

Innovation ,with‘ low-income segments

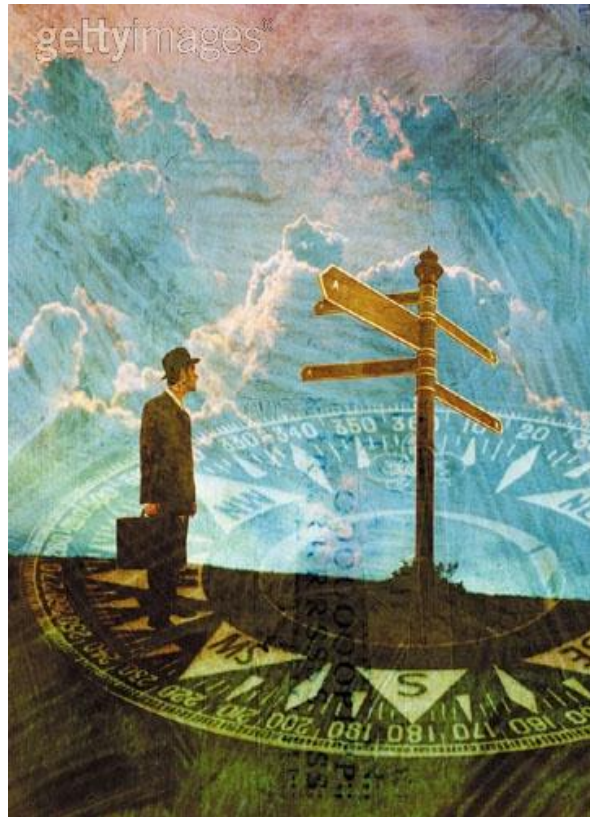
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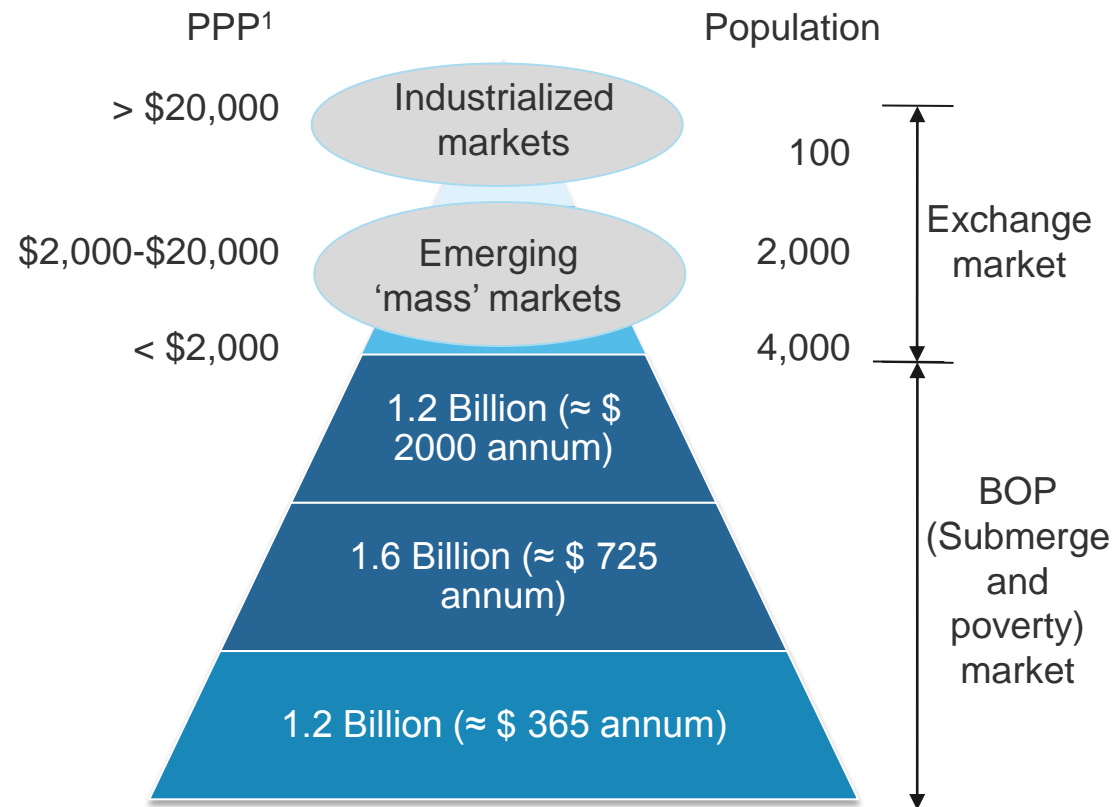
St. Gallen, 03-09-2012

Business research has to decide on the way we take at the cross-road

Business at its cross-road

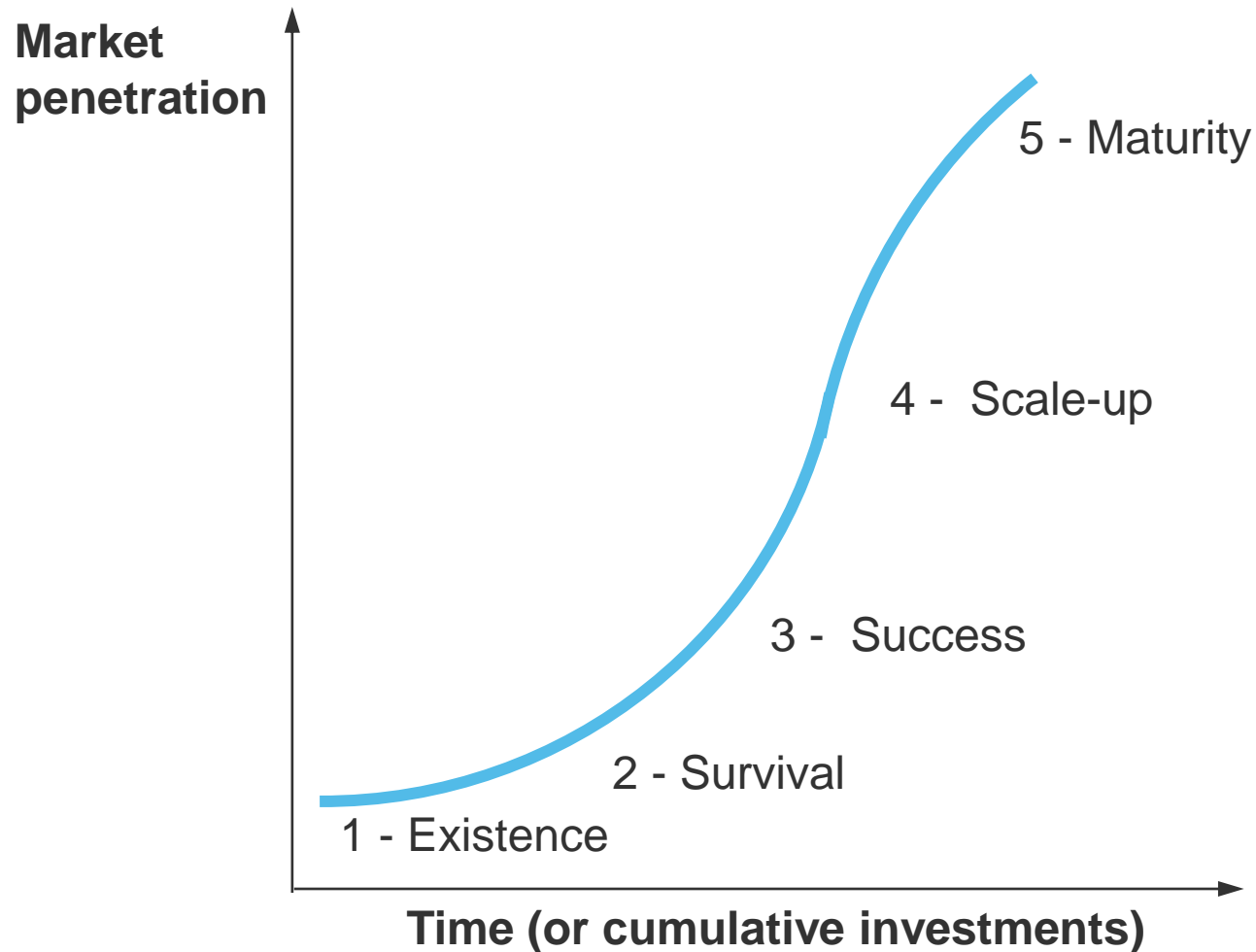


Base of the Pyramid (BOP)

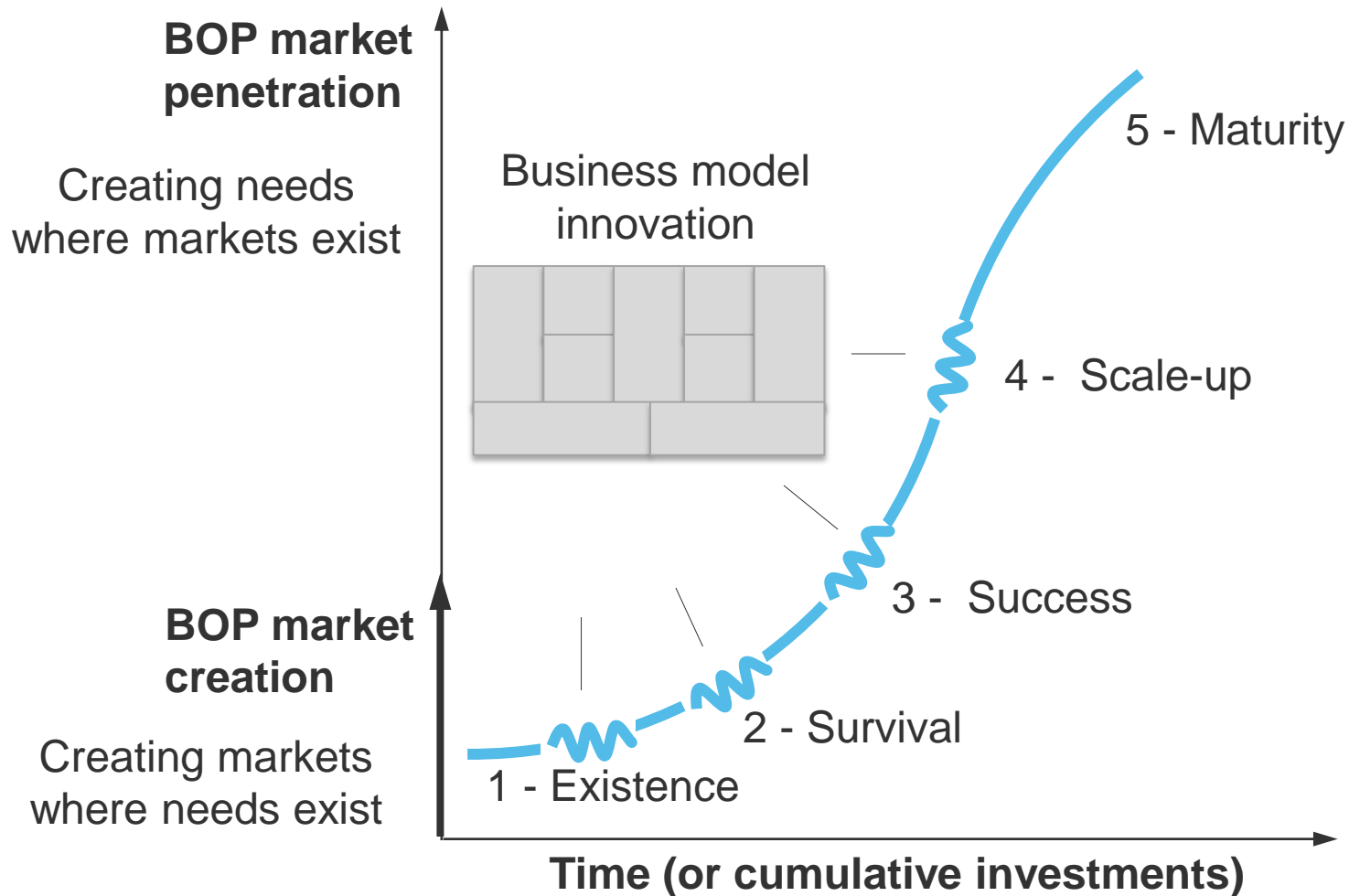


¹ - PPP – Purchasing power parity
Source Rangan, 2009:

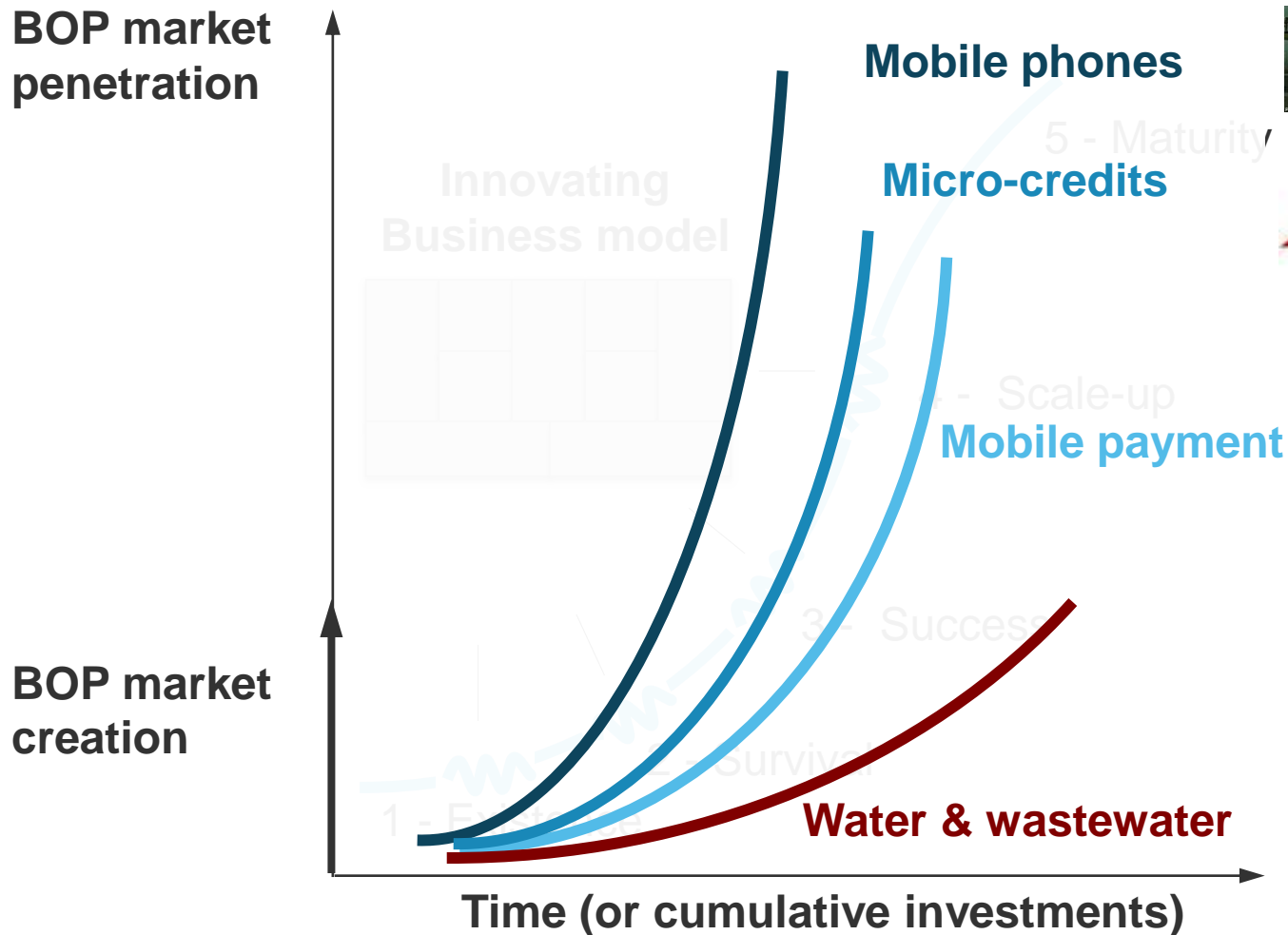
Traditional business growth thinking



... is limited when it comes to low-income segments



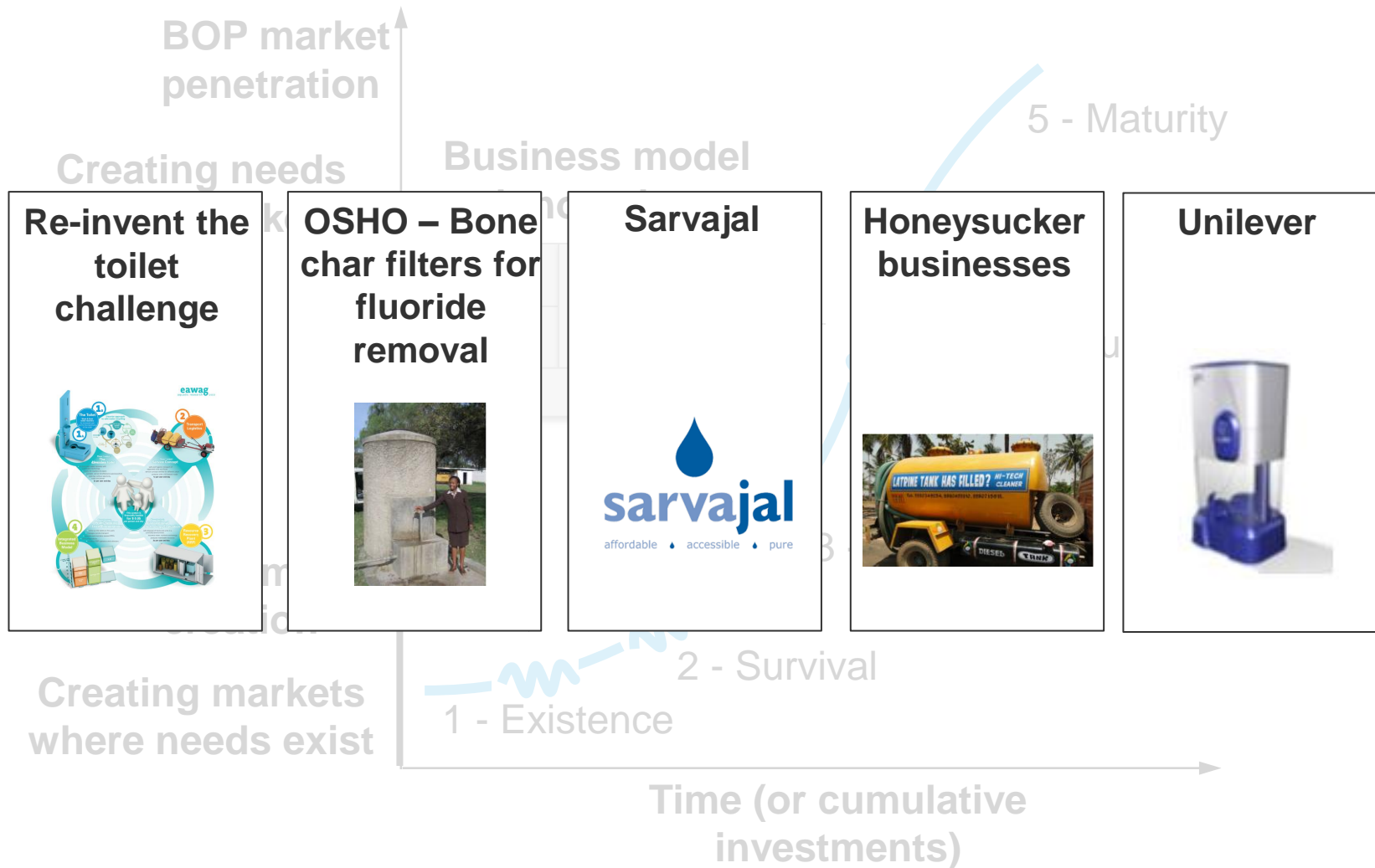
Why are market creation and business model innovation important to the water & wastewater sector?



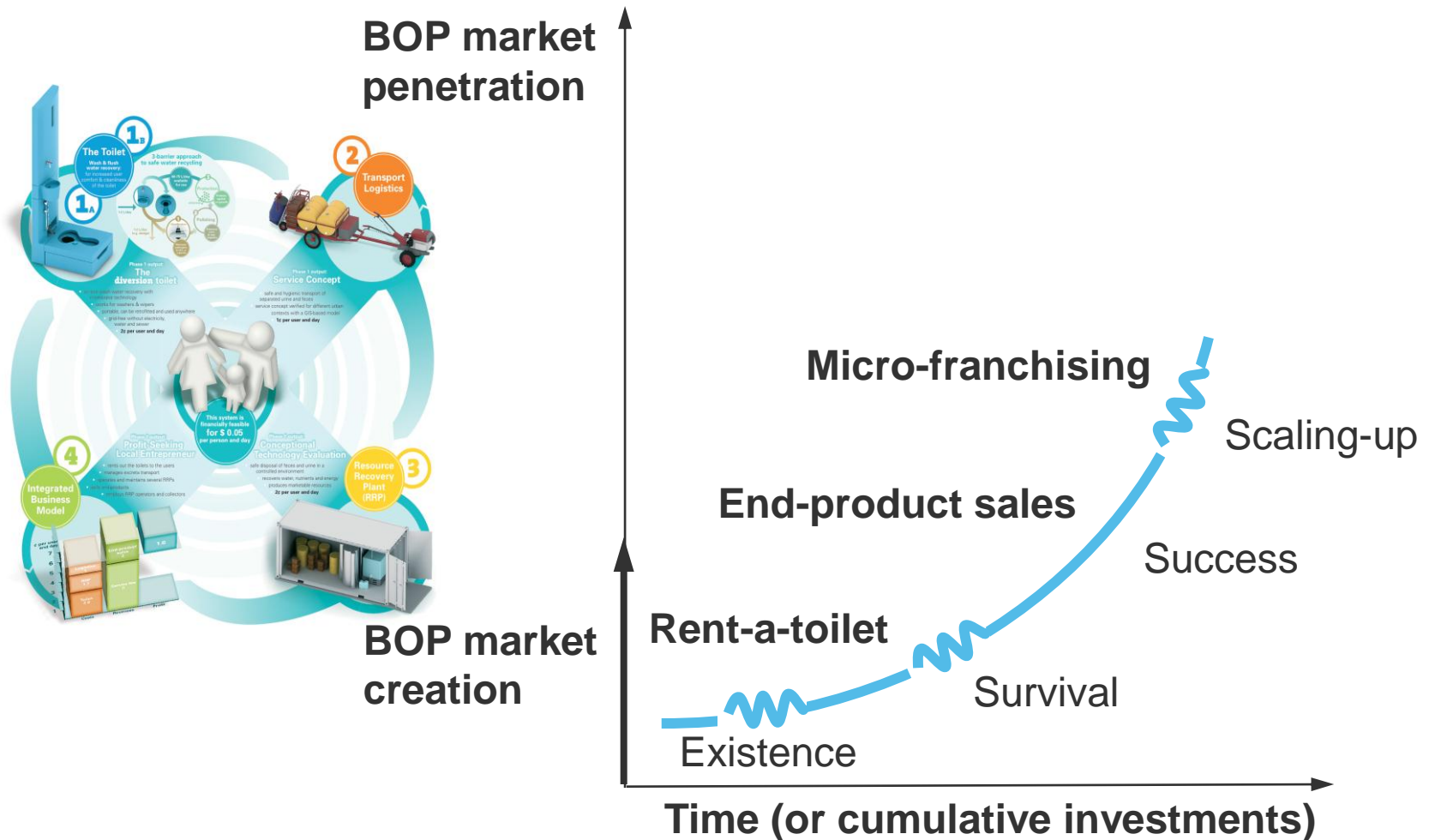
Business model in terms of strategy canvas

<p>Key partners</p> <ul style="list-style-type: none"> • Who are our key partners? • Who are our key suppliers? • Which key resources are we acquiring from our partners? • Which key activities do suppliers and partners perform? 	<p>Key activities</p> <ul style="list-style-type: none"> • What key activities do our value proposition require? 	<p>Value proposition</p> <ul style="list-style-type: none"> • What value do we deliver to the customer? • Which one of our customer problems are we helping to solve? • What bundles of products and services are we offering to each customer segment? • Which customer needs are we satisfying? 	<p>Customer relationships</p> <ul style="list-style-type: none"> • What relationship does each customer segment expect us to establish? 	<p>Customers</p> <ul style="list-style-type: none"> • For whom are we creating value?
<p>Cost structure</p> <ul style="list-style-type: none"> • What are the most important costs for our business model? • Which key resources are most expensive? • Which key activities are most expensive? 		<p>Revenue streams</p> <ul style="list-style-type: none"> • For what value are customers really willing to pay? • For what do customers currently pay for? • How are they currently paying? • How would they prefer to pay? 		

Empirical examples



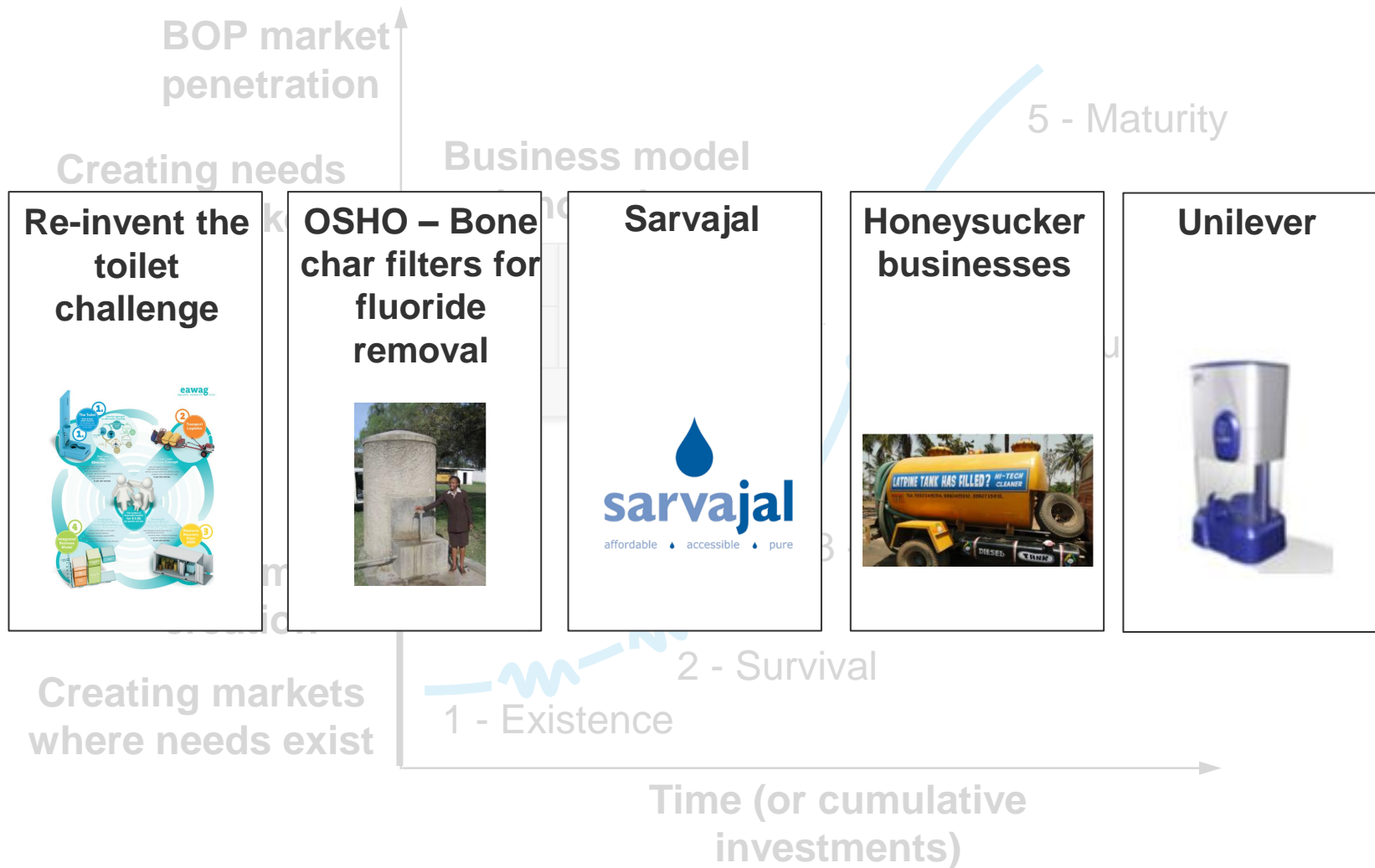
The re-invent the toilet challenge illustrates the business model innovation



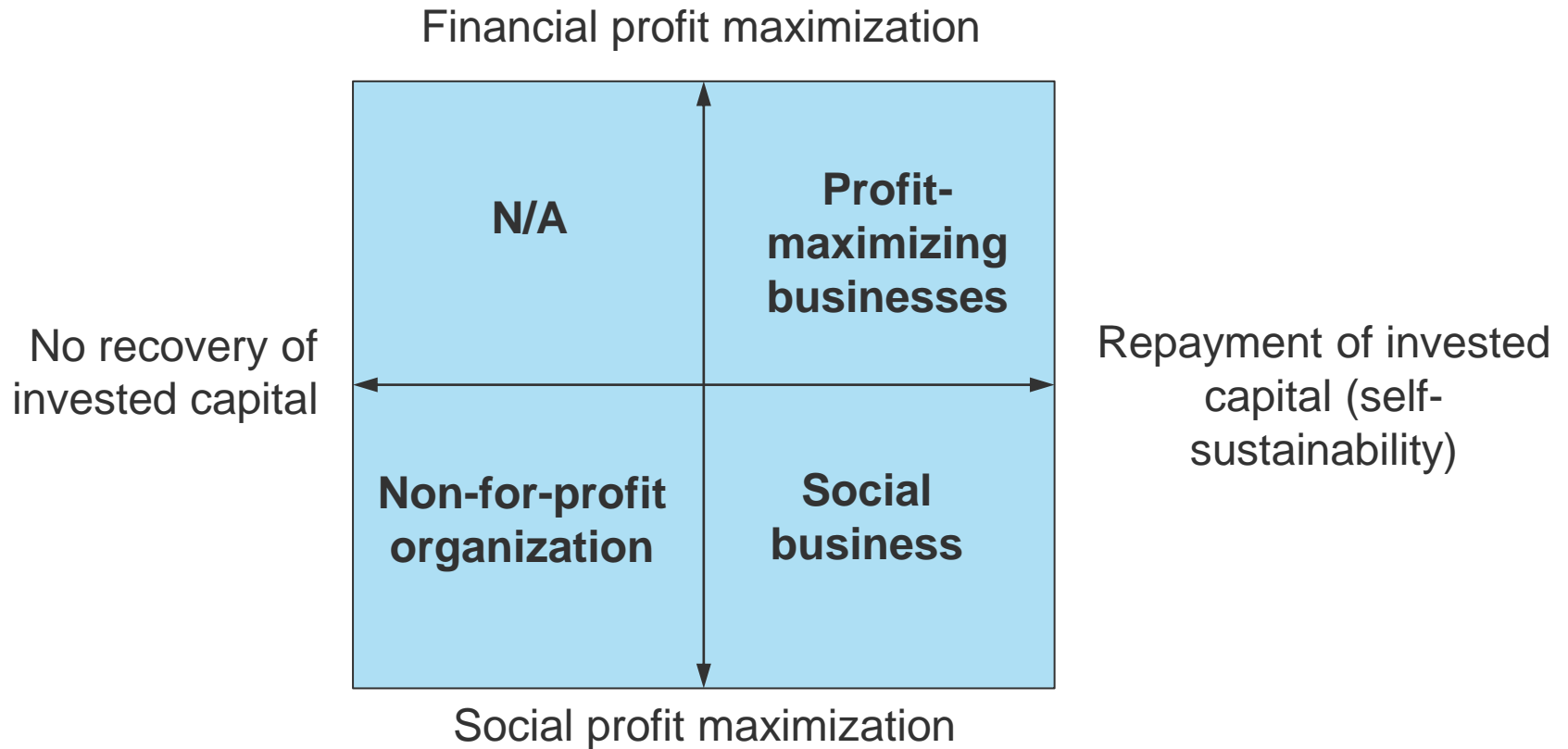
Understanding need gaps between developing and industrialized countries

Gaps	Description
Performance	Because of their low incomes, customers in poor countries are prepared to make significant sacrifices in performance – at the right place
Infrastructures	Rich-world infrastructures are fully built; emerging-economy infrastructures are under construction
Sustainability	Poor countries face many of the most daunting sustainability challenges
Regulatory	Regulatory systems in emerging economies are less developed and present fewer delays when a company is bringing innovative solutions to market
Preferences	Each country has distinct tastes and preferences

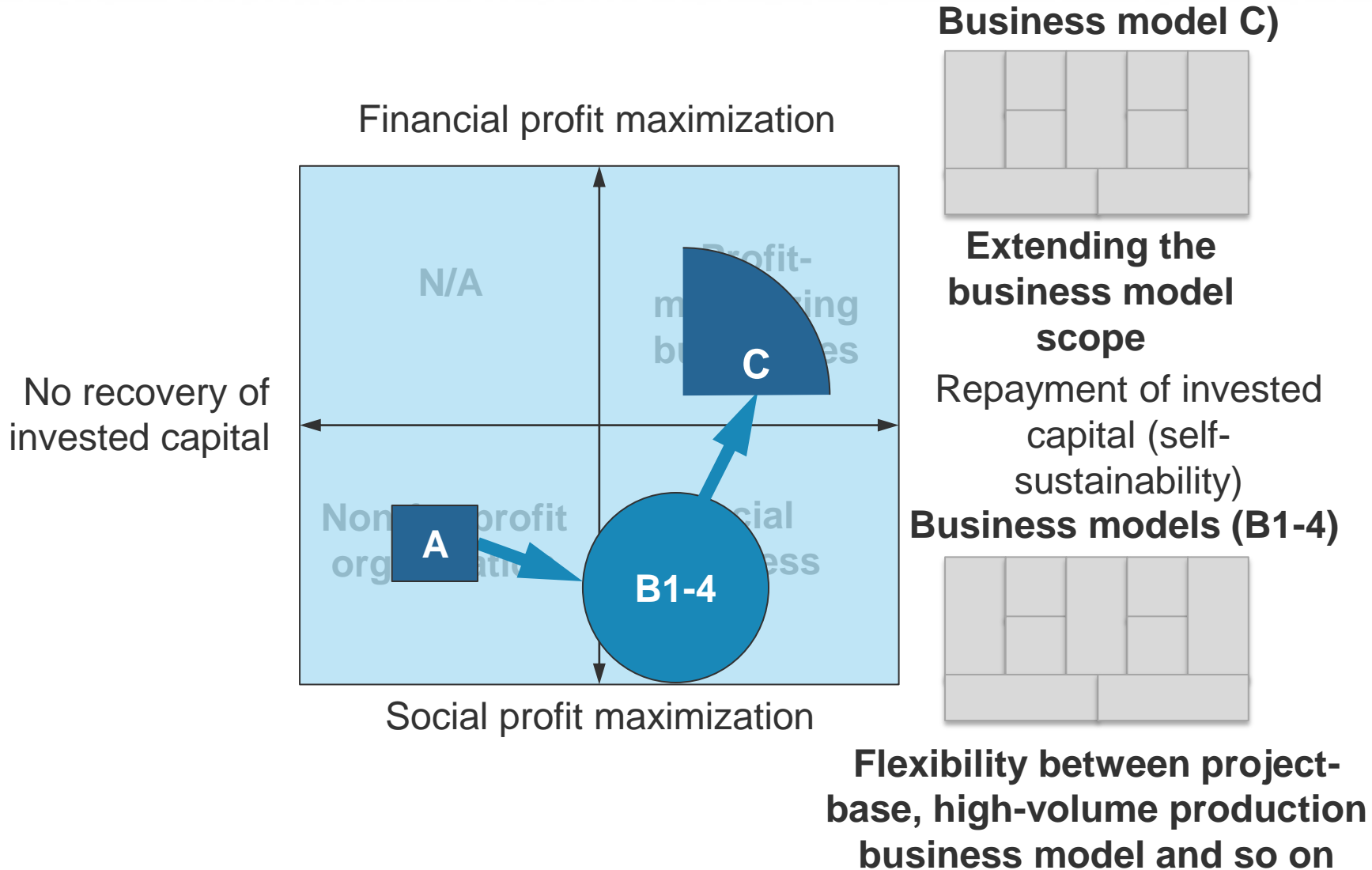
Empirical examples



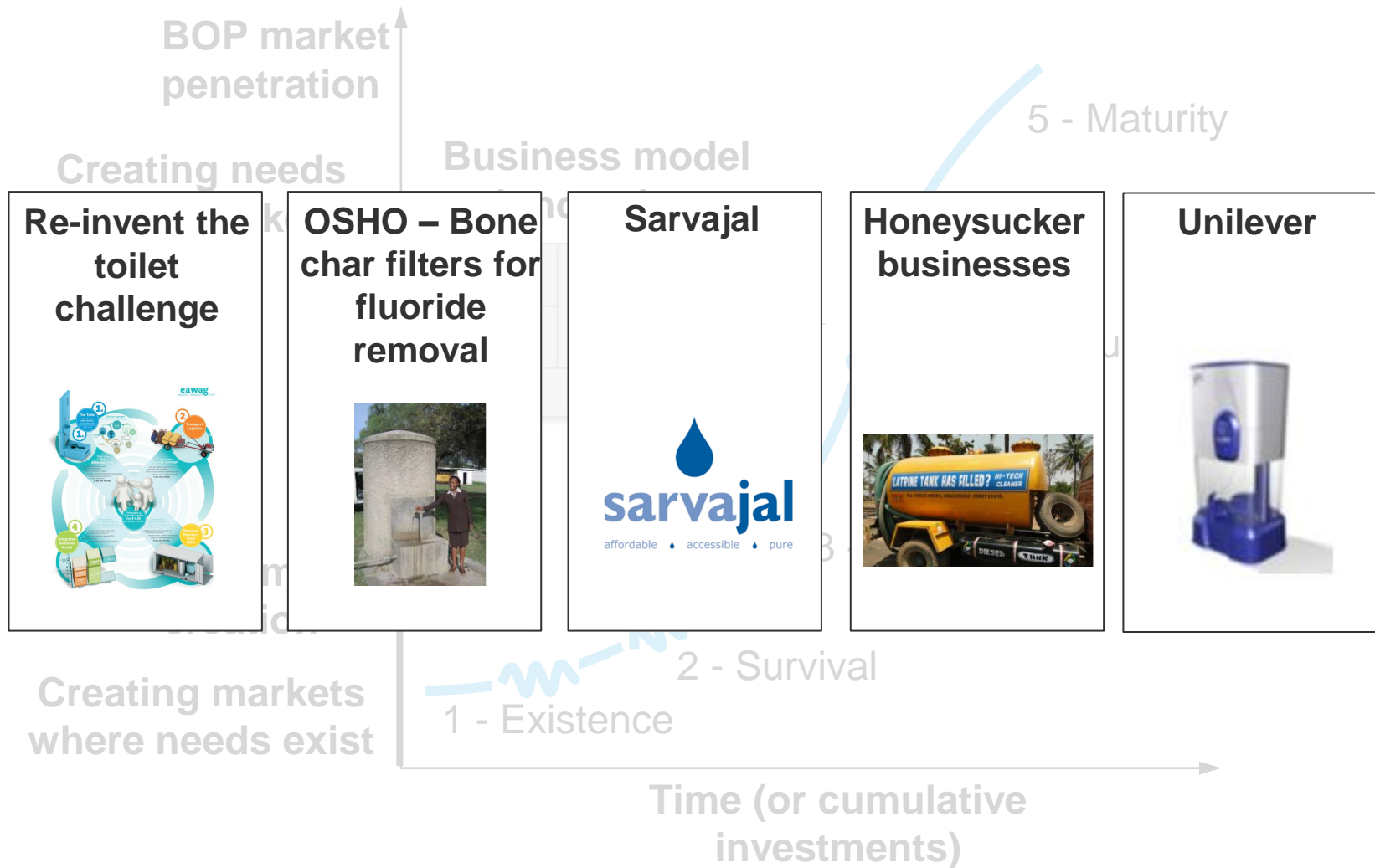
OSHO goes from a charity-based to project-based and, finally, to a profit-based business model



OSHO goes from a charity-based to project-based and, finally, to a business-based business model

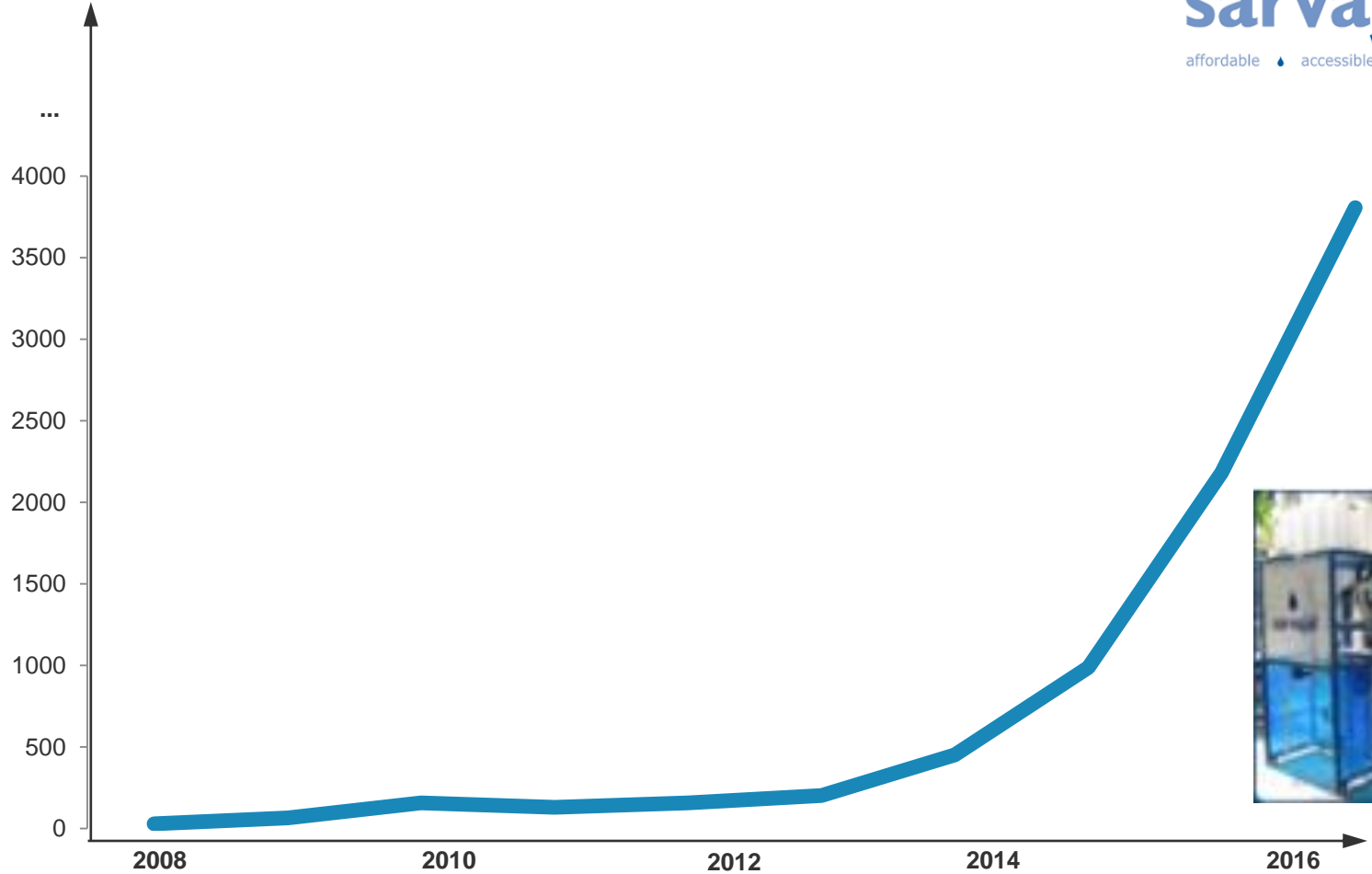


Empirical examples



Business model innovation at sarvajal – affordable, accessible, and pure water

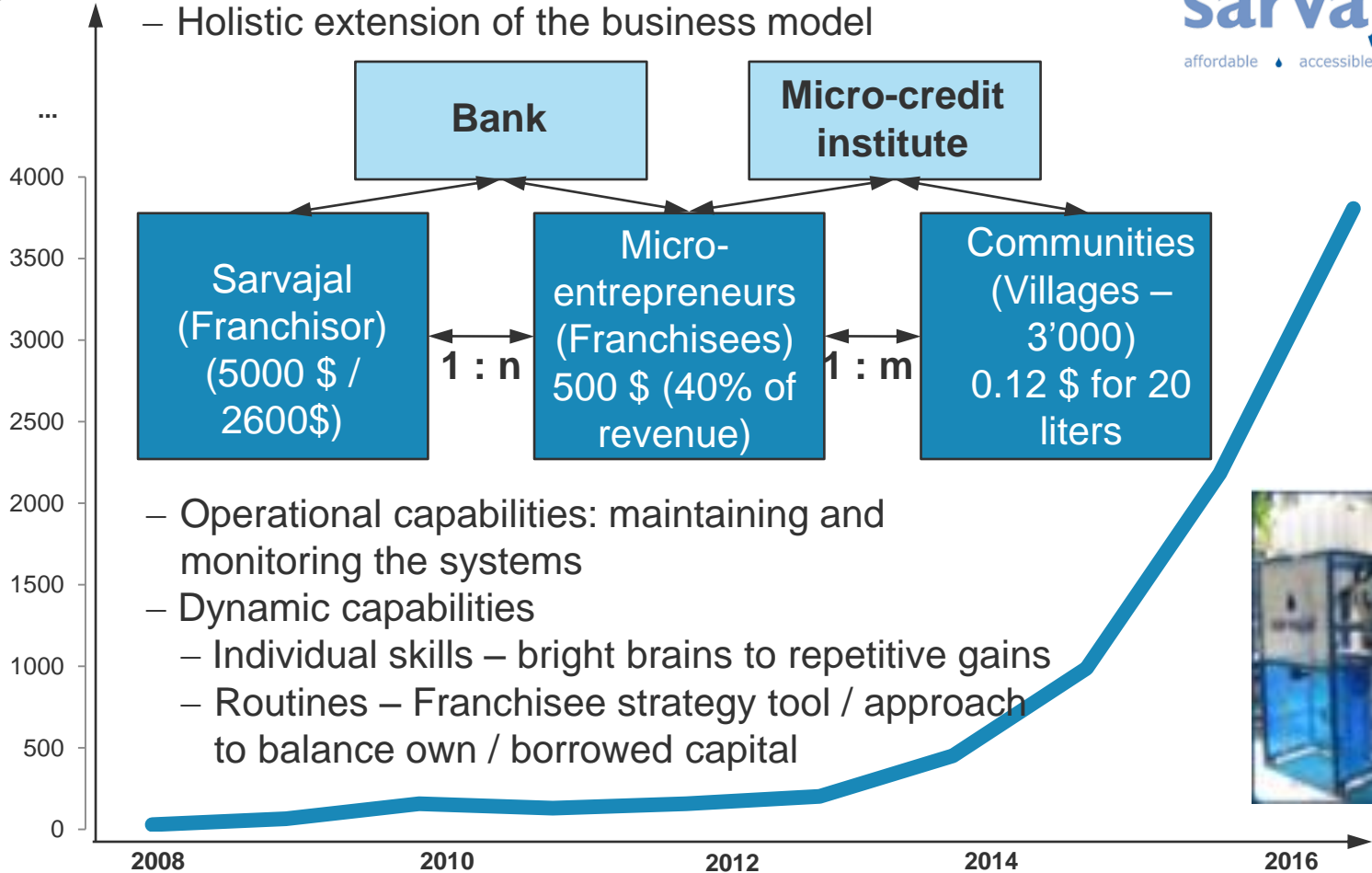
Installed water
systems



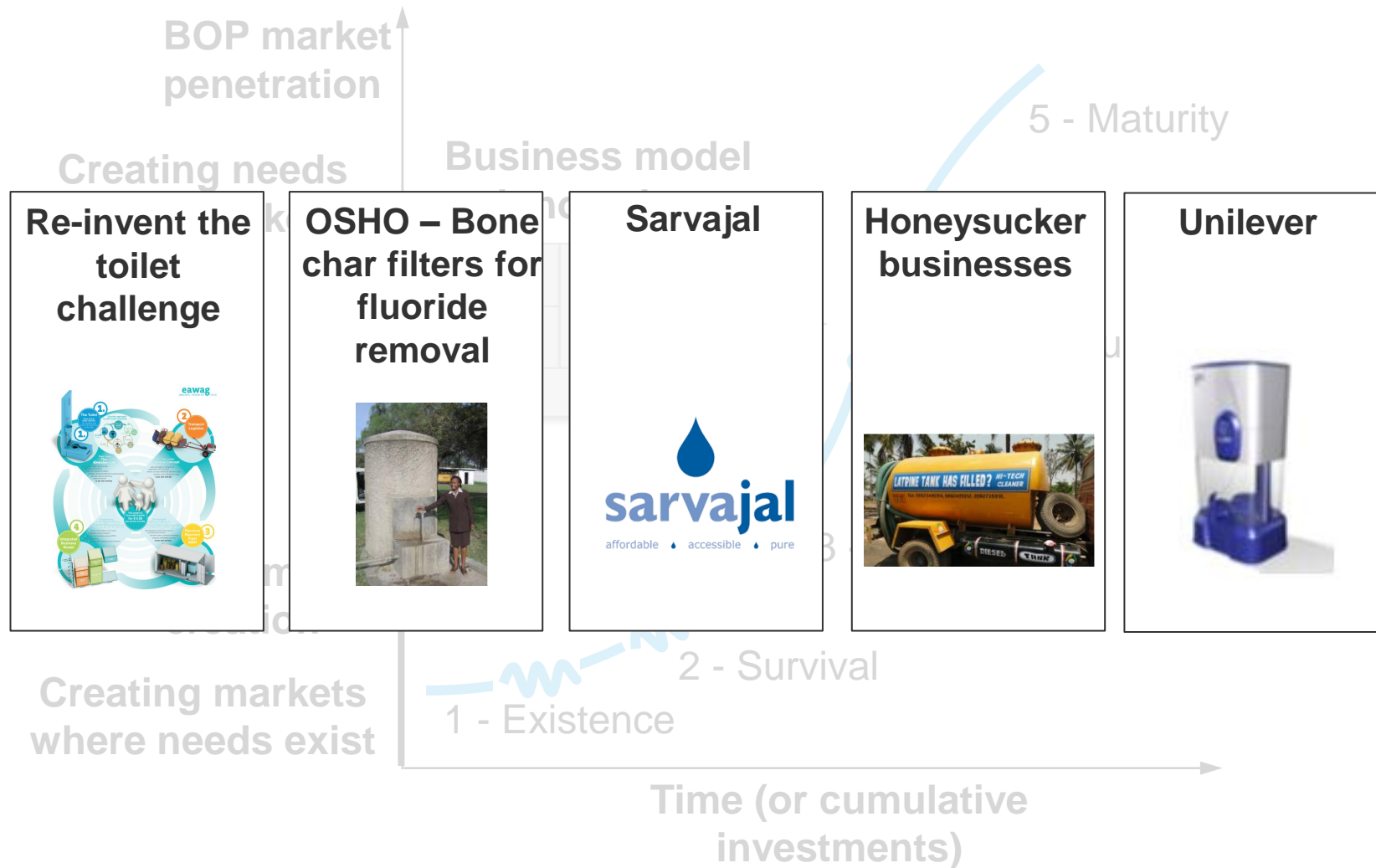
Business model innovation at sarvajal

– affordable, accessible, and pure water

Installed water systems



Empirical examples



Septage sludge management can be scaled-up through different business model innovation

Honeysucker businesses in Bangalore

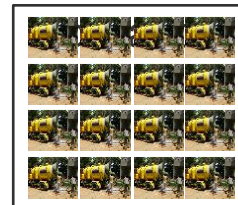
Penetration

Septage
sludge
emptying

Existence & survival



Scale-up micro-network



Success through
innovation

Time

Existence & survival

- Micro-honeysuckers start to emerge after setting-up pit latrines

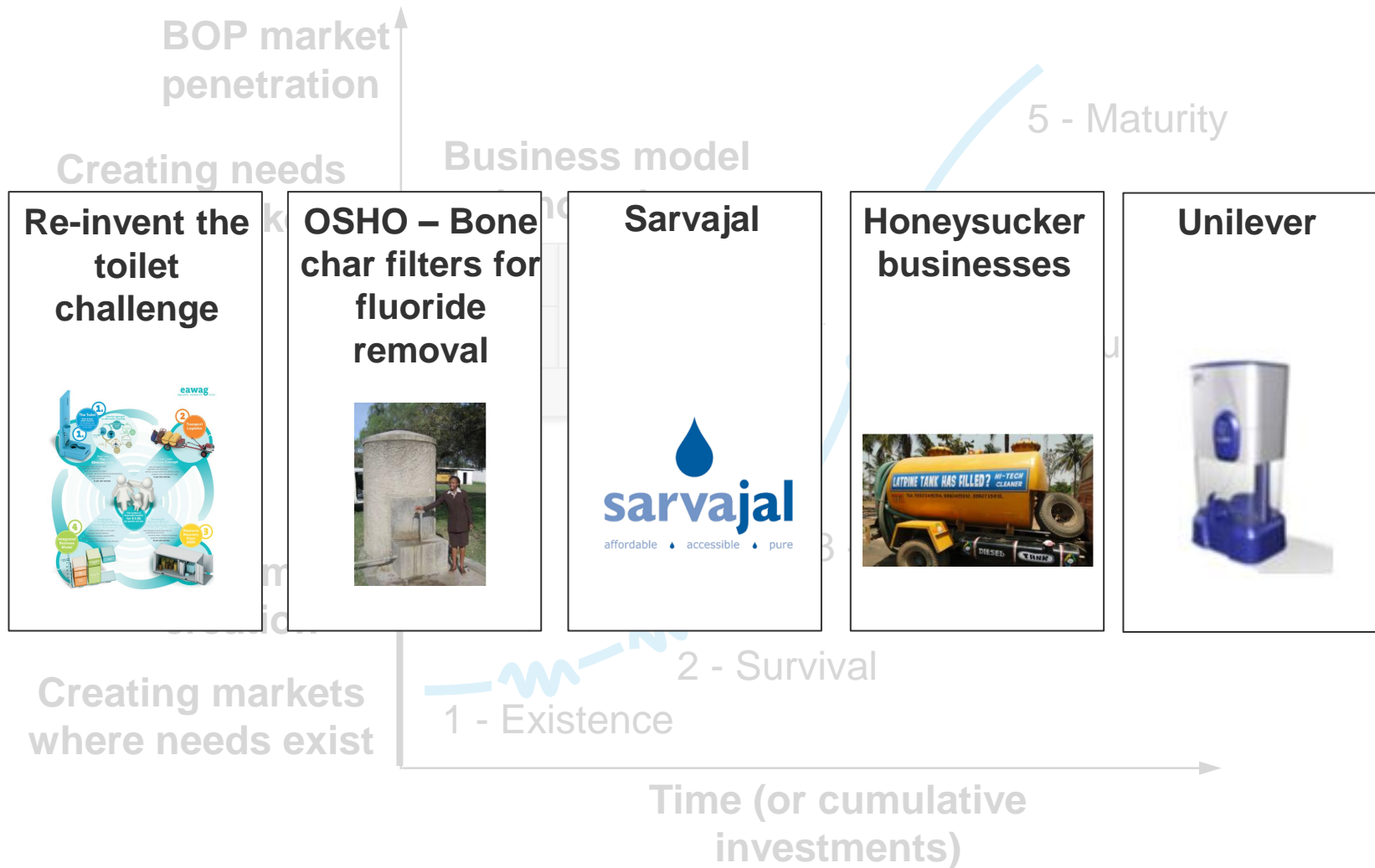
Success

- Innovating the vacuum truck, pumps, composite field, use of fertilizers, & special applications

Scale-up

- Extending the number of mirco-honeysucker businesses, instead of growing the individual businesses

Empirical examples



Re-considering corporate social responsibility enable MNEs to be more innovative

Corporate social responsibility (CSR)

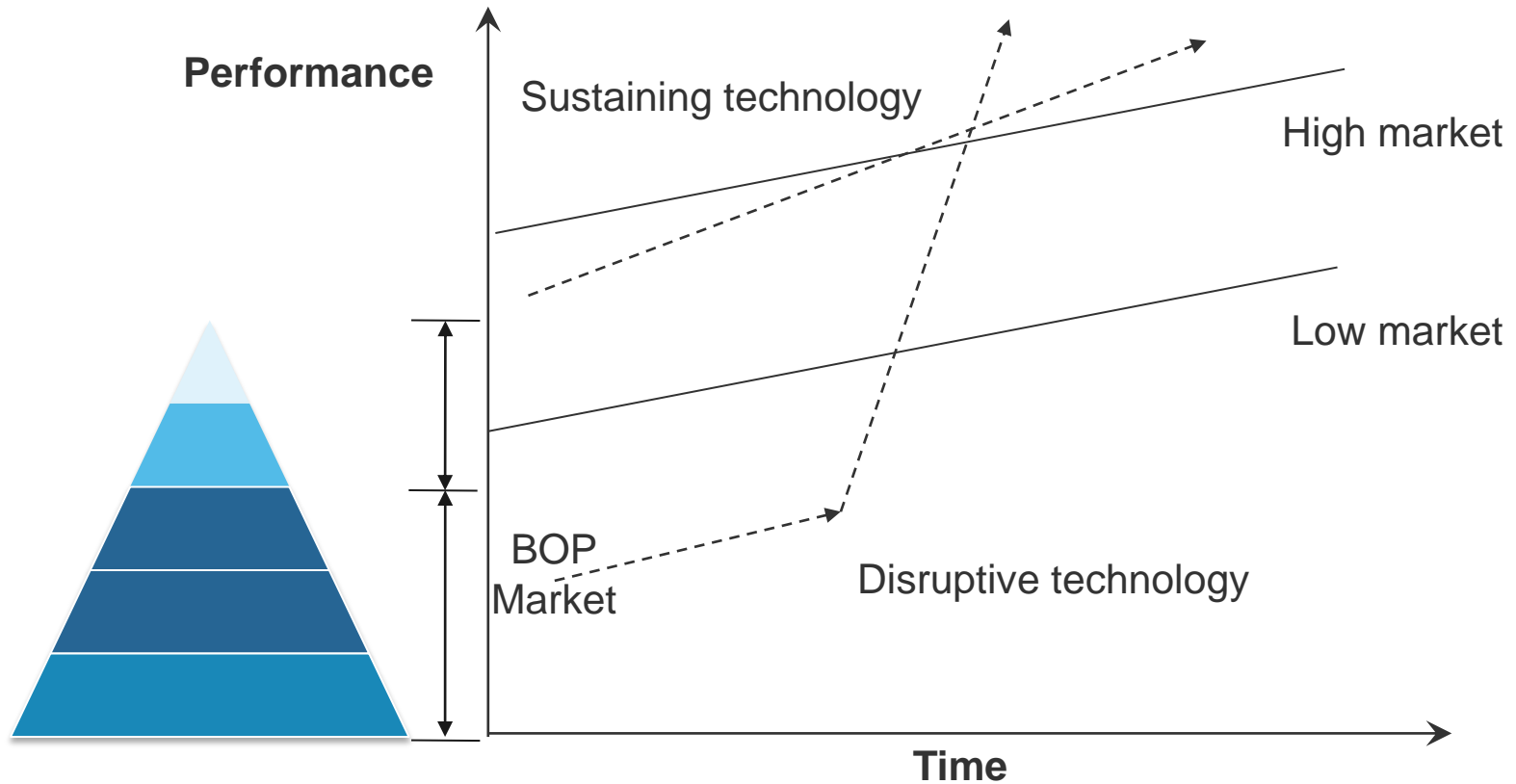
- CSR Integration – Integration with the core business
- CSR innovation – Expansion of the core business
 - Grameen Veolia - surface-water treatment systems
 - Procter&Gamble – PUR
 - Hindustan Unilever - 'Pureit' Water Purifier



Reverse Innovation

- Previous transnational strategies turn towards innovation in emerging markets and bringing these innovations back to the industrialized markets
- Reverse innovation could disrupt existing technology paths. But it faces similar hurdles as disruptive innovation

Innovation 'with' the low-income segment facilitates a giant leap for all clean-tech businesses



“That's one (small) step for a man, one giant leap for mankind”



- **Business model innovations** enable **growth in water and wastewater businesses**
- **Dynamic capabilities** enhance, but **operational capabilities** could **limit business model innovation**
- **Holistic view of business models** support local firms to overcome production and transaction constraints
- Multinational firms **reconsider their CSR approaches** and supplement the **transnational innovation strategy to reverse innovation strategy**