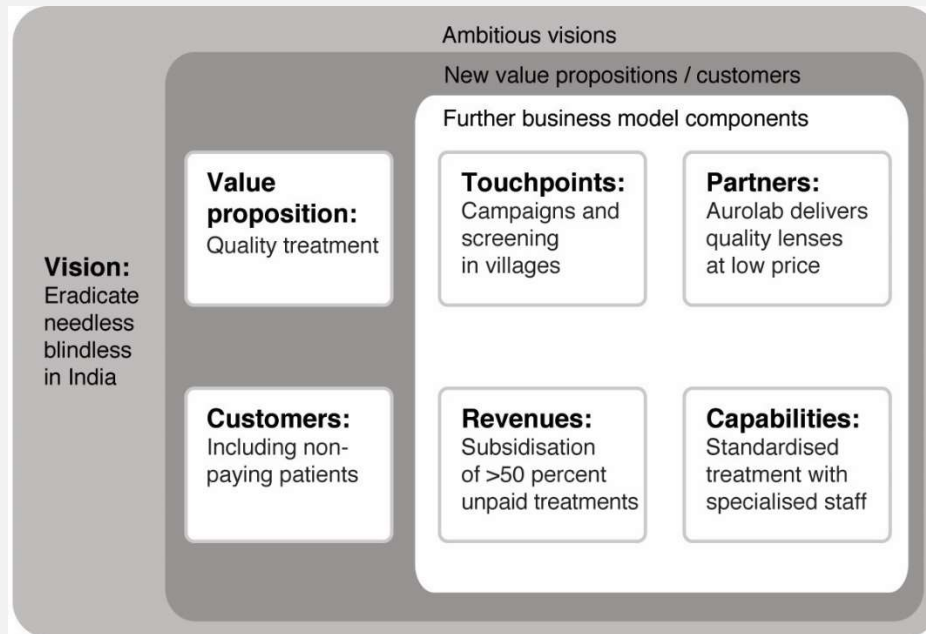


Case of Aravind

Eye diseases are a severe problem in India. In general, blindness rates are much higher in developing (about 1.5%) than in developed countries (0.15-0.25%). The major cause is cataracts, a form of blindness that can be cured by replacing the natural lens with an artificial one. About 3.8 million new cases of cataracts are estimated to occur in India every year. Beyond cataracts, an estimated 20% of India's population are in need of some form of eye care; however, half of the Indian population cannot afford treatments at private eye clinics.

In the early 1970s, Aravind's founder Dr. Govindappa Venkataswamy started to experiment with alternative health care processes and financial models (extra charges for regular customers, subsidising free cure to the poor). His entrepreneurial activities were driven by his personal values to serve humanity which over time turned into a normative orientation for the whole company. The following quote sheds some light on the founder's values related to his endeavour: "We can serve humanity in our normal professional lives by being more generous and less selfish in what we do." (AECS, 2015b) Generosity, humanity, and the belief that professional work can serve both are values that might describe an ideal type social entrepreneur (e.g. Yunus et al., 2010), looking for any opportunity to follow his vision and mission by innovative means: "My goal is to spread the Aravind model to every nook and corner ... Tell me, what is this concept of franchising? Can't we do what McDonald's and Burger King have done?" (from an interview given in 1993; Mehta & Shenoy, 2011, 9).

The ambitious vision motivating Aravind's business model is "to eradicate needless blindness". Thus, the company's mission is to serve as many patients as possible, including those who can afford to pay for eye care and those who can't (more than 50% of all patients). Aravind developed unique resources and capabilities to accomplish this mission: highly standardised, conveyor belt-like eye treatments by well-educated and trained medical staff, as well as a strategic partner who provides world-class lenses and further ophthalmologic equipment at prices far below the world market. In consequence, Aravind has an extremely efficient cost structure that makes it possible to charge prices low enough so that many people are willing to pay for it, but that are also high enough to cross-finance up to two free treatments per treatment that is paid for.



Mapping selected innovations in business model components (grey), value propositions and customer segments (white) of Aravind driven by the company's ambitious vision (red) following a normative canvas layout.

Questions (chapters 5.4 and 7.5):

1. Discuss similarities and differences between the business model of Aravind and the music platform Spotify. How do the visions and missions of these companies differ, and how do they relate to the business model?
2. Try to identify the special features of the components of Aravind's business model as discussed in the book and shown in the above figure. Try to map more details of this social freemium business models.
3. What do you think is special about the Indian culture that allows operating such a business model? Would this model also work in Europe or the region you are living in?