



# The Integrative Justice Model for Impoverished Markets



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*Alleviating Poverty Through Profitable Partnerships: Reflections on Markets and the Bottom Billion*

February 24, 2010

# Two case scenarios

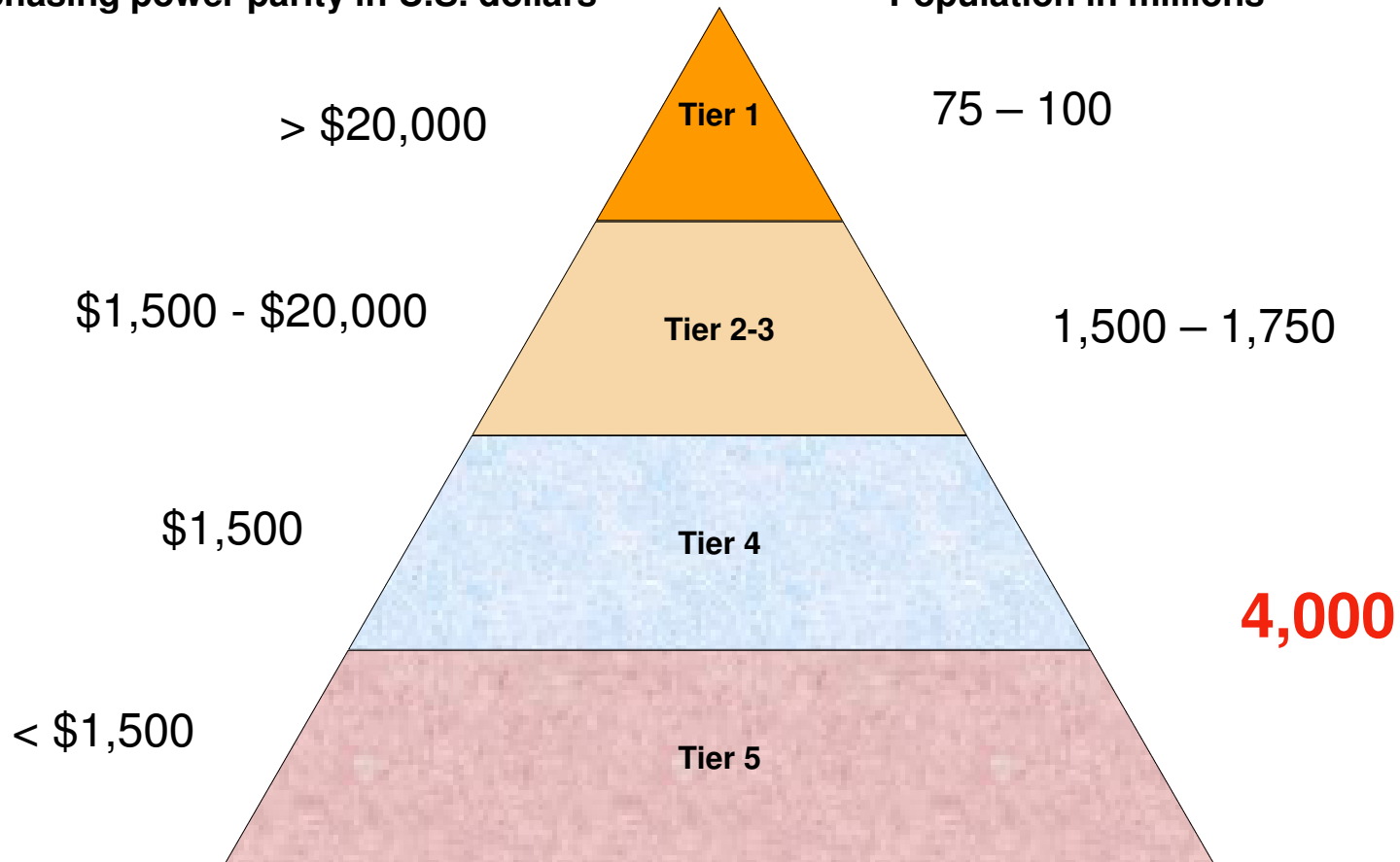
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- Case 1: **Kick-Start** (irrigation pumps) in Kenya
- Case 2: **Boehringer Ingelheim** (drug testing) in India

# The Bottom- or Base-of-the-Pyramid (BoP) Market

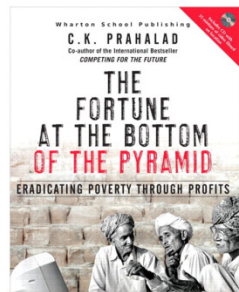
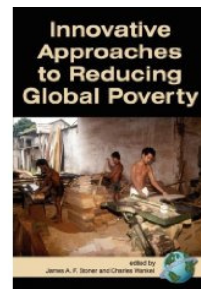
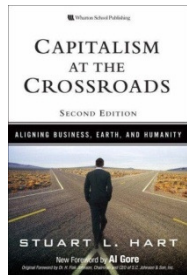
Purchasing power parity in U.S. dollars

Population in millions

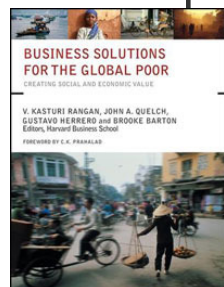
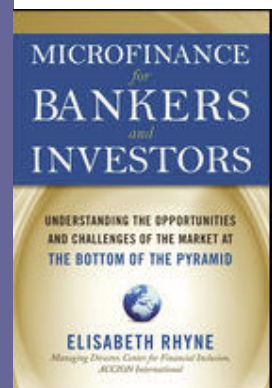


Source: C. K. Prahalad and Stuart Hart, 2002. The Fortune at the Bottom of the Pyramid, *Strategy+Business*, Issue 26.

# Growing Interest in the BoP Market

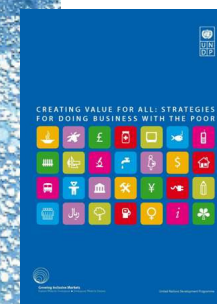
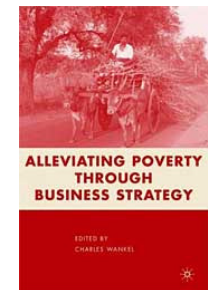
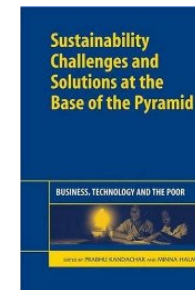
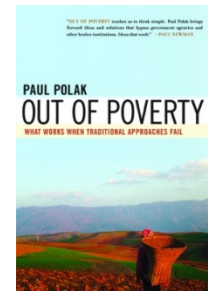
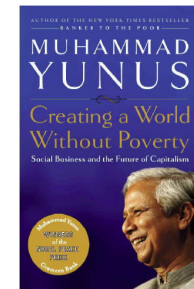


## The Next Billions: Unleashing Business Potential in Untapped Markets



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# BoP Conferences

Eradicating Poverty through Profit (2004), San Francisco, CA

Global Poverty: Business Solutions and Approaches (2005), Boston, MA

Business Opportunity and Innovation at the Base of the Pyramid (2005), Sao Paulo, Brazil

Research at the Base of the Pyramid (2006), Ann Arbor, MI

Business with Four Billion: Creating Mutual Value at the Base of the Pyramid (2007), Ann Arbor, MI

Sustainable Innovations at the Base of the Pyramid (2008), Helsinki, Finland

Creating a Shared Roadmap: collaboratively Advancing the Base of the Pyramid Community (2009), Ann Arbor, MI

International Base of the Pyramid Conference (2009), Johannesburg, South Africa

# The ethical issue at stake – the “fair treatment” of BoP consumers

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Are benefits and burdens of rapid economic development being fairly allocated among parties and stakeholders to the expanded economic transactions?

# Marketing to the Poor: Opportunity or Threat?

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- Promise of inclusive capitalism
  - Including those kept at the periphery of development
  - Increase in employment opportunities
  - Better standard of living
- Threat of increased exploitation
  - Unconscionable labor practices
  - Predatory lending
  - Tainted insurance
  - Exorbitant rent-to-own transactions
  - Vulnerabilities of the BoP consumers
  - Desire of BoP consumers for better quality products and improved quality of life



# The Integrative Justice Model (IJM)

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- ❑ Normative ethical framework for marketing to impoverished market segments
- ❑ Constructed using the normative theory building process in philosophy proposed by John Bishop (2000)
- ❑ Integrates the notion of “fairness” or “equity” in marketing transactions as developed in different strands of thought in moral philosophy and management theory

# Normative Theory Construction Protocol

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*Issues to be addressed* (Bishop 2000):

1. Recommended values at focus
2. Grounds for accepting those values
3. A decision principle that business people who accept the theory can use
4. Who the normative theory applies to (i.e. which agents)
5. Whose interests need to be considered
6. In what contexts the theory applies
7. Legal and regulatory structures that the theory assumes

# The IJM as Normative Theory

Normative Theory Framework	Elements of the IJM
1. Values	<ul style="list-style-type: none"><li>•Authentic engagement with non-exploitive intent</li><li>•Co-creation of value with consumers</li><li>•Investment in future consumption</li><li>•Interest representation of all stakeholders</li><li>•Long-term profit management</li></ul>
2. Grounds	<ul style="list-style-type: none"><li>•Fairness and equity</li><li>•Sustainable business enterprise</li><li>•Moral philosophy and managerial frameworks</li></ul>
3. Decision Principles	<ul style="list-style-type: none"><li>•Same as values</li></ul>
4. Agents	<ul style="list-style-type: none"><li>•Business executives and decision makers of organizations that engage impoverished segments</li></ul>
5. Scope	<ul style="list-style-type: none"><li>•Extends to all stakeholders of the organization, particularly impoverished customers</li></ul>
6. Context	<ul style="list-style-type: none"><li>•Applicable to all marketplace transactions involving impoverished customers, whether in the developing or developed world</li></ul>
7. Structures	<ul style="list-style-type: none"><li>•Assumes the legal and regulatory structures of the capitalistic system</li></ul>

# Frameworks covered

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1. Virtue Ethics
2. Ross' Theory of Duty
3. Habermas' Discourse Theory
4. Kant's Categorical Imperative
5. Rawlsian Theory
6. Classical Utilitarianism
7. Sen's Capability Approach
8. Stakeholder Theory
9. Triple Bottom Line Approach
10. Sustainability
11. Socially Responsible Investing
12. Service-Dominant Logic of Marketing
13. Catholic Social Teaching

# Key Elements of the IJM (value inputs)

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1. Authentic engagement with consumers, particularly impoverished ones, with non-exploitative intent
2. Co-creation of value with customers, especially those who are impoverished or disadvantaged
3. Investment in future consumption without endangering the environment
4. Interest representation of all stakeholders, particularly impoverished customers
5. Focus on long-term profit management rather than short-term profit maximization

# IJM elements – Theoretical support

IJM element	Theoretical derivation
Authentic engagement with consumers, particularly impoverished ones, with non-exploitative intent	<ul style="list-style-type: none"> <li>•Catholic Social Teaching [common good, human dignity, solidarity]</li> <li>•Kant’s Categorical Imperative [1<sup>st</sup> and 2<sup>nd</sup> formulation]</li> <li>•Ross’ Theory of Duties</li> <li>•Service-Dominant Logic of Marketing</li> <li>•Virtue Ethics</li> </ul>
Co-creation of value with customers, especially those who are impoverished or disadvantaged	<ul style="list-style-type: none"> <li>•Catholic Social Teaching [human dignity, subsidiarity]</li> <li>•Habermas’ Discourse Theory</li> <li>•Kant’s Categorical Imperative [3<sup>rd</sup> formulation]</li> <li>•Service-Dominant Logic of Marketing</li> </ul>
Investment in future consumption without endangering the environment	<ul style="list-style-type: none"> <li>•Catholic Social Teaching [common good, human dignity]</li> <li>•Classical Utilitarianism</li> <li>•Sen’s Capability Approach</li> <li>•Service-Dominant Logic of Marketing</li> <li>•Sustainability Perspective</li> </ul>
Interest representation of all stakeholders, particularly impoverished customers	<ul style="list-style-type: none"> <li>•Catholic Social Teaching [common good, subsidiarity]</li> <li>•Classical Utilitarianism</li> <li>•Habermas’ Discourse Theory</li> <li>•Kant’s Categorical Imperative [2<sup>nd</sup> formulation]</li> <li>•Rawls’ Difference Principle</li> <li>•Service-Dominant Logic of Marketing</li> <li>•Stakeholder Theory</li> </ul>
Focus on long-term profit management rather than short-term profit maximization	<ul style="list-style-type: none"> <li>•Catholic Social Teaching [common good]</li> <li>•Classical Utilitarianism</li> <li>•Service-Dominant Logic of Marketing</li> <li>•Socially Responsible Investing</li> <li>•Triple Bottom Line</li> </ul>

## Sample derivation of IJM element:

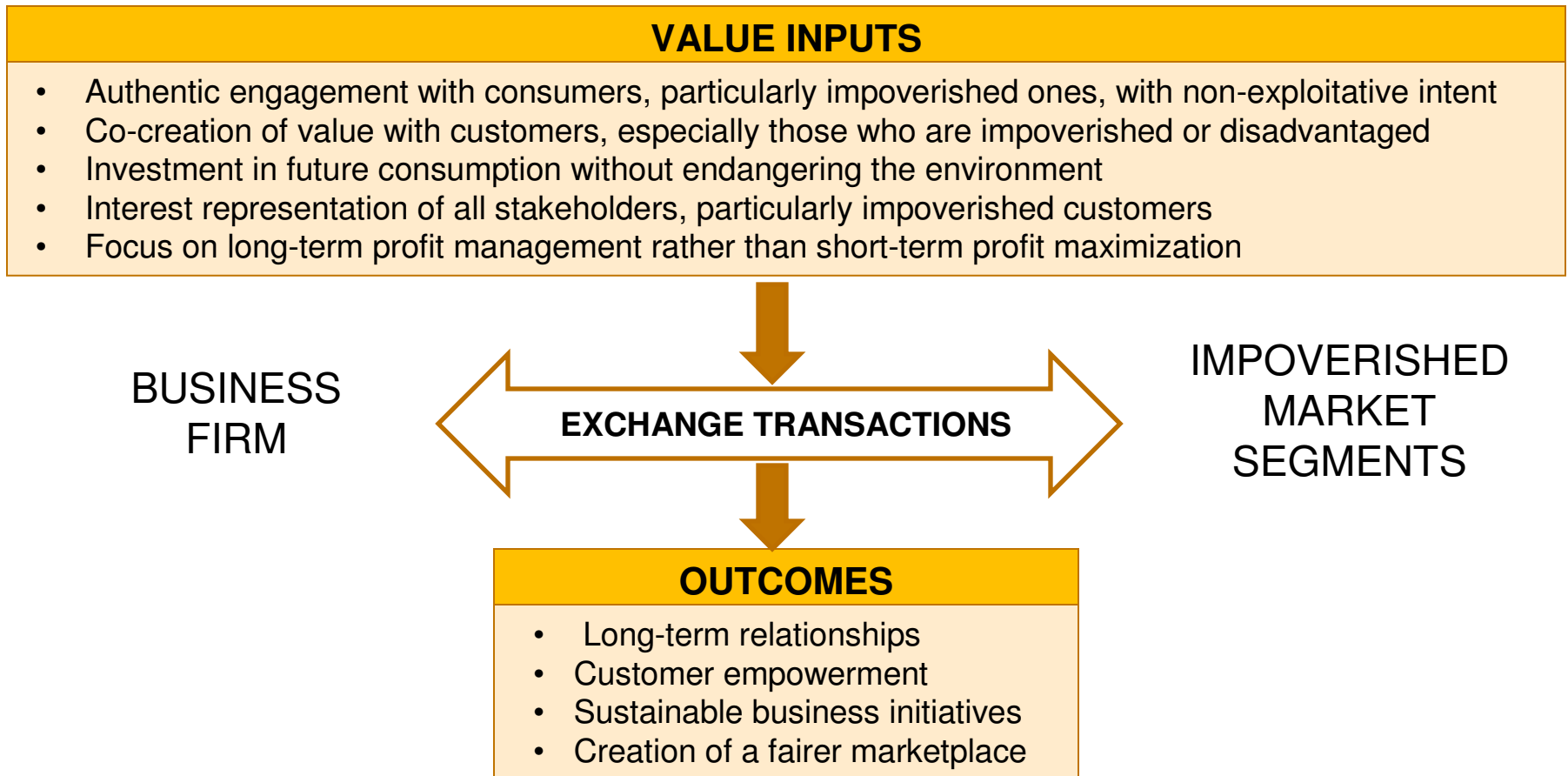
### “Authentic engagement with non-exploitative intent”

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- 2<sup>nd</sup> formulation of Kant’s categorical imperative decrees, “never treat a person as means to an end *merely*”.
- The “difference principle” of John Rawls implies that actions, policies and procedures not make those least well off, worse off.
- One of Ross’ “prima facie” duties is *beneficence* which suggests rendering aid to those in need whenever reasonable.
- Stakeholder theory recognizes the claims of all those affected by the organization not to bear the cost of negative externalities caused by the actions of the firm.
- The 3BL measurement of company performance includes “social sustainability “ as part of its business model; sustainable exchange is typically fair to both parties.
- The principle of human dignity implies that customers, particularly impoverished ones, should not be viewed as objects to be taken advantage of, but rather as subjects who have legitimate needs.

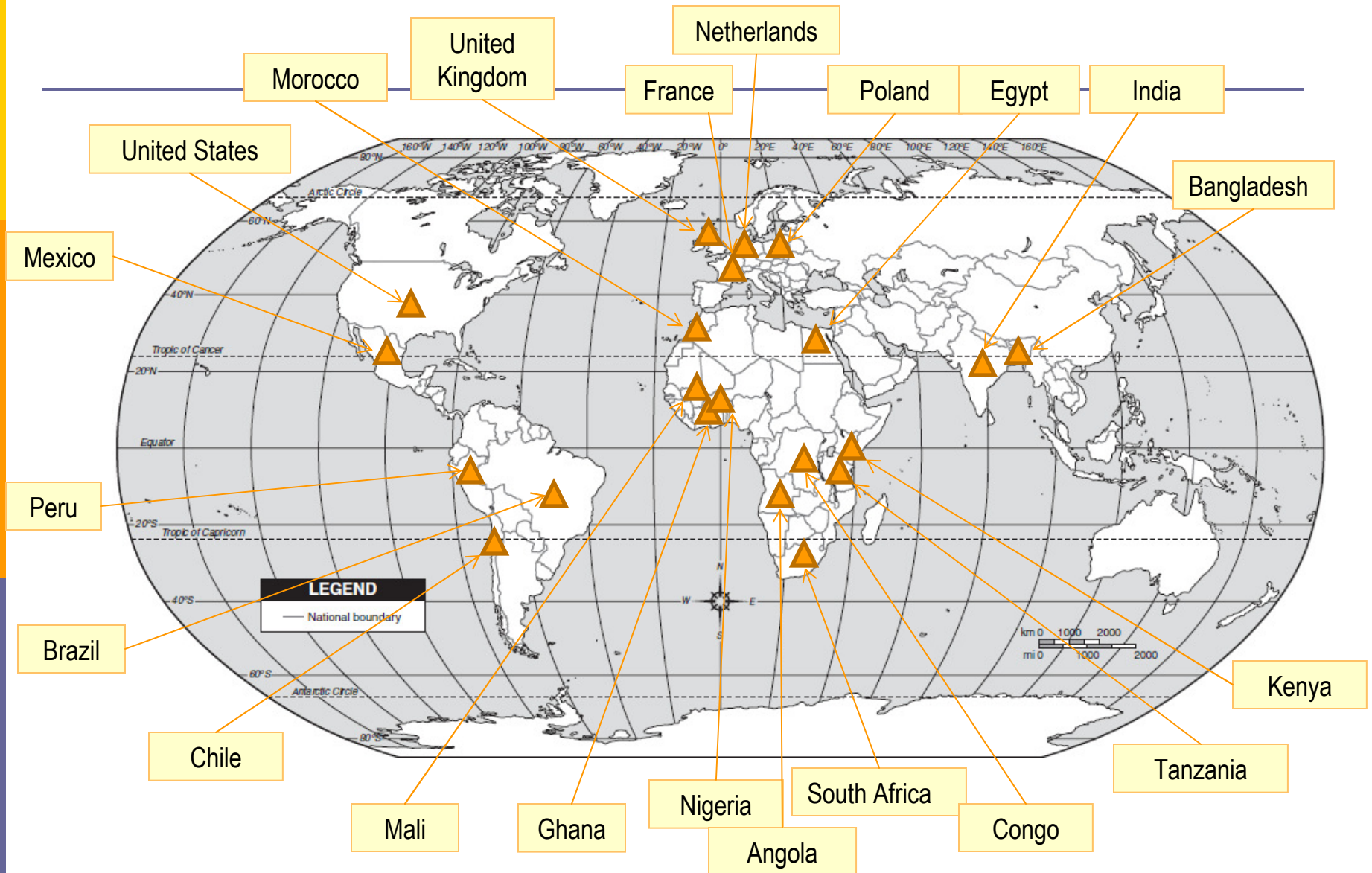
**All of these frameworks are suggestive of treating consumers, especially vulnerable ones, with fairness and without exploitation.**

# An Integrative Justice Model for Impoverished Markets



Santos & Laczniak, "Marketing to the Poor," *Journal of Public Policy & Marketing*, Spring (2009)

# Case examples from across the world



Outline map downloaded from: [http://www.eduplace.com/ss/maps/pdf/world\\_country.pdf](http://www.eduplace.com/ss/maps/pdf/world_country.pdf)



# 1. Authentic engagement with non-exploitative intent

- Intrinsic quality of being trustworthy
- Process aimed at winning the trust of the constituents engaged
- Distinction between “greed” and “ambition”
- Case examples:

- SELCO [India]
- SKS Microfinance [India]
- DISHA [India]
- Aravind Eye Care [India]

SELCO India, a social enterprise, provides sustainable energy solutions, and services to under-served households and businesses.



**SKS** Microfinance

Know SKS | Our Work | Choose Your Community

**CURRENT OUTREACH**

MEMBERS: 53 LAKHS
BRANCHES: 1627
AMOUNT DISBURSED: INR 3232 CRORE
100 000 MILLION

- Scaling Microfinance
- Providing Opportunity
- Expanding Services
- Building Relations

**ARAVIND EYE CARE SYSTEM**

World Health Organization Collaborating Centre For Prevention of Blindness

VISION: Eliminate needless blindness

30 years 1976-2006 a journey towards light

## 2. Co-creation of value

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### □ Leverage local innovativeness

- National Innovations Foundation [India]
- Pot-in-pot cooling system [Nigeria]



### □ “Downward mobility” [Dean Brackley SJ] – thanks to Matt

- P&G [India]
- CEMEX [Mexico] Patrimonio Hoy



### □ Ownership stake

- Grameen Bank [Bangladesh]
- N-Logue [India]



## 2. Co-creation of value (cont'd)

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### □ Partner with local NGOs/enterprises

- Danone with Grameen (Bangladesh)
- SC Johnson with Kickstart (Kenya)
- Bata with Care (Bangladesh)
- Microsoft with Pratham (India)



### □ Collaborate with local communities

- Health Store Foundation (Kenya) child & wellness shops





## 3. Investment in Future Consumption

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- Disruptive Innovations
  - MoneyMaker Micro-irrigation pump
- Better participation of the impoverished in the market system
  - Toyota University [India]
  - Investec & the CIDA City Campus [South Africa]
  - Barclays [Ghana]
  - Nestle [India]
- Pay employees a living wage
  - Fair-Trade Labeling Organizations International [Mali]
- Access rather than ownership
  - Celtel [Congo]
  - Grameen Telecom [Bangladesh]
  - Unilever [India] i-Shakti program



## 4. Interest Representation of Stakeholders

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- BoP consumers as primary stakeholders
- Immersion experience
  - P&G's "Living It" program
- Consumer education and counseling
  - Casas Bahia
- Developing relevant products/services
  - Microsoft [US] visual interface
  - Danone [Poland] nutritious milk porridge
  - A to Z Textile Mills [Tanzania] anti-malaria bed nets
  - Sulabh International [India] low-cost sanitation systems
  - Pesinet [Mali] early warning method for children's health
  - LYDEC [Morocco] water and electricity to Shantytowns



## 5. Focus on Long-Term Profit Management

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- Profit as yielding benefit or being useful
- Social good as an end in itself
- Short-term mentality leads to greater exploitation
- Long-term view reduces possibilities of exploitation
- Supporting growth of local communities
  - District Telephone Cooperative (DTC) [Poland]




Photo source: <http://bohemiannights.org/blog/wp-content/uploads/2009/08/sustainability.jpg>

## Pope Benedict XVI's Message on the World Day of Peace (2009):

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....the illusion that a policy of mere redistribution of existing wealth can definitively resolve the problem [hunger and absolute poverty] must be set aside. In a modern economy, the value of assets is utterly dependent on the capacity to generate revenue in the present and the future. **Wealth creation therefore becomes an inescapable duty, which must be kept in mind if the fight against material poverty is to be effective in the long term.** (n. 11)

-If the poor are to be given priority, then there has to be enough room for *an ethical approach to economics* on the part of those active in the international market, *an ethical approach to politics* on the part of those in public office, and an *ethical approach to participation* capable of harnessing the contributions of civil society at local and international levels. (n. 12)



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“The real question is: ‘do we take advantage of the poor?’, ‘do we treat poor people differently from the rich?’ If you try to make more profit on the poor than you make on the rich, it sounds a lot like you are taking advantage of the poor.

I would like to be on the side that does not want to take advantage of the poor, that does not abuse poor people. I want to give them the best deal they can ever get, better than anywhere else. And from that perspective, I think Compartamos is on the wrong side.”

- Mohammed Yunus

*[from the debate between Mohammed Yunus, founder of Grameen Bank and Michael Chu, a visionary of Banco Compartamos organized by the World Microfinance Forum, Geneva, October 2008]*

# Final Thoughts

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- While the IJM is a work-in-progress, the underlying ethical obligations are enduring
- Hopefully, this presentation has provided some insight to the question: What special ethical responsibilities do marketers have when engaging impoverished consumers?
- Finally, the moral test of a corporation is how well it treats its most disadvantaged stakeholders, here its impoverished consumers.

A society without justice is like a band of  
thieves

- St. Augustine, *De Civitate Dei*, IV, 4



Thank you