing Institute](#)

**[Douglas K. Smith](#)**, Rapid Results Institute

**[Rafael Smith](#)**, [Ubershelter](#)

**[Andreas Stavropoulos](#)**, [XS | Land Architects](#)

**[Sunil Suri](#)**, [Menlo Capital Group](#)

**[Greg Thomas](#)**, [Singapore Management University](#)

**[Christian Sarkar](#)**, disruptive fellow in the back



# The \$300 House: The Process



We're just beginning. Our first job was to make “enough noise” to attract and bring together a critical mass of experts/advisors with the required skills and experience from across the world.

Our second step is to define the concept of the \$300 House, so that the designers can start the design process. As part of this step, we are defining the locations where we will build the conceptual house. So far we have targeted two countries: **India** and **Haiti** – because of support on the ground – involvement from professionals and organizations which want to make a difference.

*We know this is not going to be easy!*





# The \$300 House: Key Findings

We're looking at what the experts have been doing in various countries.

“The problem is that 90 percent of the world’s designers spend all their time working on solutions to the problems of the richest 10 percent of the world’s customers. A revolution in design is needed to reverse this silly ratio and reach the other 90 percent.”

**Paul Polak** in

*Out of Poverty: What Works When Traditional Approaches Fail*

Here are Paul’s 12 steps to practical problem solving for the poor:

1. Go to where the action is.
2. Talk to the people who have the problem and listen to what they have to say.
3. Learn everything you can about the problem’s specific context.
4. Think big and act big.
5. Think like a child.
6. See and do the obvious.
7. If somebody has already invented it, you don’t need to do so again.
8. Make sure your approach has positive, measurable impacts that can be brought to scale.
9. Design to specific cost and price targets.
10. Follow practical three-year plans.
11. Continue to learn from your customers.
12. Stay positive: don’t be distracted by what other people think.



# The \$300 House: Key Findings

We're evaluating the various natural and sustainable building methods available:



[Adobe](#)



[Cob](#)



[Rammed Earth](#)



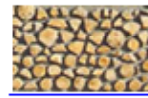
[Poured Earth](#)



[Earthbag](#)



[Strawbale](#)



[Cordwood](#)



[Timber Frame](#)



[Bamboo](#)



[Earthship](#)



[Papercrete](#)



[Lightweight Concrete](#)



[Stone](#)



[Hybrids](#)



[Manufactured Systems](#)

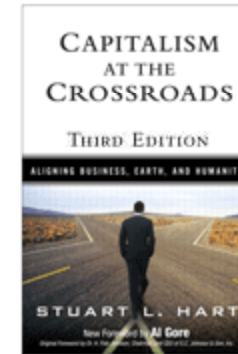


# The \$300 House: Key Findings

We're learning from the experts who have joined us – like **Stuart L. Hart** – about sustainability...



Source: Adapted from Hart, S. 1997. "Beyond greening: Strategies for a sustainable world." *Harvard Business Review*, January-February: 66-76.



## The SUSTAINABLE VALUE Framework





# The \$300 House: Key Findings

And David Sands –  
about bamboo...

## BAMBOO

## WOOD

### Strength

As strong as mild steel with the compression strength of concrete. Amazingly, one inch of bamboo can hold up to 7 1/2 tons of weight.

In 1992, 95% of all homes were built with softwoods like Douglas fir. University studies show softwoods can't match bamboo's compression and tensile strength.

### Termites

Tests show that termites refuse to eat even untreated bamboo.

Termites continue to cause significant damage to wood homes, requiring continued treatment with chemicals.

### Hurricanes

Bamboo Living Homes surpass the toughest hurricane codes in the USA, and in 1995 withstood three back to back hurricanes with 173mph winds.

Recent tests show that conventionally built wood homes can't stand up to even 100mph winds.

### Earthquakes

Bamboo bends instead of breaks. In April 1991, twenty bamboo houses built for the National Bamboo Foundation in Costa Rica suffered no structural damage from a 7.5 Richter scale earthquake, despite being directly over the epicenter.

The same earthquake leveled scores of conventionally built homes, hotels and resorts.

### Indoor Air Quality

Bamboo homes exceed California Air Resources Board standards. And all our materials are minimally treated with natural borates to better resist mold and mildew.

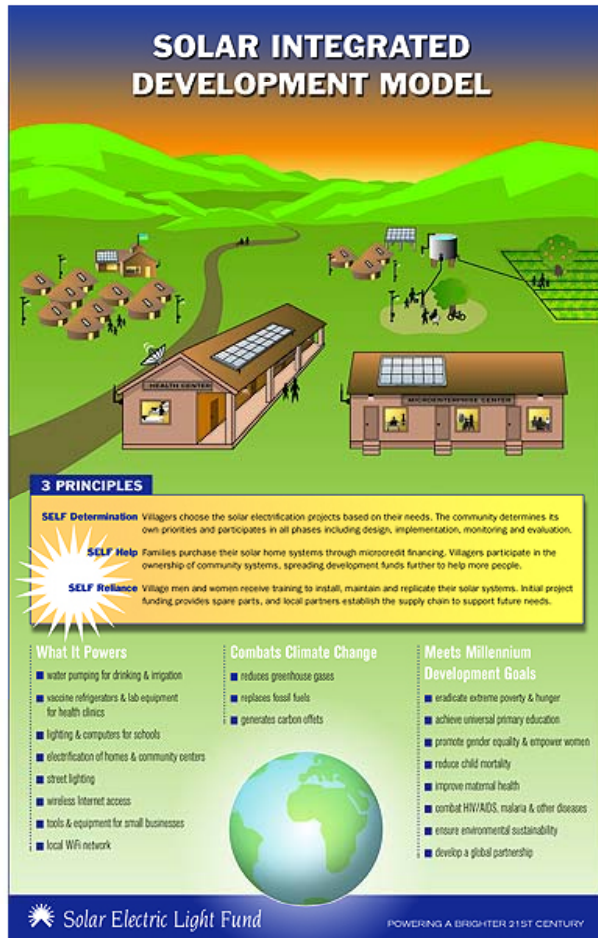
New construction homes increasingly use "manufactured" woods like particle board bonded with adhesives and polymer materials.





# The \$300 House: Key Findings

And **Bob Freling** about energy and development...



	1 Water	2 Food	3 Health	4 Education	5 Enterprise
<b>Description</b>	Solar energy powers purification pumps and filters delivering clean water to communities	Solar energy powers water pumps which enable drip irrigation for critical crops	Solar energy powers health clinics allowing use of key equipment, lighting, & vaccine refrigeration.	Solar energy powers schools to enable computers and Internet access	Solar energy powers local entrepreneurial and community activities
<b>Process</b>	SELF provides assessment, training, installation and follow-up	SELF provides assessment, training, installation and follow-up	SELF partners with a local health organization (e.g. Partners in Health)	SELF provides assessment, training, installation and follow-up	SELF provides assessment, training, installation, follow-up and micro-lending
<b>Governance</b>	SELF projects are governed by local community members	SELF projects are governed by local community members	SELF projects are governed by local community members	SELF projects are governed by local community members	SELF projects are governed by local community members
<b>Case Studies</b>	<a href="#">Nigeria</a> : Jigawa State; <a href="#">India</a> : emergency relief for tsunami victims	<a href="#">Benin</a> : SELF's Solar Market Garden project	Haiti, Lesotho, Burundi, Rwanda: <a href="#">Solar Healthcare Partnership</a> with Partners In Health; also <a href="#">Tanzania</a> with the Clinton Global Initiative	<a href="#">South Africa</a> : schools in Eastern Cape Province	<a href="#">Nigeria</a> : Jigawa State's solar-powered micro-enterprise buildings
<b>Results</b>	In Jigawa State, solar-powered pumps supply villages with clean, fresh water from deep wells	a <a href="#">Stanford University study</a> validates SELF's Solar Market Garden project	Partners In Health has committed to shifting <i>all</i> their clinics from reliance on diesel to solar	two thousand students and their families now have access to reliable lighting, new computer labs and the Internet	SELF's micro enterprise initiatives create a variety of small businesses, from barbers and tailors, to peanut oil processing





# The \$300 House: Key Findings

And **Gaurav Bhalla** about collaboration...



## Collaboration and India's 12th Five-year Plan

Bureaucracies are not known for experimenting with cutting edge thinking. But the [Planning Commission of India](#) seems serious about changing that, at least in its sphere of operation. Before the Planning Commission actually starts developing the Plan, it needs to develop what is called an Approach paper, which sets out plan priorities and targets, which subsequently guide resource allocation and later serve as performance measurement benchmarks; an activity typically performed by technocrats, bureaucrats, and politicians.

For the first time however, the Planning Commission is using the platforms of collaboration and co-creation; it is reaching out to the citizens of India to help shape the Plan's priorities and targets. Indian citizens will get to voice their opinions and ideas before the Planning Commission, concerning the contents of the Approach Paper. The Planning Commission is inviting ideas, comments, and suggestions on important themes and topics that are relevant and cut across several sectors, such as:

*Innovation and Enterprise* - Are we creating enough innovations and enterprise for inclusive and sustainable growth? If not, how can we do so?

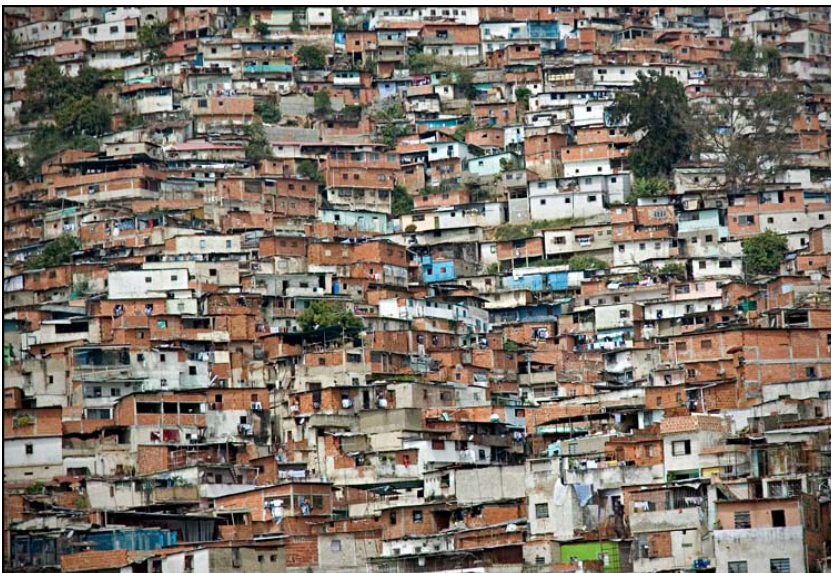
*Governance and Institutions* - How do Government or Public Institutions affect us in different sectors? How can we make them work better?

*Financing the Plan* - What are the financial requirements, both public and private of achieving our targets? Can we meet them?



# The \$300 House: Key Findings

And **David Smith** about financing *and* the issues...



## HALF in the spectrum: Product and risk characteristics



Affordable Housing Institute

<u>Product features</u>	<u>Microfinance</u>	<u>HALF</u>	<u>Mortgage</u>
Loan (average)	\$500	\$2,500	\$10,000
Tenor	0.25-1.0 year	2-5 years	5-30 years
Purpose	Improve income	Improve housing	Buy formal
Credit decision	Personal	Personal + use	Resale value
Collateral?	None	Partial	Yes; home
<u>Risk features</u>			
P = Odds default	Low	Medium	Higher
L = Loss default	Nearly 100%	Unknown	Under 10%
Risk manage	Deny repeat	Assess use val	Underwrite prop
Risk mitigation	Repossess?	Pursue evict	Foreclose

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

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### AHI's definitions of slums

1. [Slums are economically rational](#), the ultimate private-sector solution to housing affordability (if not quality).
2. [Slums are spontaneous communities](#).
3. [Slums are houses of crime](#), where the poor are human shields.
4. [Slums are a wealth-extraction machine](#).
5. The municipal definition: [private investment outruns public infrastructure](#).
6. Slums are a world of alternate power structures.





# The \$300 House: Key Findings

We're learning about what works –  
in Chile:

At the Renca development, the housing units are arranged in clusters around central courtyards, with 18 units opening onto each courtyard and an electrified metal gate at each end. Residents say this affords priceless safety and security. Visible in the foreground: a tree planted by residents, surrounded by rocks—also placed and painted by residents. Developers and residents alike say the high degree of input Elemental allowed the residents has made them take pride in the development, and motivated them to add their own improvements. They are building the park themselves, a symbol of pride in their new home.



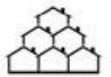


# The \$300 House: Key Findings

We're learning about what works –  
in Brazil:



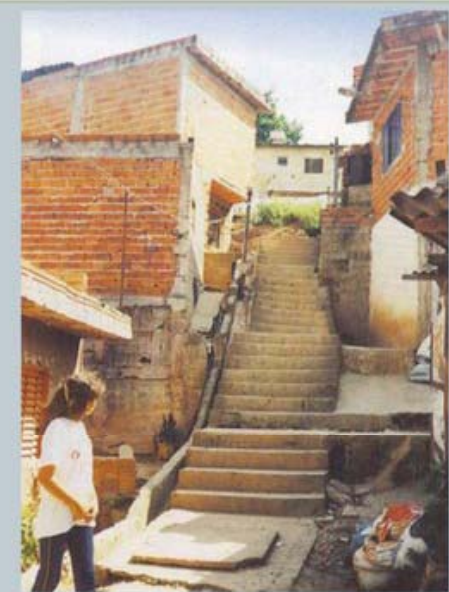
## Favela rationalization in Diadema: Before and after



Affordable Housing Institute



Vila Alice before



Vila Alice after

Affordable Housing Institute

[www.affordablehousinginstitute.org](http://www.affordablehousinginstitute.org)

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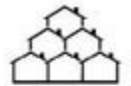


# The \$300 House: Key Findings

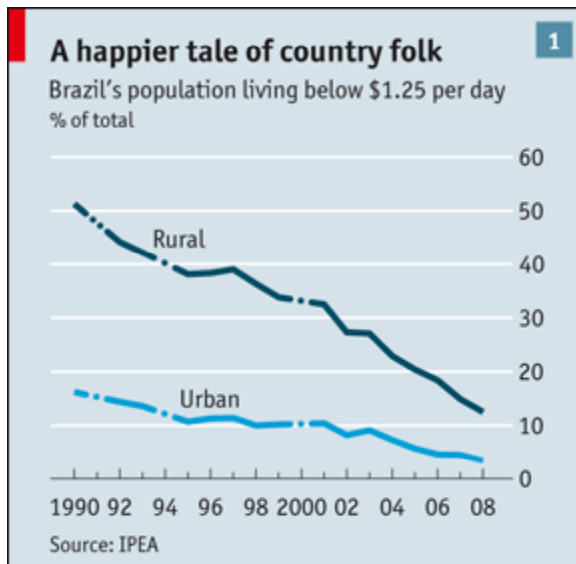
More,  
in Brazil:



## Favela rationalization in Diadema: Before and after



Affordable Housing Institute



Ana Sofia before

Infant mortality

1985: 80/ 1000

1996: 26/ 1000

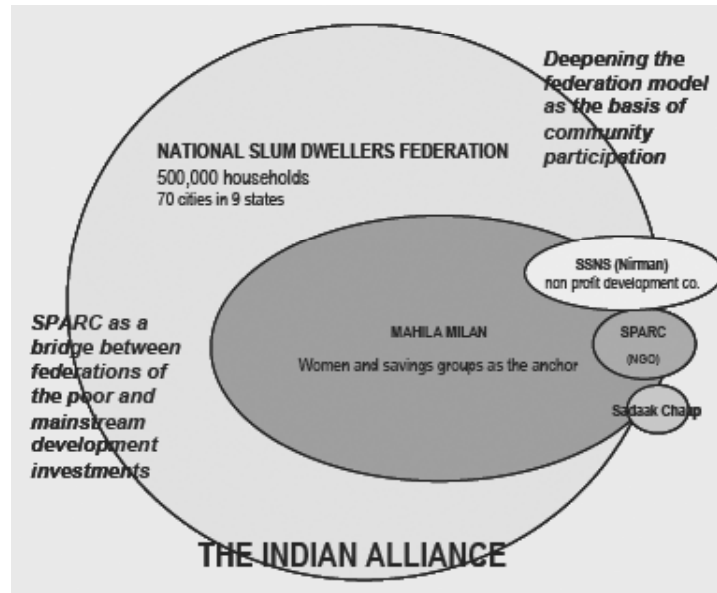
2008: 12/ 1000

Ana Sofia after



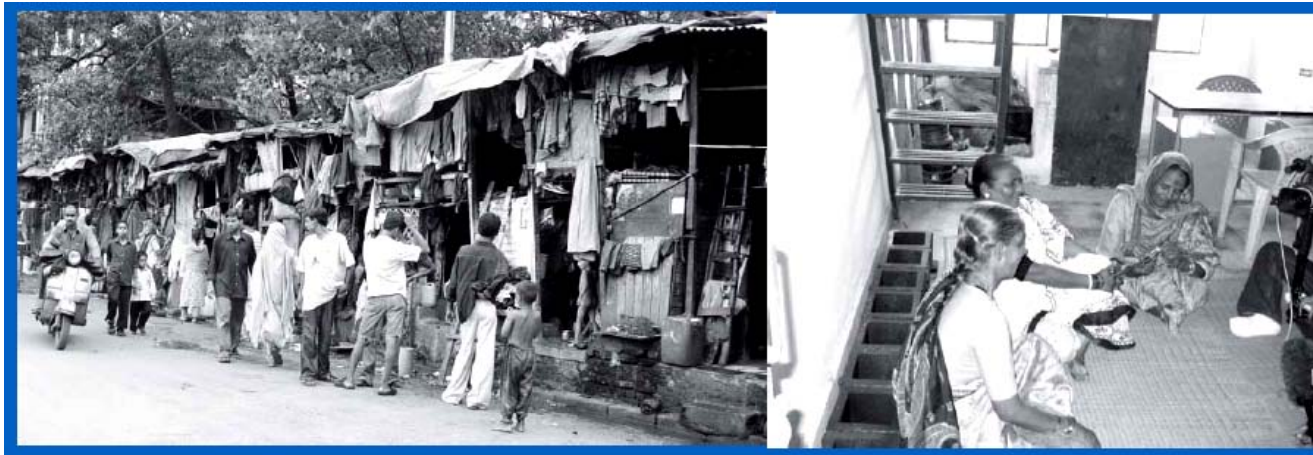
# The \$300 House: Key Findings

And from architect **Makrand Bhoot** about urban and rural development in India – what works and what does not!



**Makrand Bhoot** brings extraordinary earthquake relief experience from fieldwork around the globe including recovery efforts after the 2001 Bhuj Earthquake, the 2004 Indian Ocean Tsunami, Hurricane Katrina in 2005, and the 2008 Chengdu Earthquake. After the great 1993 earthquake in Latur, India, Bhoot helped establish a series of “Building Centers” that explored housing systems ranging from mud blocks to geodesic domes that benefitted communities by demonstrating new affordable housing and training programs to both local residents and foreign relief organizations.

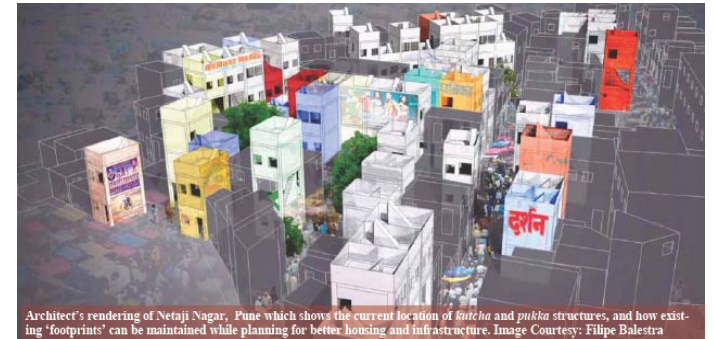
Bhoot is the Director of the **Professional Alliance for Technology and Habitat (PATH)**, with offices in New York and Mumbai. He is currently establishing an Institute for Sustainable Development in Raipur, in rural, tribal, central India. Bhoot received his US Green Building Council LEED Professional Accreditation in 2004. He recently returned from Port-au-Prince and Cité Soleil and is now providing technical assistance to New York metro area groups involved with post-earthquake relief and housing in Haiti, including Rural Haiti, Environmental Justice for Haiti, Bassin Zim EDF, and Haitian Health Foundation.





# The \$300 House: Key Findings

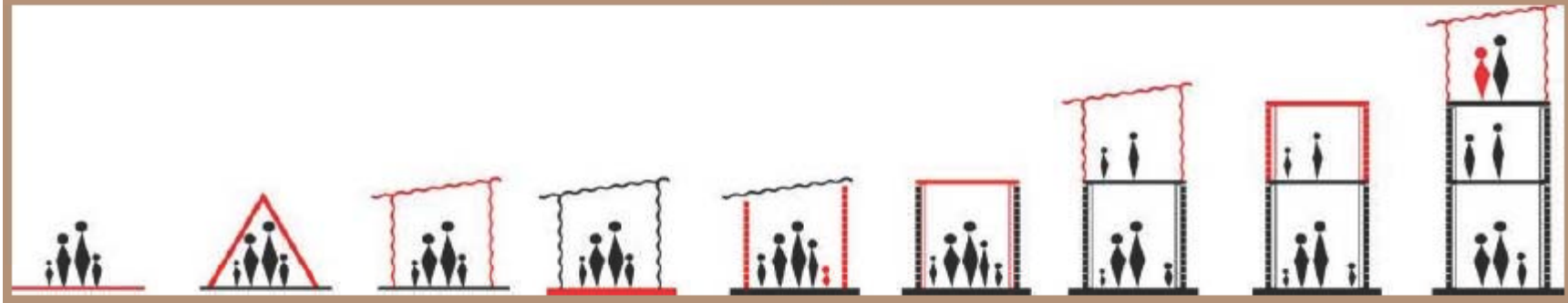
More from architect **Makrand Bhoot** about urban and rural development in India –



## *Incremental housing – The Process*

*When the poor move to the city, their housing options are extremely limited: they can rent out rooms in slums, start life on the pavements or squat on disused lands, such as those along the railway tracks. In the latter cases, they start out by putting up plastic sheets on poles, under which they sleep at night and pack up during the day. Over time, corrugated metal sheets replace the plastic, which become the walls and ceiling, to be later replaced by bricks and mortar. Families sleep inside, outside and on the roofs of their shacks.*

*Gradually, the roof becomes the first floor, as metal sheets are put up as walls. These eventually become concrete, with ladders or narrow staircases leading up from the outside. Further investments are put into obtaining amenities like water, electricity and drainage. Additional floors are often rented out to other migrants, increasing the income of the original family. Depending on the need, congestion, and rate of growth of the slum and the families, slum dwellers continue building these incremental levels. A lot of investment goes into building these houses and upgrading them over time – the cost of the material, construction, maintenance and repair are considerable for the limited means of the slum dwellers.*



# The \$300 House: The Urban Challenge



We're also learning about new business models and the **Urban Challenge** from experts like **Sunil Suri...**

Building off US-inspired steel-based technology - it is possible to design, build, deliver, and erect affordable multi-tier tower housing, addressed squarely to middle and lower class sections of the Indian demographic. **Nominally what costs us \$200/sf here in the US, we can “build” for \$25/sf in India.** And this is Class-A construction - as this is understood or described in the US.



Cost compression comes from:

- the sheer “scale” of the number of units being produced (the US just does not have the population density, whereas India, China, Mexico, Brazil, are an ideal case),
- doing so first in a factory which is highly automated,
- using standardized components, and
- inverting the design scheme – housing solutions are led as a first-step by an optimized structure (in our case a 14-floor tower with a 16,800sf plate to yield two sizes of units – a 800sf 2-Bedroom unit and a 1,100sf 3-Bedroom unit – and in an ideal mix of 85% floor efficiency) around which an architectural solution is added as a second step.





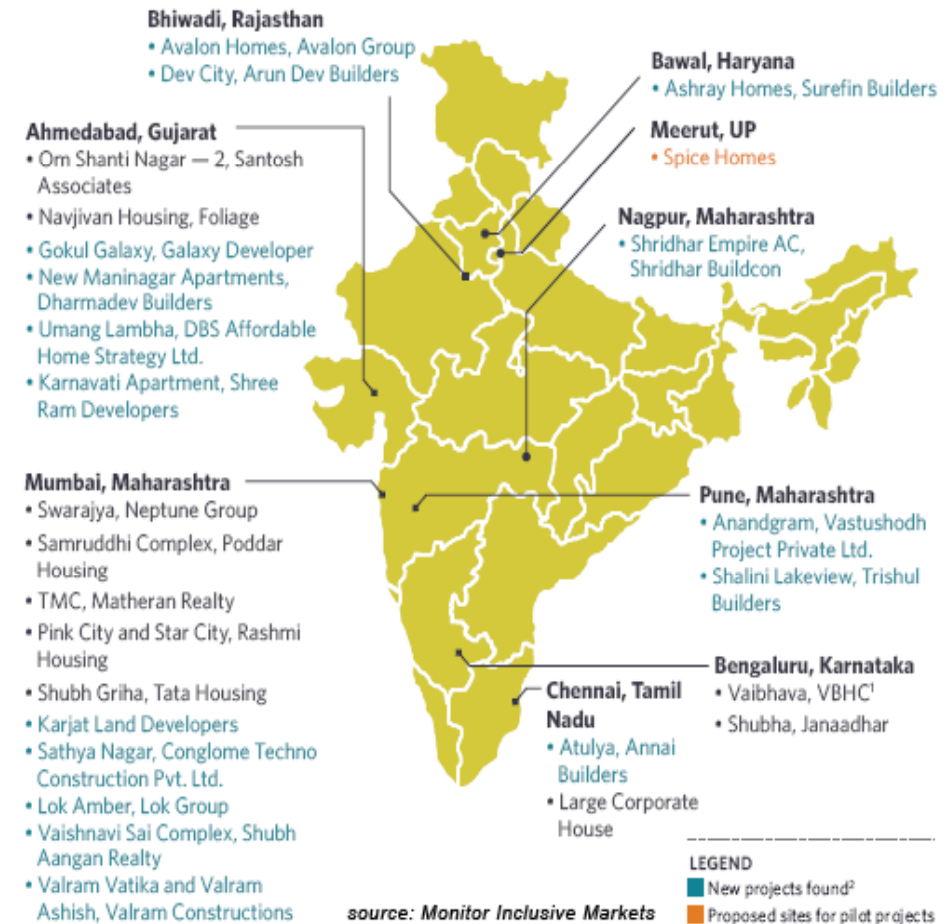
# The \$300 House: The Urban Challenge

## And experts like **Ashish Karamchandani...**

Our [newest study](#), undertaken in early 2010, found more than 25 developers in urban areas building (or about to build) good quality, multi-family units in the Rs. 3 lakh to Rs. 7 lakh price range (ap-proximately US\$6,500 to US\$15,100). This by itself is encouraging, and we have reasons to believe that this represents a shift toward a more sustainable supply equation.

Customers in the **next 30%** income segment generally rented rooms in slums and low income neighborhoods. They lived in poorly constructed houses with deplorable sanitary conditions (shared toilets, bad drainage and water-logging) and lacking basic neighborhood amenities (few common spaces or gardens, unsafe alleys, open gutters). Many families had tiny quarters, for which they paid high rent and yet remained at the mercy of their landlords. Moreover, these customers aspired to live in and **could afford to buy houses between 250-400 square feet in suburban areas at current market prices**, but there was virtually no supply of houses, and almost no access to mortgages from traditional financial institutions (even more the case for informal sector customers).

Map of Low Income Housing Projects, 2010





# The \$300 House: Reverse Innovation

We also believe that companies which learn to serve the poor will gain new insights and harness the power of “reverse innovation” to make them far more competitive globally.



THE \$300 HOUSE:

A PLATFORM for REVERSE INNOVATION



\$30,000



\$3,000



\$300

Shelter | Security | Food  
Health | Energy | Water | Sanitation  
Education | Internet | Telecom  
Transportation | Micro-Business

opportunities  
for  
reverse  
innovation



# The \$300 House: Change is Possible and it will happen soon —

better to plan for it!

Climate change:  
Facing the consequences

Get the  
whole  
picture.

The  
Economist



## Human Development Index (HDI) - 2010 Rankings

Very High Human Development	High Human Development	Medium Human Development	Low Human Development
1. Norway	43. Bahamas	86. Fiji	128. Kenya
2. Australia	44. Lithuania	87. Turkmenistan	129. Bangladesh
3. New Zealand	45. Chile	88. Dominican Republic	130. Ghana
4. United States	46. Argentina	89. China	131. Cameroon
5. Ireland	47. Kuwait	90. El Salvador	132. Myanmar
6. Liechtenstein	48. Latvia	91. Sri Lanka	133. Yemen
7. Netherlands	49. Montenegro	92. Thailand	134. Benin
8. Canada	50. Romania	93. Gabon	135. Madagascar
9. Sweden	51. Croatia	94. Suriname	136. Mauritania
10. Germany	52. Uruguay	95. Bolivia (Plurinational State of)	137. Papua New Guinea
11. Japan	53. Libyan Arab Jamahiriya	96. Paraguay	138. Nepal
12. Korea (Republic of)	54. Panama	97. Philippines	139. Togo
13. Switzerland	55. Saudi Arabia	98. Botswana	140. Comoros
14. France	56. Mexico	99. Moldova (Republic of)	141. Lesotho
15. Israel	57. Malaysia	100. Mongolia	142. Nigeria
16. Finland	58. Bulgaria	101. Egypt	143. Uganda
17. Iceland	59. Trinidad and Tobago	102. Uzbekistan	144. Senegal
18. Belgium	60. Serbia	103. Micronesia (Federated States of)	145. Haiti
19. Denmark	61. Belarus	104. Guyana	146. Angola
20. Spain	62. Costa Rica	105. Namibia	147. Djibouti
21. Hong Kong, China (SAR)	63. Peru	106. Honduras	148. Tanzania (United Republic of)
22. Greece	64. Albania	107. Maldives	149. Côte d'Ivoire
23. Italy	65. Russian Federation	108. Indonesia	150. Zambia
24. Luxembourg	66. Kazakhstan	109. Kyrgyzstan	151. Gambia
25. Austria	67. Azerbaijan	110. South Africa	152. Rwanda
26. United Kingdom	68. Bosnia and Herzegovina	111. Syrian Arab Republic	153. Malawi
27. Singapore	69. Ukraine	112. Tajikistan	154. Sudan
28. Czech Republic	70. Iran (Islamic Republic of)	113. Viet Nam	155. Afghanistan
29. Slovenia	71. The former Yugoslav Republic of Macedonia	114. Morocco	156. Guinea
30. Andorra	72. Mauritius	115. Nicaragua	157. Ethiopia
31. Slovakia	73. Brazil	116. Guatemala	158. Sierra Leone
32. United Arab Emirates	74. Georgia	117. Equatorial Guinea	159. Central African Republic
33. Malta	75. Venezuela (Bolivarian Republic of)	118. Cape Verde	160. Mali
34. Estonia	76. Armenia	119. India	161. Burkina Faso
35. Cyprus	77. Ecuador	120. Timor-Leste	162. Liberia
36. Hungary	78. Belize	121. Swaziland	163. Chad
37. Brunei Darussalam	79. Colombia	122. Lao People's Democratic Republic	164. Guinea-Bissau
38. Qatar	80. Jamaica	123. Solomon Islands	165. Mozambique
39. Bahrain	81. Tunisia	124. Cambodia	166. Burundi
40. Portugal	82. Jordan	125. Pakistan	167. Niger
41. Poland	83. Turkey	126. Congo	168. Congo (Democratic Republic of the)
42. Barbados	84. Algeria	127. São Tomé and Príncipe	169. Zimbabwe
	85. Tonga		

Note: The HDI rankings featured above were published in the Human Development Report 2010, *The Real Wealth of Nations: Pathways to Human Development*. Information about the HDI. PDF version [Table 1 - Human Development Index and its components](#) [94 KB].





**Vijay Govindarajan** is the Earl C. Daum 1924 Professor of International Business and the Founding Director of Tuck's Center for Global Leadership (Dartmouth College). VG is an expert on strategy and innovation. He was the first Professor in Residence and Chief Innovation Consultant at **General Electric**. He has been cited by *BusinessWeek*, *The Economist*, *Forbes*, and *The London Times* as the top thought leader in strategy.

[www.vg-tuck.com](http://www.vg-tuck.com) and [www.vijaygovindarajan.com](http://www.vijaygovindarajan.com)



THE WALL STREET JOURNAL Thursday, October 6, 2011 A15

## Vijay Govindarajan pins future growth on "Reverse Innovation"



**vijay govindarajan**

Generally considered one of the world's leading experts on strategy and innovation, "VG" advises managers to breathe new life into their business by approximating growth from a different perspective.

The world gets reset once every 50 years. We are witnessing one such reset as a result of the global financial meltdown. The global map has been fundamentally redrawn. Growth has shifted from developed countries to developing nations. Historically, multinationals used to articulate their global strategy in terms of their strategy for the United States, Europe, Japan and the rest of the world. In the future, multinationals must think of their global strategy in terms of their strategy for BRIC countries, the Middle East, Africa and the rest of the world. The rest of the world (includes the United States, Europe and Japan).

The business model of multinationals — develop premium products at home and distribute them worldwide, with some adaptations to local conditions — won't suffice as growth slows in the developed world. To tap opportunities in emerging markets, companies must excel at "reverse innovation": develop products in countries like China and India and then distribute them globally.

Why?

The fundamental driver of reverse innovation is the income gap that exists between emerging markets and the developed countries. China is the third largest economy in the world, but the average Chinese citizen has an income of only one-fourth that of the average American. There is no way to design a product for the American mass market and then simply adapt it for the Chinese mass market. Buyers in emerging economies demand solutions on an entirely different price-performance curve. They demand new, high-tech solutions that deliver ultra-low costs and "good enough" quality.

Consider how American auto manufacturers could have capitalized on reverse innovation in India. India's GDP per capita today is roughly equal to that of the United States in the 1880s,

an era in which the horse and buggy was the primary mode of transportation. The mainstream consumer in the United States waited a few more decades for cars. With today's technology at hand, however, Indian conglomerate Tata has announced the launch of the Tata Nano — a \$2,500 vehicle. In doing so, Tata has unlocked a huge untapped market: cars for middle class families.

The Tata Nano is, of course, lower in quality than even low end cars of the rich world, which sell at prices near \$15,000. The difference in quality, however, is much less than the difference in price suggests. Furthermore, the Nano's quality is more than sufficient for Indian consumers making the transition from two-wheelers that can cost almost as much.

Established automakers are missing the opportunity. They have chattered their impotence for the last 100 years — and this effort of the same cars, perhaps detoured to reduce costs somewhat, in poor countries. Not surprisingly, they have sold only to the top-tier of the population. The established automakers have not just lost an opportunity, they are at risk close to home. Already, Tata is preparing to take the Nano to other emerging markets and more importantly, bring the car to Europe and the United States.

The stakes are enormous. Today, rich countries and poor countries account for roughly equal shares of the global economy. But for years, growth has been far more robust in poor countries. Now that most rich countries are in a recession, the growth gap looks more like a growth chasm.

We live in an era of risk, but missed opportunities for growth. Increasingly, success in the developing world is a prerequisite to continued vitality at home. In the uncharted economic landscape, reverse innovation is not optional — it is oxygen.





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