

Understanding Low-Income Market Business Models: Process Development and Main Components

Pablo Sánchez, Miguel A.
Rodríguez and Joan E. Ricart



Universidad de Navarra

CBS

Center for Business in Society

HBS Global Poverty Conference. December 2005

Introduction and questions

- Entry barriers:
 - Perceptions and assumptions
 - Lack of understanding of the culture and context
 - What companies are more proactive to change the current dominant logic and how do they change it?
 - What are the main sources of learning for understanding the local ecosystem?
 - What are the main components of business models in low-income segment?



Case studies

- Amanco Guatemala: “Todos Ganamos”
 - Increase the competitiveness of small farmers through the design, supply and installation of a trickle-irrigation system that improves the quantity and quality of their crops.
 - Access to credit
 - Technical & commercial assistance (Opcion/Aj Ticonel)
 - Social benefits:
 - Increase in productivity (up to 100%). Income generation.
 - Transform small farmers into entrepreneurs



Case studies

- Philips India: DISHA
 - Offer top quality healthcare services in rural villages at affordable price
 - Mobile tele-clinical van equipped with high quality diagnosis equipment and specialized doctors
 - Dhan Foundation provides the vital link to the local community and plays a key role in community participation for the project
 - ISRO provides connection via satellite (VSAT) to Apollo Hospitals.
 - Social benefits:
 - Better health (early detection of illness)
 - Savings (up to 80%)



Results

Elements of
business models

Generating
knowledge

Changing the
dominant
logic

Use of new and
advanced technologies

Ability to satisfy real needs
Contributes to sustainability
Eases connectivity
Removes physical constraints
Generates trust and confidence
Favors physical and psychic access
Complementing capabilities
Moving from products to services
Access to financial services
Cost & risk sharing
On-going learning

Development of
Innovative partnerships

Integration into
social networks

Value innovation

Pilot project

Partners &
Social networks

Corporate culture & values - Sustainability
Organizational alignment
Market development by local competitors

Discussion topics

- Business models are more complex
 - From products to integral services.
 - Different nature of partners
- As the firm may not possess all the resources, technologies or capacities, the development of innovative partnerships is crucial
 - Leverage and complement the capacities of each partner
 - Main source of competitive advantage.
- Integration into social networks
 - Better understanding of local context
 - Offers physical and psychic access.
 - Builds trust
- On-going learning and co-evolution of the business model.
 - Flexibility
- Engaging customers in the process permits the buyer to co-create value with the network (“prosumers”).



Conclusion

- In sum, a balanced combination of
 - Use of technology
 - Development of innovative partnerships
 - Integration into local social networks
- Permits to develop innovative business models which
 - Radically reduce the cost structure of the firm
 - Significantly increase the customer value



CBS
Center for Business in Society

HBS Global Poverty Conference. December 2005