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TRICKLE-UP INNOVATION

THE WEST HAS LONG BEEN SEEN AS THE SOURCE OF FRESH THINKING. BUT IN 2013, THIS POSITION WILL FLIP AS THE DEVELOPING WORLD TEACHES BEST PRACTICE AND ‘REVERSE INNOVATION’ TO THE REST OF US. BY RAVI RAMAMURTHI

or the better part of the past two centuries, ideas and innovations have flowed from rich countries to poor countries. But the tables have turned: the poor have begun teaching the rich how to make products and services significantly cheaper and better. Reverse innovation’s time has come. Expect new products and ideas from poor countries to trickle up to the rich countries of the west. The most important innovation from poor countries has been figuring out how to make existing products ultra-affordable for their masses. Local firms have led this process, followed by multinationals worried about keeping up in these high-growth markets. Large cost reductions are derived not only from cheap labour but also from clever processes and novel business models. As a result, consumers have enjoyed cheap cars, washing machines and even open-heart surgery. Tata’s £4,500 car, the Nano, is well known, but how many have heard of Chinese medical-device firms, such as Mindray and Wandoong, that are introducing ultrasound and X-ray machines at bargain prices to the United States?

Another innovator is China’s Broad group, which uses proprietary methods to build multi-storey buildings in days, not months; its current goal is to construct the world’s tallest building in just 90 days. A Kenyan phone company, Safaricom, is the world leader in wireless banking, doing more business in the tiny African nation than Western Union does globally. An Indian organisation, Aravind Eye Hospital, performs cataract surgery for £3 to a person, which is less than one-fifth of the cost in America.

But products from poorer countries are not only cheaper — they’re much easier to use. Mindray’s ultrasound machines, for example, are portable and simple to operate, unlike some western machines that require intensive training.

In some cases, poor countries are not only revolutionising existing products, but taking the lead in new industries, such as deep-sea oil-drilling (Petrobras of Brazil). In 2013, many more of these innovations will migrate to rich countries, where flagging economies have created penny-pincher’s looking for bargains. In Greece, for example, Nestlé and Unilever have introduced low-priced, single-use versions of their products, taking a leaf out of their emerging-market playbooks.

Cheap innovations from poor countries that improve access to healthcare will be welcomed in rich countries. Consider the most famous hospital chain you’ve never heard of: India’s Narayana Hrudayalaya. Its open-heart surgery rivals that of the Mayo and Cleveland clinics, but at a tenth of the price, prompting uninsured foreigners to flock to it. In 2013, it will open a hospital in the Cayman Islands, aimed at poor or uninsured Americans. Could this be the beginning of something big? That depends on how imaginative our insurance companies and regulators are in taking advantage of such reverse innovations.

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