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GORDON INSTITUTE OF BUSINESS SCIENCE

Challenges faced by South African companies when serving low-income markets: A market orientation perspective

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Abstract

The purpose of this research was to enrich our understanding of why large organisations have not performed in low-income markets relative to middle- to high-income markets through an understanding of their market orientation in these markets. The research sought to establish whether an organisation can have more than one instance of market orientation in its chosen markets.

The literature asserts that the bottom-of-the-pyramid approach to earning corporate profits has gained considerable attention and has awakened managers to the potential of serving an underserved market and alleviating the level of global poverty while still earning a profit (Pitta *et al*. 2008). South African companies have heeded the call to play a role and have targeted low-income markets, but, disappointingly, have achieved limited success.

Contrary to the situation in relation to low-income markets, South African firms serving middle- to high-income markets have achieved market success through effective business models and orientation towards their markets.

The qualitative study showed that an organisation indeed can have more than one instance of market orientation, as managers responsible for low-income markets experience challenges across all market orientation activities, relative to their middle- to high-income market counterparts.

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Declaration

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination at any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Mogomotsi Kele Mokoto

11th November 2009

Dedication

To those who have sacrificed so much for me to be where I am today**.**

“To whom much is given much is expected” Luke 12:48

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Chapter 1 Introduction to the research problem

1.1 Introduction to the Problem

Global firms have demonstrated their ability to create wealth around the world. But the benefits of the capabilities of these firms and of the global market system do not yet reach most of the four billion people who live in relative poverty at the bottom of the economic pyramid (Hammond & Prahalad 2004).

Research highlights that significant profits can be made, whilst simultaneously eradicating poverty, by selling to the poor at the base of the economic pyramid (BOP) (Prahalad & Hart 2002). However, there are differing points of views on whether or not there is fortune at the bottom of the pyramid, with Karnani (2007) suggesting that it is a fallacy to claim that there is much “untapped” purchasing power at the BOP. The poor, in fact, obviously consume most of what they earn and, as a consequence, have a low savings rate. Contrary to the BOP argument, getting the poor to consume more will not solve their problems.

This research is based on the proposition of Prahalad and Hart (2002), namely that significant profits can be made and poverty can be eradicated by selling to the poor at the BOP.

Pitta, Guesalaga and Marshall (2008) assert that the bottom of the pyramid approach to earning corporate profits has gained considerable attention in the marketing

literature. It has awakened managers to the potential of serving an underserved market and alleviating the level of global poverty, while still earning a profit.

Da Silva (2006) observes that, due to a myriad of preconceived judgments and other socio-political misconceptions, most marketers have often "omitted" the low-income market or "bottom of the pyramid markets" from their business lists. As a result, over the years managers have built strong organisational capabilities aimed mostly at serving customers at the top of the economic pyramid. According to Pitta *et al*. (2008), companies shifting towards the low-income markets could find that their organisational corporate cultures, structures and internal processes, which are oriented towards the ”top of the pyramid”, are not geared to serve low-income markets effectively.

The purpose of this research is to enrich our understanding of why large organisations have not performed in low-income markets relative to middle- to high-income markets through an understanding of their market orientation in these markets. The research aims to ascertain whether levels of market orientation can differ for the low-income markets and middle- to high-income markets within the same organisation.

Firms have typically been established to serve the middle/top of the economic pyramid and have not adjusted their business models accordingly to serving the base of the pyramid. The lack of orientation towards low-income markets has resulted in companies not achieving success in these markets.

The literature asserts that firms with superior market orientation achieve superior business performance because they have a greater understanding of the customers' expressed wants and latent needs (Morgan, Vorhies and Mason 2009).

To better understand the challenges companies face when serving the low-income market, the research will assess the level of market orientation in organisations to low-income markets as opposed to the level of their orientation to middle- to high-income markets. The intention here is to understand why organisations serving low-income markets have not performed to expectations, using market orientation as a construct.

The purpose of this research was to enrich our understanding of why large organisations have not performed in low-income markets relative to middle- to high-income markets through an understanding of their market orientation in these markets. The research seeks to establish whether an organisation can have more than one instance of market orientation in its chosen markets.

To date, studies have been conducted that have measured a single basis of market orientation in a firm. However, the researcher is not aware of studies that have tested whether an organisation can have different levels of market orientation within its chosen markets.

1.2 Background to the Problem

Poverty, especially in developing countries, has remained one of the world's most intractable problems. While addressing it remains a daunting challenge, this should not serve as an excuse for inaction or unwillingness to explore new approaches. Donation-based aid programmes can have an important impact in alleviating poverty, but they are inherently not economically sustainable. Once the resources are used in serving one community, region or country, there is no capital remaining to transfer the programme to another location. Market-based approaches, on the other hand, offer an attractive alternative (London 2008).

According to Prahalad and Hammond (2002) it is well known that the world's poor are distressingly plentiful. Research has shown that 65% of the world's population (four billion people) earns less than $2,000 each per year. But despite the vastness of this market it remains largely untapped by multinational companies (MNCs).

Despite five decades and over $2 trillion dollars spent on foreign aid, the top-down prescriptions of the post-World War II "development regime" have proven ineffective (Simanis & Hart 2008). SadreGhazi and Duysters (2008) highlight that, although the importance of international aid for serving unmet needs is not ruled out, aid and philanthropy approaches face certain limitations in terms of scale and sustainability.

Increasingly, the private sector has been called upon to direct its dynamism and innovation to bear on the complex global challenges that public institutions were established to address (Simanis & Hart 2008).

As observed by Hammond and Prahalad (2004), if MNCs use their reach, scale and resources to bring poor communities into the market and provide them with affordable basic goods and services, they can stimulate commerce and development and fundamentally change the paradigm for dealing with the poor. It is imperative for organisations to play a role in alleviating poverty through serving low-income markets. However, organisations serving these markets have not performed nor have they yielded the great returns that have been suggested by the literature.

Prahalad and Hammond (2002) contend that, since the idea was first introduced by C.K. Prahalad and Stuart Hart at the turn of the 21st century, the list of large corporations transforming their business models to achieve the price points and cost positions required to reach the poor has grown. While commendable as an initial step, most “first generation” corporate BOP strategies have, in their view failed to “hit the mark” (Simanis & Hart 2008). Barnard (2008) asserts that BOP requires substantial innovation to be successful, and that there are many more examples of failures than of successes.

Pitta *et al*. (2008) note that, traditionally, companies have been focused on serving the top of the pyramid, and that their organisation, corporate culture and internal processes require economies of scale, which demand exploiting the richest target markets. In many cases, successful companies have evolved into efficient machines whose foundation is high structural cost. Thus, targeting the most lucrative segments is vital for continued success.

Pitta *et al*. (2008) further argue that a change of focus in the BOP will require new techniques and freedom from “accepted knowledge”. The BOP is so radically different that companies will have to ignore what they know as “truths” that may not apply any more.

Barnard (2008) posits that, because the BOP is a new market, there is a high risk of not getting the offering right. Organisational inertia, prior routines and a low CEO appetite for risk are likely to be non-trivial barriers to successful entry into BOP markets.

To better understand the challenges companies face when serving the low-income market, the research will assess the level of market orientation in organisations to low-income markets as opposed to the level of their orientation to middle- to high-income markets. The research intention is to understand why organisations serving low-income markets have not performed to expectations, using market orientation as a construct.

The purpose of this research was to enrich our understanding of why large organisations have not performed in low-income markets relative to middle- to high-income markets through an understanding of their market orientation in these markets.

1.3 Identification of the Problem

Anderson and Billou (2007) propose that the market for products and services delivered to the poor people of the world is significant. The spending power of Brazil's poorest 25 million households amounts to $73 billion per annum, while China's poor residents account for 286 million households with a combined annual income of $691 billion. India has 171 million low-income households with a combined income of $378 billion (Anderson & Billou 2007). However, the success of multinational corporations (MNCs) in penetrating these low-income customers has been "patchy" at best (Anderson & Billou 2007), with most companies based in the developed world choosing to focus on the middle- and upper-income segments of the developing world.

SadreGhazi and Duysters (2008) suggest that those who encourage market-based approaches of finding appropriate ways to satisfy the unmet needs of lower-income communities can bring enhanced opportunities for these communities, in terms of access to better products as well as in terms of employment. On the other hand, firms can benefit from opportunities that have the potential to foster their long-term growth.

Growth is an important challenge for every company, but today it is especially critical for very large companies, many of which appear to have nearly saturated their existing markets (Prahalad & Hammond 2002). Pitta *et al*. (2008) suggest that earning a profit with such customers today takes enormous effort. To reach them, CEOs must shed old concepts of marketing, distribution and research (Prahalad & Hammond 2004).

The underlying problem is that companies are ill equipped to serve the poorest customers (Pitta *et al*. 2008). The BOP is not low-hanging fruit but a market with potential and achieving that potential will require costly effort and innovative strategies, as pointed out by Seelos and Mair (2006).

But there seems to be a long road ahead to eventually reach this goal. Multinational corporations have a history of dramatic failures in low-income markets. Practising business "as usual" in low-income markets has proven to be a recipe for failure (SadreGhazi & Duysters 2008).

1.4 Relevance to the South African Context

Aliber (2005) highlights that South Africa's transition from apartheid oppression to democracy and freedom is widely regarded as a success. Yet, despite all these achievements, the country still experiences high levels of poverty and extreme disparities in income, wealth and opportunity.

An analysis conducted by Meltzer (2009) shows that, in, 2008 almost three million South Africans lived on less than five rand per day and 18 million lived on less than R20 per day.

The address by President Thabo Mbeki to the National Council of Provinces in 2003 introduced the idea of South Africa being characterised by a "first economy" and a "second economy" operating side by side. Mbeki (2003) stated that the second economy (or the marginalised economy) was characterised by underdevelopment,

contributed little to GDP, contained a big percentage of the population, incorporated the poorest of the rural and urban poor, was structurally disconnected from both the first and the global economy, and was incapable of self-generated growth and development.

Whilst the characteristics of the first economy are that it is modern, integrated with the global economy and produces the bulk of the country's wealth (Mbeki 2003), transforming the second economy requires transfers from the first economy. The first economy is unsustainable without the integration of the second economy. It is increasingly evident that business has a key role to play in the reduction of poverty, especially in South Africa, where the divide between the two economies should be bridged.

The goal of halving the poverty rate to less than one-sixth of households will not be achieved without sustained and strategic economic leadership from government, and effective partnerships between government and stakeholders such as labour and business (AsgiSA 2004).

The second economy remains a key concern in South Africa. Without interventions directly addressed at reducing South Africa's historical inequalities, growth is unsustainable (AsgiSA 2004). Conversely, successful measures to reduce the inequalities will add impetus to growth. Bridging the divide cannot be left to government alone, says the Accelerated and Shared Growth Initiative for South Africa (AsgiSA 2004) and it is critical that South African companies take a leading role in

bridging the divide between the two economies by identifying and addressing the challenges of serving the low-income markets.

Mtoba (2006) argues that the reality in the South African context – and in most of Africa – is that a traditional business model would not work. As in any country, you have to take into consideration specific social and economic issues. We live in an area where poverty is rife and this is one of the biggest threats to our democracy. For someone to lead effectively in this environment, their business model must address the two economies – the developed portion and the "second" economy.

1.5 Motivation for the Study

South African businesses have an increased role to play in bridging the divide between the first and second economies. The majority of the population is considered to be from the low-income markets and, historically, their needs have been underserved. As a result we have seen increased service delivery protests, and it is clear that government cannot address the needs of this market alone. South African companies have heeded the call to play a role and have targeted this market, but, disappointingly, have achieved limited success. Consequently, it is important to understand why South African companies have not performed well in low-income markets.

This research will increase our understanding of whether market orientation can play a role in the success of South African organisations that seek to serve low-income markets, by comparing levels of market orientation to low-income markets and to middle- to high-income markets that have historically performed well. To date, studies

have been conducted that have measured a single basis of market orientation in a firm and attributed it existence to exceptional business performance. However, the researcher is not aware of studies that have tested whether an organisation can have different levels of market orientation within its chosen markets.

1.6 Subsequent Chapters of the Research Report

The subsequent chapters of the research report have been structured in the following way:

- Chapter Two provides a review of the literature pertaining to the base of the pyramid (BOP), by firstly focusing on the definition of the BOP consumer and the market opportunities at the BOP, and secondly on the role business should play in alleviating poverty by providing products and services to the BOP market. Then the context is provided to explain why South African businesses should be involved in this market. The fourth section in the literature review focuses on what the organisational challenges have been when serving the BOP. The fifth part of the literature review defines market orientation and its associated activities. The final part of the literature review outlines how market orientation can promote business performance. The literature review ends by outlining the purpose of the study.

- Chapter Three outlines the research propositions.

- Chapter Four describes the research methodology employed in the research. This includes the stages of research, respondent selection, the unit of analysis, and the unit of response and the limitations of the research.

- Chapter Five presents the results of the qualitative study.

- Chapter Six discusses the research results against the background of the literature review provided in Chapter Two.

- Chapter Seven presents a framework that can be utilised to provide the context for the themes that emerged from the research, recommendations for practitioners and suggestions for future research.

Chapter 2 Literature review

2.1 Introduction

This chapter critically reviews the literature that pertains to the base of the pyramid. A definition of the BOP is presented in order to provide a common understanding for this market segment. The literature review then explores the business potential that exists at the BOP and why it is imperative for business to take a leading role in poverty alleviation through profitably serving the BOP. This entails a paradigm shift, as this market typically is considered to be poor and without sufficient funds to afford services. Consequently, firms have historically focused on middle- to high-income markets and have not been oriented towards low-income markets.

The literature review provides a critical perspective of the BOP in South Africa and highlights the observed challenges that companies face when serving the BOP. The theory of market orientation as it pertains to company performance is explored to provide a framework in which to assess challenges South African companies face when serving low-income markets as opposed to middle- to high-income markets.

2.2 The Base of the Pyramid Defined

The BOP is described as a large segment of humanity that faces significant unmet needs and lives in relative poverty: in current U.S. dollar terms their incomes are less than $3.35 a day in Brazil, $2.11 in China, $1.89 in Ghana, and $1.56 in India. Yet, together, they have substantial purchasing power. The BOP constitutes a $5 trillion

global consumer market, according to Hammond, Kramer, Katz, Tran and Walker (2007).

In South Africa, 23 million people are considered to be at the base of the pyramid, with almost three million living on less than five rand per day and 18 million living on less than R20 per day (Meltzer 2009). Despite the fact that these markets are much larger than the markets at the top of the economic pyramid, there are still only very few products and services that are developed particularly to satisfy the needs of the users in the base of the pyramid (SadreGhazi & Duysters 2008).

Louw (2008) categorises the BOP into two segments;

BOP One – the true base of the economic pyramid, with a population of all people earning less than $2 per day purchasing power parity (PPP);

BOP Two – the upper section of the BOP market, with a population of all people earning more than $2 per day PPP.

The US $2 value was also used for this research, as it is the value that the World Bank has defined as the absolute poverty line and is also the value most commonly used by economists when analysing or referring to the poor (Louw 2008). Louw (2008) does not provide a ceiling for BOP two.

Hammond *et al*. (2007) observe that BOP markets are often rural – especially in rapidly growing Asia – very poorly served, dominated by the informal economy, and as a result relatively inefficient and uncompetitive. Karnani (2007) agrees that the poor

often sell their products and services in inefficient markets and do not capture the full value of their output. He maintains that any attempt to improve the efficiency of these markets will raise the income of the poor (Karnani 2007).

SadreGhazi and Duysters (2008) state that the most prominent characteristic of the communities at the base of the pyramid is their lower level of disposable income. The majority of low-income communities have fluctuating daily rather than constant monthly income, which makes it difficult for them to make high once-off payments to buy goods and services.

Gordon (2008) suggests that doing business at the base of the pyramid is a topic of increasing interest to business practitioners and academics. Base-of-the-pyramid business offers the promise of great economic gains for companies, and the possibility of a powerful new approach to alleviate poverty. Hammond and Prahalad (2004) propose that, despite the vastness of this market, it remains largely untapped by multinational companies.

Karnani (2007) opposes the notion of there being a fortune at the bottom of the pyramid and suggests that it is a fallacy to claim that there is much “untapped” purchasing power at the BOP. The poor, in fact, obviously consume most of what they earn and, as a consequence, have a low savings rate. Contrary to the BOP argument, getting the poor to consume more will not solve their problem. Their problem is that they cannot afford to consume more.

Karnani (2007) argues further for the need to view the poor primarily as producers, and not as consumers. By far the best way to alleviate poverty is to raise the income of the poor and to emphasise buying from the poor rather than selling to the poor. The only way to alleviate poverty is to raise the real income of the poor. Barnard (2008) agrees that poor people are not only consumers, but also participants in the overall value chain.

While the picture is not completely clear, the bottom of the pyramid may offer opportunities to create value for both the poor and for companies (Pitta *et al*. 2008). There is still no agreement in the literature about how beneficial selling to the BOP can be for private companies, or for how beneficial it can be for alleviating poverty.

Pitta *et al*. (2008) maintain, however, that there are several elements of the BOP proposition that have been identified as critical for success. First, an accurate characterisation of the low-income sector – both as consumers and as producers – is required to understand their needs, perceptions and behaviour, which in turn will help companies to design a better business approach. Second, it is important to recognise that serving the BOP market requires a different business model.

London (2008) supports this view, affirming that, when entering a BOP market, incumbents cannot rely on a design based on incrementally modifying existing capabilities. An approach of adapting existing products and business models locally works when these firms enter new markets that contain familiar, wealthy consumers. As they move down the economic pyramid, however, these companies must proactively avoid importing pre-existing mindsets and business models.

2.3 Business's Role in Poverty Alleviation

International issues such as peace, security, sustainable development, human rights and poverty alleviation are increasingly interlinked. They have ramifications for all sectors of society, and their achievement requires complex and collaborative solutions. Kirchgeorg and Winn (2006) concur that poverty is detrimental socially and environmentally, and that it is the antithesis of economic viability and social equity: growing disparity in wealth violates a moral right, cultivates social unrest and destabilises increasingly interdependent societies, and the struggle for daily survival associated with poverty often causes rapid environmental degradation.

Kirchgeorg and Winn (2006) suggest that poverty runs directly counter to the social, economic and environmental aspirations of sustainable development. The call to assist the poor in economic development then appears to serve the social, environmental and economic goals of sustainable development.

Widespread poverty is an economic, social, political and moral problem (Karnani 2007). Eradicating, or at least alleviating, poverty is an urgent challenge.

At the World Economic Forum in 2006 it was acknowledged that a wide range of core business capabilities were highly relevant to the Millennium Development Goals (see Appendix A), and a framework was agreed to by the world's governments to make major inroads into eradicating poverty by 2015. Whilst governments must carry primary responsibility for achieving these goals, it is increasingly in the interests of business to be part of the solution (Nelson & Prescott 2008).

Kolk and Van Tulder (2006) state that the Millennium Development Goals, which include the objective to halve poverty by 2015, refer to the development of a "global partnership for development" in which there is a role for companies. Mass poverty means that even the most basic needs of millions of people are not met, and that markets to serve them are largely absent (Seelos & Mair 2006).

There are significant opportunities for more inclusive market-based approaches that can better meet the needs of those in the BOP, increase their productivity and incomes, and empower their entry into the formal economy (Hammond *et al*. 2007). Kolk and Van Tulder (2006) assert that MNCs and their business associations increasingly emphasise the business opportunities of helping the poor. BOP ventures are expected to generate acceptable economic and societal returns for the organisation investing in the venture and for the local community in which they operate (London 2008).

According to Nelson and Prescott (2008), the poorest two-thirds of the world's population have some $5 trillion in purchasing power. As well as representing a massive, untapped consumer market, this group of people represents a major source of employees and suppliers for companies with the necessary creativity, agility and innovation to operate profitably in emerging markets.

Pitta *et al*. (2008) contrast the traditional approach to poverty alleviation with the market-based approach and assert that traditional approaches often focus on the very poor, proceeding from the assumption that they are unable to help themselves and thus need charity or public assistance.

In contrast, a market-based approach starts from the recognition that being poor does not eliminate commerce and market processes: virtually all poor households' trade cash or labour to meet a significant part of their basic needs. The latter approach is the one embraced by for-profit companies to pursue the BOP initiative.

According to Kolk and Van Tulder (2006), this is thus not just philanthropy, but a corporate social responsibility (CSR) strategy that also makes economic sense and can give companies that are active in this way a competitive edge.

For leading companies, helping to achieve the Millennium Development Goals is not only a matter of corporate social responsibility, embedded in compliance, risk management and philanthropy, but also a matter of corporate social opportunity, embedded in innovation, value creation and competitiveness (Nelson & Prescott 2008).

Failure on the part of governments and companies to help lift these people out of poverty is likely to exacerbate inequality and sources of conflict, which can undermine corporate reputations, the business's 'license to operate' and long-term business success.

2.4 South Africa's Imperative at the Base of the Pyramid

Mbeki (2003) confirmed that there is a commitment shared by all people, government, labour, business and civil society to work together to bring about the higher rates of growth and development that our country needs.

In the ANC Today (2004), it is explained that the first and second economies in our country are separated from each other by a structural fault. Accordingly, what we now have is the reality of a mainly informal, marginalised, unskilled economy, populated by the unemployed and those unemployable in the formal sector. The second economy is caught in a "poverty trap". It therefore is unable to generate the internal savings that would enable it to achieve the high rates of investment it needs. Accordingly, on its own it is unable to attain rates of growth that would ultimately end its condition of underdevelopment (ANC Today 2004).

In his 2005 State of the Nation Speech, Mbeki (2005) refers to the second economy, arguing that we must achieve new and decisive advances towards eradicating poverty and underdevelopment within the context of a thriving and growing first economy and the successful transformation of the second economy. With the government focus on the transformation of the second economy, there has been political pressure on South Africa companies to offer services to low-income markets. Schoombee (2004) states that commercial banks traditionally do not serve low-income earners, micro-entrepreneurs and the poor (collectively referred to as the unbanked), chiefly because the high costs involved make this market unattractive.

The big four of South African banking, which between them have a market share in excess of 80%, are no exception in this regard. Schoombee (2004) observes that it is only since the early 1990s that banks have given serious thought to entering this market segment.

This decision has in no small way been influenced by the changes in the local political landscape. The new government and its supporters claim that the big four had backed the race-based policies of the previous regime, and that this is demonstrated by their unwillingness to serve the black community in general. As a result, these banks have been pressurised into rectifying this situation (Schoombee 2004).

According to Porteous (2003), banks have definitely not lived up to the expectations of the current 17 million unbanked. Schoombee (2004) agrees that the banks themselves know that they have not accomplished enough. This is why access to basic banking services by poorer people is one of the pillars of the proposed Financial Services Charter. However, there is general understanding, and even genuine desire, on the part of business to "do something", but for various reasons implementation is lacking (Mtoba 2006).

2.5 Organisational Challenges at the Base of the Pyramid

It is well known that BOP markets involve managing substantial challenges to technical and economic infrastructure, education, financial resources and cultural differences (Pitta *et al*. 2008). Despite the opposing viewpoints in the literature regarding the extent to which there are business opportunities at the BOP, there is agreement that serving the low-income sector profitably requires a different business

model (Pitta *et al*. 2008). Klein (2008) agrees that business initiatives at the BOP require innovative business models and new mental maps to manage these organisational problems and opportunities, while Pitta *et al*. (2008) believe that it is logical that differences in culture will affect future attempts to understand the needs of the BOP segments.

The literature suggests that customer orientation appears to be central to success at the BOP. Pitta *et al*. (2008) agree that, until companies better understand the needs of emerging consumers and adapt their business models to serve them more efficiently and effectively, their growth will be limited. They further argue that success will depend on knowing the BOP intimately and that the BOP currently is *terra incognita* in terms of segments and their needs.

Barnard (2008) also supports the customer orientation view by stating that the BOP should be about understanding people and their needs. This would include understanding previous experiences and gaining understanding across an economic and often also historical and social divide.

If companies are to succeed, corporate initiatives focused on the BOP will require a major new conception of the current value proposition for business and a thorough understanding of local needs and human development paradigms (Gardetti 2005). Furthermore, Prahalad and Hammond (2004) believe that managers in multinational corporations are conditioned to think mainly of the rich. They are prisoners of their own logic. Poor consumers challenge virtually every preconception parroted by business schools and marketing seminars. As a result, for-profit firms need to

understand how the BOP segment differs from upper tiers, and adapt the marketing approach to meet the characteristics of consumers at the bottom (Pitta *et al*. 2008).

It also appears that internal business processes could inhibit success at the BOP. McFalls (2007) puts forward that MNCs have built-in weaknesses that limit their potential for success with these consumers. They are simply too large, too rigid and too far from the customer to be effective. Instead of the top-down approach that MNCs represent, Karnani (2007) proposes that a bottom-up process is necessary. Changing perspectives from top-down to bottom-up is so complicated ,that if MNCs are to be involved, they may have to create flexible subsidiaries free from the corporate structure, processes, culture and assumptions.

Barnard (2008) agrees that large firms generally have adequate resources to be able to experiment with a BOP concept, although they often also have stultifying internal processes. This leads to the challenge of getting buy-in in the organisation and then taking an offering to a community (where there is a risk of not getting the offering right) or of getting clarity from a community and then getting approvals (which may be a time-consuming process and may lead to disillusionment of the community) (Barnard 2008).

Pitta *et al*. (2008) believe that Prahalad's concentration on the bottom of the pyramid requires a sea change in a company's approach to business. Attempts to reap profits from the BOP using current marketing techniques will fail. Companies cannot serve the BOP using processes that have been designed for middle- to high-income markets. Barnard (2008) notes that participants from large organisations feel

frustrated by the existing routines and processes, and it often is very challenging to develop BOP offerings within this context.

If the enterprise-based approach to poverty alleviation is to flourish in the future, it is imperative that we move rapidly to a “second generation” of corporate BOP strategies. Second-generation BOP strategy requires an embedded process of co-invention and business co-creation that brings corporations into close, personal business partnership with BOP communities. They move corporations beyond mere deep listening and into deep dialogue with the poor, resulting in a shared commitment born out of mutual sharing and mutual learning (Simanis & Hart 2008).

For Simanis and Hart (2008), “co-creation” captures the need for the company to work in equal partnership with BOP communities to imagine, launch and grow a sustainable business. London and Hart (2004) concur, stating that local co-invention and bottom-up development are key components of the BOP mantra for success.

While the vast majority of corporations have seen these challenges as insurmountable barriers, other have quietly pursued strategies of experimentation in developing unique product and service propositions for some of the world’s most needy consumers (Anderson & Billou 2007). These unique products and services have come about as a result being truly oriented toward this consumer.

2.6 Market Orientation Defined

Pandelica, Pandelica and Dumitru (2009) refer to market orientation as a business philosophy that connects all functional departments of the organisation to the operational environment, and that has as a final outcome the creation of superior value for the customers and thus the creation of a sustainable competitive advantage.

Deshpande and Farley (1998) put forward that market orientation is not a "culture", but rather a set of "activities" (i.e., a set of behaviours and processes related to the continuous assessment and serving of customer needs). Market orientation focuses on (potential and current) customer-related activities rather than on non-customer-related behaviours (e.g., collecting intelligence on competitors) (Deshpande & Farley 1998). These authors argue further that market orientation should be defined as "the set of cross functional processes and activities directed at creating and satisfying customers through continuous needs-assessment". There are differing definitions of market orientation (Jaworski, Kohli & Kumar 1993), and a review of the literature has revealed diverse definitions of the marketing concept. The different definitions on market orientation are provided in the following table.

Table 1: Definitions of the concept of market orientation

Author	Definitions
Narver and Slater (1990)	Market orientation is a business philosophy whose final purpose is to create superior value for the client.
Kohli and Jaworski (1990)	The term market orientation is used to illustrate the implementation of the concept of marketing within the organisation.
Rueckert (1992)	Market orientation within a business unit is the degree to which the business unit gets and uses information about the clients, develops a strategy leading to the clients' needs, and implements the strategy, thus having the capacity to respond to the clients' needs and desires.
Jaworski, Kohli and Kumar	Market orientation refers to gathering information about the clients' present and future needs, the dissemination of this information within the organisation and the response of the organisation

(1993)	according to this information.
Day (1994)	Market orientation represents superior abilities to understand and satisfy the clients
Deng and Dart (1994)	Market orientation represents the implementation of a particular business philosophy – the concept of marketing.
Slater and Narver (1995)	Market orientation is the culture that (1) places as main priority the creation and preservation of superior value for the client while it takes into account the key stakeholders' interests and (2) provides norms for the development of the organisation and the response to market information.
Rivera (1995)	Market orientation is a strategy leading to obtaining the durable competitive advantage.
Deshpande and Farley (1998)	The set of cross-functional processes and activities directed at creating and satisfying customers through continuous needs assessment.
Lado, Maydeu-Olivares & Rivera (1998)	Market orientation represents those kinds of actions of the company that analyse and utilise the information about its stakeholders in order to coordinate and implement strategic actions.

The definition provided by Jaworski, Kohli & Kumar (1993) is closely aligned to that provided by Kohli and Jaworski (1990) of market orientation. This definition is used in this research, and refers to market orientation as gathering information about the customer's present and future needs, the dissemination of this information within the organisation and the response of the organisation to this information. The three activities of market orientation suggested by Kohli and Jaworski (1990) are intelligence generation, intelligence dissemination and responsiveness.

2.7 Market Orientation Activities

Intelligence generation: A market-focused intelligence-generation strategy focuses on acquiring information about the customers' expressed and latent needs, and about the competitors' capabilities and strategies (e.g., Kohli & Jaworski 1990; Narver & Slater 1990). The starting point of a market orientation is market intelligence (Kohli & Jaworski 1990).

Market intelligence is a broader concept than customers' verbalised needs and preferences in that it includes an analysis of exogenous factors (e.g., government regulation, technology, competitors, and other environmental forces) that influence those needs and preferences.

Market intelligence therefore pertains not just to current needs, but to future needs as well. The notion that market intelligence includes anticipated customer needs is important because it often takes years for an organisation to develop a new product offering (Kohli & Jaworski 1990).

Slater and Narver (2002) agree that it has become conventional wisdom that an organisation's ability to continuously generate intelligence about customers' expressed and latent needs, and about how to satisfy those needs, is essential for it to continuously create superior customer value. They view intelligence as providing a focus for the business's product development and sales growth efforts by enabling the business to develop strong relationships with key customers and insights into opportunities for market development.

Intelligence may be generated through a variety of formal as well as informal means and may involve collecting primary data or consulting secondary sources (Kohli & Jaworski 1990). The generation of market intelligence relies not just on customer surveys, but on a host of complementary mechanisms (e.g. meetings and discussions with customers and trade partners, analysis of sales reports, analysis of worldwide customer databases and formal market research, such as customer attitude surveys, sales response in test markets).

According to Slater and Narver (2002), intelligence can be generated through collaboration, experimentation or repetitive experience.

Slater and Narver (1995) advise strongly to guard against the danger of narrowly focusing market intelligence efforts on current customers and competitors, thus ignoring emerging markets and/or competitors.

Intelligence dissemination: Kohli and Jaworski (1990) state that responding effectively to a market need requires the participation of virtually all departments in an organisation, and several managers have noted that, for an organisation to adapt to market needs, market intelligence must be communicated, disseminated and perhaps even sold to the relevant departments and individuals in the organisation. Maltz and Kohli (1996) agree that market intelligence dissemination across functions represents an integral component of market orientation, which is a major concern of businesses today.

Effective dissemination of market intelligence is important because it provides a shared basis for concerted actions by different departments (Kohli & Jaworski 1990).

However, when organisations remove the functional barriers that impede the flow of information from development to manufacturing to sales and marketing, they improve the organisation's ability to make rapid decisions and execute them effectively (Slater & Narver (1995).

According to Narver and Slater (1990), a seller must draw upon and integrate effectively, as well as adapt as necessary, its entire human and other capital resources in its continuous effort to create superior value for buyers. Hence, that effort is the proper focus of the entire business and not merely of a single department in it. Maltz and Kohli (1996) suggest that the use of market intelligence may be improved by designing appropriate dissemination processes. Marketing literature suggests that the frequent sharing of market intelligence represents a superior dissemination process. Information dissemination is critical, and Slater and Narver (1995) believe that effective dissemination should lead directly to superior outcomes, such as greater new product success, superior customer retention, higher customer-defined quality and, ultimately, superior growth and/or profitability.

Responsiveness: Responsiveness to market intelligence takes the form of selecting target markets, designing and offering products/services that cater to their current and anticipated needs, and producing, distributing and promoting the products in a way that elicits a favourable end-customer response. Kohli and Jaworski (1990) contend further that, although an organisation can generate intelligence and disseminate it internally, very little is accomplished if it does not respond to market needs.

Responsiveness is not the function of one department, as virtually all departments – not just marketing – participate in responding to market trends in a market-oriented company (Kohli & Jaworski 1990).

Narver and Slater (1990) agree that response design is the responsibility of all departments and not of just marketing, and that creating value for buyers thus is much more than a "marketing function"; rather, a seller's creation of value for buyers is

analogous to a symphony orchestra, in which the contribution of each subgroup is tailored and integrated by a conductor – with a synergistic effect. A seller must draw upon and integrate effectively, as well as adapt as necessary, its entire human and other capital resources in its continuous effort to create superior value for buyers. Hence, that effort is the proper focus of the entire business and not merely of a single department in it.

In developing effective inter-functional coordination, marketing or any other advocate department must be extremely sensitive and responsive to the perceptions and needs of all other departments in the business (Narver & Slater 1990).

Responsiveness is tied to the receiver's perception of the quality of the information received. Maltz and Kohli (1996) say that perceived intelligence quality (PIQ) refers to the extent to which a person perceives the market intelligence received from a sender as being accurate, relevant, clear and timely. They address the quality of market intelligence as it is perceived by its receivers, because a substantial body of literature suggests that a receiver's perception of intelligence quality influences the degree to which he or she acts upon it.

Responsiveness cannot be divorced from an organisation's culture. Slater and Narver (1995) believe that management must develop a broader concept of organisational culture that focuses the firm outward – on its customers and competitors – and creates an overwhelming predisposition toward entrepreneurial and innovative responsiveness to a changing market.

2.8 Market Orientation and Business Performance

The relation between market orientation and organisational performance has been investigated in various contexts – various types of companies, different fields of activity and various types of economies. Many studies have emphasised that there is a strong positive relation between market orientation and organisational performance (Pandelica *et al*. (2009). Narver and Slater (1990) concur that a business that increases its market orientation will improve its market performance. Market orientation is one of the metrics that has emerged as a significant predictor of performance and is presumed to contribute to long-term success (Canoa, Carrillat & Jaramill 2004).

Jaworski and Kohli (1993) concur with other literature, stating that a market orientation is frequently posited to improve business performance. The argument is that organisations that are market oriented, i.e., those that track and respond to customer needs and preferences, can better satisfy customers and, hence, perform at higher levels.

Langerak (2003) supports this argument and finds that scholars designate being market oriented as an important factor that creates a setting conducive for correct behaviours by employees throughout the organisation. These congruent behaviours are directed at the continuous creation of superior value for customers, and this leads to superior business performance. Shoham, Rose & Kropp (2005) agree that market orientation's positive impact on performance might be greater than previously assumed because of its indirect impact on performance through organisational

commitment and esprit de corps. Managers should expect more from investing in implementing and strengthening a marketing orientation in their organisations.

The literature posits that firms with superior market orientation achieve superior business performance because they have a greater understanding of the customers' expressed wants and latent needs, of competitor capabilities and strategies, of channel requirements and developments, and of the broader market environment than their rivals (Morgan *et al*. 2009).

Generating, disseminating and responding to customer and competitor information (i.e. being market orientated) is generally accepted as an important organisational competence and has been shown to have significant benefits for organisational financial performance (Lings & Greenley 2009).

From a theoretical point of view, the literature argues that market orientation provides a unifying focus of individual and departmental efforts in the delivery of value to customers, while also providing a comparative impetus for competitors' activities (Jaworski & Kohli 1993; Narver & Slater 1990).Therefore, a market-oriented firm is more likely to achieve high levels of customer satisfaction, keep existing customers loyal, attract new customers, and subsequently attain the desired level of growth, market share and hence organisational performance (Langerak 2003).

This research will increase our understanding of whether market orientation can play a role in the success of South African organisations that seek to serve low-income markets by comparing levels of market orientation towards low-income markets and

those towards middle- to high-income markets, which are the historical focus. To date, studies have been conducted that have measured a single basis of market orientation in a firm and attributed it existence to exceptional business performance. However, the researcher is not aware of studies that have tested whether an organisation can have different levels of market orientation within its chosen markets.

Chapter 3 RESEARCH PROPOSITIONS

The literature review puts forth the view of Deng and Dart (1994) that market orientation is the integration and dissemination of intelligence across departments and the coordinated design and execution of the organisation's strategic response to market opportunities. Pandelica *et al*. (2009) believe that the final outcome of market orientation is the creation of superior value for the customers, and thus the creation of a sustainable competitive advantage.

Generating, disseminating and responding to customer and competitor information (i.e., being market orientated) is generally accepted as an important organisational competence and has been shown to have significant benefits for organisational financial performance (Lings & Greenley 2009).

The literature review provides evidence that most companies have not been successful at serving low-income markets. The underlying problem, say Pitta *et al*, (2008) is that companies are ill equipped to serve the poorest customers. While commendable as an initial step, most "first generation" corporate BOP strategies have failed to hit the mark (Simanis & Hart 2008). Market orientation will be used as a construct to explain why these firms have failed.

This research seeks to understand why large organisations have not performed in low-income markets relative to high-income markets through an understanding of the levels of market orientation in both low-income and high-income markets in the same organisation.

This chapter provides the three propositions that this research will investigate. These propositions have been developed using the definition of market orientation provided by Jaworski and Kohli (1993). This definition serves as a framework within which to evaluate the levels of market orientation. The chapter is based on the literature review presented in Chapter Two, together with the motivation for the research detailed in Chapter One.

The three propositions are centred on understanding challenges in organisations as they relate to intelligence generation, intelligence dissemination and response design:

Proposition One: Low-income managers in firms serving a range of income markets experience challenges when generating market intelligence relative to their counterparts serving higher income markets.

Proposition Two: Low-income managers in firms serving a range of income markets experience challenges when disseminating market intelligence relative to their counterparts serving higher-income markets.

Proposition Three: Low-income managers in firms serving a range of income markets experience challenges when implementing an organisation-wide response relative to their counterparts serving higher-income markets.

Chapter 4 RESEARCH METHODOLOGY

4.1 Introduction

The purpose of this chapter is to detail the research methodology that was followed in order to gather and analyse the research data. The research is characterised as qualitative based on the nature of the research. Zikmund (2003) indicates that if the intent is to discover new ideas, a qualitative approach is preferred in the research that is undertaken.

4.2 Research Method and Design

Qualitative research is typified by small samples that inductively and holistically understand human experiences in the context of specific situations (Amaratunga, Baldry, Sarshar & Newton 2002). Because it is limited to a small sample size, it attempts to understand a particular phenomenon and contextual conditions rather than uncover casual relationships (Yin 2003).

The broad purpose of exploratory research is the investigation of a relatively unknown research area in order to gain new insight into the phenomenon being studied (Malterud 2001). By sharing their experiences on market orientation processes, managers are able to provide insight into the possible differing levels of market orientation within their organisations.

The research approach compromised four stages.

Figure 1: Research Approach

4.3 Stage One - Secondary Data Collection

The literature was reviewed in order to build an understanding of concepts relating to the study and to provide justification for the research topic. It emerged from the literature that companies have not achieved success in low-income markets and that the business models employed have not promoted market success. Zikmund (2003) cites the advantage of secondary data as allowing the researcher to build on past research, which constitutes a “body” of business knowledge.

The researcher identified literature that proposed that a single basis of market orientation can exist in a firm and thus drive business performance. Market orientation was then used as a construct to identify whether firms could have differing levels of market orientation when serving two different markets, namely middle- to high-income and low-income markets, and whether this could explain non-performance in low-income markets. The information obtained from the literature was used as a basis for a framework that explores the challenges South Africans face when serving low-income markets (see Chapter Seven). The information was sourced from journals, academic papers, books and articles on base of the pyramid and market orientation.

4.4 Stage Two - Primary Data Collection

Given the exploratory nature of the research, face-to-face interviews were held in order to explore the three main propositions provided in Chapter Three. The primary data was obtained through semi-structured, in-depth, expert interviews guided by a discussion guide (see Appendix B). A semi structured interview was utilised, as its structure makes it flexible, allowing the interviewer to collect high-quality data (Gillham 2005). Gillham (2005) provides the following key aspects of a semi-structured interview:

1. The same questions are used for all involved.
2. It is possible for the questions to go through a process of development
3. Supplementary questions are used if the responses are not adequate for the areas of interest.
4. All the interviewees receive the same amount of time.

The discussion guide contained probing questions that were used to uncover concepts provided by both the managers responsible for overseeing the low-income markets and those overseeing the middle- or high-income markets operating within the same organisation. Gillham (2005) states that the interviewer should ask the same open-ended questions and thereafter make use of probes.

4.4.1 Validity and reliability

Any research study seeks to ensure that its findings are both valid and reliable (Babbie & Mouton 2005:119-125); considerations given to managing measurement quality vary across qualitative and quantitative research designs.

Qualitative research often is open to criticism for its lack of reliability and validity, with critics questioning the ability of qualitative research to be free from error and therefore yield consistent results (reliability) and for the research to measure what it is intended to measure (validity) (Zikmund 2003).

Miles and Huberman (1994:277-280) identify five criteria for testing the quality of conclusions derived from qualitative research. These are reviewed and discussed in the context of this study in Table two below:

Table 2: Managing measurement quality

Variable	Description	Actions Taken by Researcher
Objectivity/ confirmability	The extent to which research conclusions depend on the subjects and conditions of the research rather than on the researcher	• To ensure objectivity, the researcher provides quotes made by the subjects during the interviews, to substantiate the conclusions made.
Reliability	The consistency of the research process across time, researchers and methods	• The use of a single interviewer facilitated internal consistency (Zikmund, 2003). • The researcher utilised standardised interview scripts across all groups. • The application of the data analysis process ensured research consistency.
Internal validity/ credibility/ authenticity	The extent to which events and settings are not contrived by the researcher's presence	• The researcher interviewed subjects in their own environment to ensure that they remained in their comfort zones.
External validity / transferability/ fittingness	The degree to which findings are transferable to other contexts	• The researcher utilised marketing orientation as a framework to explore the research topic, being a construct that has displayed applicability across various research contexts
Utilisation/ application/ action orientation	The extent to which the research enables stakeholders to take action to improve their own circumstances of behaviours	• The researcher provides a framework that provides considerations for low-income managers seeking to address organisational challenges associated with market orientation.

Source: Miles and Huberman (1994:277-280)

4.5 Stage Three - Data Analysis

The central task in the data analysis was to identify common themes in the respondents' discussions (Leedy & Ormond 2001). According to Zikmund (2003), data analysis is the application of reasoning to understand and interpret the data that has been collected. A thematic analysis was undertaken of the data collected in order to understand the common patterns in the data.

The validated interview transcripts, or primary data, were analysed using the methodology described by Leedy and Ormond (2001). After validation, the researcher followed the processes discussed below:

- Identified statements that related to the topic.
    - Information from the interview was broken up to reflect single, specific thoughts.
- Grouped statements into meaningful units
    - The single specific thoughts were then clustered into similar categories that reflect various perspectives of the respondents.
- Sought divergent perspectives.
    - Conflicting and similar perspectives were considered.
- Constructed a composite.
    - The various meanings identified were used to develop an overall description of the differing levels of market orientation in organisations for both the low-income and middle- to high-income markets.

4.6 Stage Four – Framework Creation

The concluding stage of the research involved understanding and the research results and contextualising them in a framework The framework provides considerations for low-income managers seeking to address organisational challenges associated with market orientation. The themes emerging from the interviews were included in the framework to provide perspective. This provides reader with a base to understand the findings of the research and, most importantly, it allows future researchers and practitioners to adjust and improve upon the framework where required.

4.7 Selection of Respondents

The respondents for the research were selected in service organisations that serve both the low-income and middle- to high-income markets. The first group of respondents were managers responsible for managing low-income markets, and the second group was managers responsible for managing middle- to high-income markets.

The respondents were selected from a population in South African firms that provide financial services, namely banking, insurance and telecommunications.

The criteria for selecting respondents from the population were as follows:

- Currently working in a service-based organisation.
- Having worked in that function for more than a year.

- Currently managing product development for either the low-income markets or middle- to high-income markets.

On the basis of the convenience offered by proximity, the respondents were selected from the Gauteng region. A non-probability sampling method was followed. A combination of convenience and judgment (purposive) sampling techniques were utilised, as access was a key concern.

According to Zikmund (2003), convenience sampling refers to sampling by obtaining units of people who are most conveniently available, while judgment sampling is a non-probability sampling technique in which an experienced individual selects the sample based upon some appropriate characteristics of the sample members. The researcher leveraged her relationships in the service organisations to secure interviews.

The researcher sought to have a minimum of four respondents in each of the groups of managers responsible for low-income markets and middle- to high-income markets, i.e. a total of eight respondents. The quota sampling technique was used, with the interviewer having to achieve a quote (Zikmund 2003). The researcher ended with ten respondents, as the management role was split between two employees in one organisation.

The South African service companies that were approached were Standard Bank, ABSA, Liberty and Vodacom. The managers responsible for low-income and middle-to high-income markets were interviewed in each company.

4.8 Unit of Analysis

The researcher identified two units of analysis within South African service organisations, namely South African firms focusing on low-income markets and South African firms focusing on middle- to high-income markets.

4.9 Unit of Response

The unit of response was managers in South African service organisations that have experience in overseeing both low-income markets and those with experience in overseeing middle- to high-income markets.

4.10 Research Limitations

Various research limitations were identified by the researcher and were acknowledged.

These included:

- Researcher and respondent bias may impact on the results. The awareness of this possibility from the researcher's perspective was moderated by the researcher remaining focused on the objective of the study.

- As the sample was not fully representative of the population, a sampling or systematic error may have resulted in a finding that is not representative of the population (Zikmund 2003). Therefore it would be inappropriate to project the research findings beyond this sample without additional research.

- Due to the qualitative nature of the study, the respondents' views could potentially not be representative of the levels of market orientation. To mitigate this, the managers spoke on the basis of their experiences and provided evidence for the statements they made. A quantitative study would be required to assess the true levels of market orientation, and various instruments could be utilised.

Chapter 5 RESEARCH RESULTS

5.1 Introduction

This chapter will provide the reader with the results from the interviews that were conducted. The propositions will be used as outlines to capture the anecdotal evidence provided by the managers. The sample demographics are presented, followed by the results emanating from the interviews.

5.2 Sample Demographics

The purpose of the research was to investigate whether there are differing degrees of market orientation within the same organisation for low-income markets relative to high-income markets. The aim of this is to increase our understanding of why large organisations that have targeted the low-income market segment have not performed well in low-income markets relative to their performance in high-income markets.

The researcher interviewed managers who were responsible for managing low-income markets, and their counterparts who were responsible for managing middle- to high-income markets. This was consistent with the unit of response mentioned in Chapter Four, namely managers in South African service organisations that serve both low-income and middle- to high-income markets. The demographics of the sample are provided in table three.

Table 3: Sample demographics

Interviewee	Industry
Manager Low Income Markets (Product Management)	Financial Services Banking
Manager Low Income Markets (Segment Management)	Financial Services Banking
Manager Middle Income Markets (Product Management)	Financial Services Banking
Manager Middle Income Markets (Segment Management)	Financial Services Banking
Manager Low Income Markets (Product Management)	Financial Services Banking
Manager Middle Income Markets (Product Management)	Financial Services Banking
Manager Low Income Markets (Product Management)	Financial Services Banking
Manager Middle Income Markets (Product Management)	Financial Services Banking
Manager Low Income Markets (Product Management)	Telecommunications
Manager Middle Income Markets (Product Management)	Telecommunications
Total	**10**

5.3 Representation of Data

The research results were analysed using thematic analysis. The results present the common themes that emerged from the interviews as they support the propositions put forward in Chapter 3. All three propositions served as key headings for the results. Each proposition has common themes associated with it. It should be noted that the themes do not indicate the number of respondents who identified a specific theme, and in many instances the respondents mentioned the given theme. In certain instances the respondents were asked probing questions by the researcher in order to confirm the common theme.

5.4 Intelligence Generation

The first section of the discussion guide requested the respondents to describe the processes that they followed to gather intelligence about their customers, and evidence was requested by way of examples. This section sought to understand the respondents' views on the effectiveness of their intelligence-generation processes, and again evidence of the effectiveness was requested. The researcher requested the respondents to provide a view of what they believed either promoted or hindered intelligence generation in their business, together with evidence.

The discussion guide was designed to establish whether low-income managers experienced greater challenges when generating intelligence on their markets as opposed to their counterparts in the middle- to high-income markets. The probing questions in the guide were intended to uncover the nature of these challenges should they exist in the intelligence-generation process.

The three themes emerging from the discussions regarding intelligence generation were the following:

- Availability of customer information and the ability to generate customer intelligence,
- Ability to access and engage customers through a variety of formal as well as informal means in order to generate intelligence, and
- Ability to understand customers' expressed and latent needs.

The research results for intelligence generation were interpreted separately for the low-income and middle- to high-income managers using the same themes for analysis.

5.4.1 Intelligence Generation Results: Low-income Managers

5.4.1.1 Availability of Customer Information and the Ability to Generate Customer Intelligence in Low-income Markets

The availability of information is seen to pose a tremendous challenge to low-income market managers. Low-income managers believe that their competency for obtaining information and generating intelligence is far less developed than that of their counterparts managing middle- to high-income markets.

> *"Our competency for low-income markets is not comprehensive I must admit there is a lack of information, specifically for the under banked and the unbanked."* (segment manager, low-income markets)

> *"We have a customer insights department that is supposedly focusing on customer insights, they are supposed to get information on this market, and our research capabilities are fairly low."* (product manager, low-income markets)

> *"Around the unbanked which is still a huge part, we don't have a lot of information."* (product manager, low-income markets)

Another respondent strongly supported the view that there is limited capability to generate customer information in the low-income markets, stating that it is an immature capability, particularly as business resources are allocated to profitable market segments, namely middle- to high-income markets.

"The middle to high income market is the core of our business, we can't spend a lot of money in an attempt to generate insights about the low-income customer for the following reason; it is not profit making yet for historical reasons."(segment manager, low-income markets)

The respondents believed that limited value could be derived, from the current information, thus making it difficult to generate true intelligence on the low-income customer.

"You have to work hard to gain value out of our current information." (product manager, low-income markets)

The respondents felt that information is a rare commodity in the low-income market space and that the unavailability of information inhibited intelligence generation.

"We do not have a lot on information on the unbanked which is a huge market; we use Finscope to fill this information gap and our customer base. However Finscope is general and does not allow us to differentiate." (product manager, low-income markets)

"There is no way to understand what the customer's satisfaction with us is, there is no mechanism of capturing what the customer wants based on their experiences and lack of satisfaction, there is nowhere I can get that sort of information." (segment manager, low-income markets)

> *"Because you don't have these persons on your book you don't have a way to analyse the information and gain intelligence."* (product manager, low-income markets)

The respondents agreed that, to counter the challenge of information availability, it was important to build a strong capability to obtain rich customer information in order to generate real intelligence, but they did caution that this would not be a simple exercise.

> *"One of the key initiatives I am trying to start is to try and broaden our analytical competency so that we can start gathering more robust information around this market space. The problem is that it is not going to happen overnight, we are not going to get information from 20 million people overnight. So our starting point is going to be very qualitative and we would have to apply a lot of rigor."* (product manager, low-income markets)

Another respondent agreed that there was a requirement for organisations to build a strong capability to capture and generate information on low-income markets.

> *"Unfortunately historically, we never captured some types of information. It is only now that we are changing our capturing systems, in order to be able to capture some simple things like racial data and demographic data, we couldn't answer simple question about our customers. The quality of our information has frankly been embarrassing."* (product manager, low-income markets)

"We need to fix our databases; we just need to know about the customers that we have." (product manager, low-income markets)

Table 4: Summary - Availability of customer information and the ability to generate customer intelligence – low income

Theme: Availability of customer information and the ability to generate customer intelligence – low income
Respondents believe that their competency to obtaining information and generating intelligence is far less developed than that of their counterparts managing middle to high income markets.
Respondents agree that an incredible amount of work is required in order to capture crucial information for the intelligence generation process, however obtaining this information will require time and resources and will not be a simple task.
Market orientation rests on true intelligence, without the relevant information to generate this intelligence; it is difficult for low income managers to generate intelligence on this market.

5.4.1.2 Ability to Access and Engage Customers in Low-income Markets

In order to alleviate the challenge of information availability from internal information sources, the respondents believe that generating intelligence on the low-income market requires companies to spend time engaging with these consumers.

"Intelligence generation is hindered by the lack of information, from a system perspective we need to be have more than structured data. We have to have a

lot more focus by understanding the customer by interacting with the customers more." (segment manager, low-income markets)

"We don't spend enough time with this market, because our data gathering process a lot of it is focused on what we have. We do have customer focus group of let's say 20 people and believe that is going to be fairly significant in the face of 20 million people." (product manager, low-income markets)

"There is always an opportunity to engage more with our customers and to better understand where they stand and what their needs are, I just feel we need to do a whole lot more, continuously engage this market." (product manager, low-income markets)

The views of the respondents were that there are no formal mechanisms in place to foster engagement with these markets.

"We need to come up with a more formalised way of interacting with our customers." (product manager, low-income markets)

This was supported by another respondent: *"We need to interact more with the customer, focus groups are too intensive."* (segment manager, low-income markets)

There was a general view amongst the respondents that, in order to engage the low-income markets, focus groups would be the most appropriate method to gather

information in order to build true intelligence. The challenge faced, by low-income managers, however, is that spending time accessing and engaging these customers comes at a cost.

> *"No we don't spend time with our customers doing focus groups. My counterpart heading up the middle income market, one of his customers can buy a product for ten million rand and one of mine can spend thirty-five rands on a product. Think about it if you were the business where would you spend your money if you were going to do a focus group?"* (product manager, low-income markets)

> "*Because you do not have these persons on your book you don't have a way to analyse the information. Without a source of data it becomes a very expensive exercise using qualitative methods, focus groups, customer surveys, trying to understand where the customer's mindset is."* (product manager, low-income markets)

Over and above the issue of engaging with the customer through focus groups, and the associated costs, a further key concern was contacting this customer to generate intelligence.

> *"Those are the big challenges actually reaching the people and understanding what they need."* (product manager, low-income markets)

"Contactability is an issue; it is very difficult to contact these customers. Unless you go to where they are and that is when you need to get an external party out that is our biggest challenge. Half the time their numbers are invalid or they have changed." (product manager, low-income markets)

"The challenges in [the] low-income market are more around contactability, so the cell phone platform gives you an opportunity to have the customer invested in having his information updated, it's not only the cell phone number, the cell phone number might be used by multiple people so is that cell phone number a direct contact to that person, you are not sure. And then its got to do with the fact whether they have money to fund that cell phone being active." (product manager, low-income markets)

It was agreed that the source of true intelligence on the low-income markets rested with the actual consumer when seeking to understand and build intelligence on the exogenous factors that influence the needs and preferences of consumers in the low-income market. The respondents believe that the best approach to learn and to generate intelligence is by engaging the customer.

"How factors affect this market and how it affects its sub-segments we don't understand that. So how do we address that, one, we have to start collecting more data on this market segment, two, the only way we can do it first of all is by engaging the market." (product manager, low-income markets)

"Coming back to your question do we have enough interaction? I don't think we have the right interaction. We do have interaction but it is not near enough." (product manager, low-income markets)

The way in which organisations have been designed historically presents a challenge for engaging low-income markets. Among the challenges to engaging full with this customer that were cited are language and literacy levels.

"Education levels, the literacy levels of the customers and your language differences provide a huge challenge to us so we don't necessarily understand those customers and we don't necessarily engage with them." (product manager, low-income markets)

"The model is designed to get you in and out as quickly as possible so it's not designed to engage with low-income markets and to understand their needs so there is an immediate conflict of interests and it's exacerbated by the fact that the needs of that customer group are fundamentally different to what we are willing to serve." (product manager, low-income markets)

"We operate in a high street banking model that focuses predominantly on understanding the customers where we make the majority of our money from. So the drivers are, understanding the business customers, the top end and middle market customers, and so that is where our strength lies. We have grappled with understanding the dynamics of the low-income consumer, what

are the needs, what do people want and how do we engage with them?" (product manager, low-income markets)

Table 5: Summary - Ability to access and engage customers - low income

Theme: Ability to access and engage customers - low income
Respondents complained that not enough time is spent with the customer. They believe that the best approach to learn and to generate intelligence is by engaging the customer.
The way in which organisations have been designed historically, presents a challenge for engaging low income markets, language and literacy levels are cited as challenges.
"Contactability" is an issue in the low income market; respondents cited that accessing this customer can be a challenge.

5.4.1.3 Ability to Understand Customers' Expressed and Latent Needs in Low-income Markets

The respondents believe that there is a limited understanding of this market in general; this was a major concern amongst them, and they concur that creating value for these customers stems from truly understanding their needs. With limited information on and engagement in this market, it is seen to be extremely difficult to understand this customer, and therefore to offer relevant products and services.

"Right now if I spend on marketing I am basically just spraying and praying, whereas I would like to say, we know you are a black male between ages of 30 and 40, here is what is important to you, here is how I fulfil what is important to

you, and then you can target your messages better. So find out who your customers are first." (product manager, low-income markets)

"You have to know what the important thing you want to know is, firstly I just want to know who my customer is, I just want to know who they are before we do anything." (product manager, low-income market)

"The problem that we have in this segment is in short we do not understand a hell of a lot of what the requirements in this segment are. We have a good idea of what we think it is, but we don't know what it is. For an example there are not sub-segments; no matter how poor [they] will never have the same needs, desires, drives, aspirations and lifestyle; they are not one homogenous group; there are definitely different lifestyles in there." (product manager, low-income markets)

The respondents believed that there was a perception that needs in the low-income markets are homogenous and that the intelligence that is generated does not reflect the differences in the needs of these markets.

"Intelligence generation about this segment must recognise that a poor person living in the Eastern Cape versus a poor person in the Western Cape versus a poor person in KwaZulu-Natal have different lifestyles, and different cultural rituals and those inherently mean they have different needs from a financial perspective and our intelligence generation does not provide that view of those differences." (product manager, low-income markets)

"The dynamics in Umlazi are fundamentally different from Bakersdale, the mindsets of the people, you have to find that balance and understand that there are regional differences that the cities are developing at different times, there are real socio-political and economic drivers that shape the needs differently in different areas." (product manager, low-income markets)

"From an insights perspective the primary challenge that we face is that it is such a big group of people that you are trying to average and put them into individual baskets and that is a big danger. The danger stems essentially a lot from those sorts of studies which are broad based market studies as they generalise and generalisation is very, very dangerous." (product manager, low-income markets)

"I feel that we don't understand key differences in this customer segment, when I talk about we, I talk as the industry in general mean, and we don't really grasp what the needs are for this market." (product manager, low income low-income markets)

The respondents said that although their companies did commission research in order to gain an understanding of the customers' expressed and latent needs in the low-income markets, the research did not seem to provide true insights into customer needs.

"We have relied very heavily on essentially three core pieces of research to give us insight into that market. The first is Finscope which is a broad-based

industry study that gives us a pretty good understanding of what happens in the market, but again it is not true intelligence - it is almost superficial and at a relatively high level." (segment manager, low-income markets)

"So typically in order to understand our customers' needs by conducting satisfaction surveys, we will get a higher customer rating in our low-income market customers than we would get in our high-income customers, we are not really understanding that customer you could argue, because the customer is out of respect for the service that you are giving him or the fact that he doesn't want to feel like he is going to have that thing removed is going to give you good ratings and his expectations are also lower." (product manager, low-income market)

Table 6: Summary - Ability to understand customers' expressed and latent - low income

Theme: Ability to understand customers' expressed and latent - low income
Respondents agree to not understanding what the requirements in this segment are. They believe they have a good idea of what the needs are, but they admit that to not truly understand this segment.
Respondents believe that there is a perception that the needs in low income markets are homogenous and that the intelligence that is generated does not reflect the differences in the needs of these markets.

5.4.2 Intelligence Generation Results: Middle- to High-income Managers

5.4.2.1 Availability of Customer Information and the Ability to Generate Customer Intelligence in Middle- to High-income Markets

The respondents managing the middle- to high-income markets did not believe that information was a constraint to their intelligence-generation processes.

> *"We have quite a robust process for gathering intelligence, it is probably why we are in a better position to capitalise on the middle market than anyone elsewhere, we have 40% of the middle market, and it is because a lot of time, energy and resources is spent on gathering information trying to understand that base."* (segment manager, middle-income markets)

> *"We have an area called customer insights and analytics – the level of information we get from those guys is fairly extensive and it covers a wide*

spectrum of information at a customer level." (product manager, middle-income markets)

"We know where to source the data and we know how to generate insights. We have two product analysts, part of their responsibility is interpreting and providing the insights based on the MIS." (product manager, middle-income markets)

The respondents agreed that information availability in the middle- to high-income markets was not a challenge and, as a result, generating intelligence on their markets was not a concern.

"We have many sources that we use to generate intelligence about the middle market. The bulk of it is done externally through various agencies, we look at aims data, we look at Finscope, we look at StatsSA, we look at research international, the amps data, and we super impose our insights onto external insights with our customer insights division." (product manager, middle-income markets)

"We have syndicated research, and there is a lot that we get in the middle market, from our own research. Outlook is essentially a middle-market tool and there are a number of research studies that give us good insights into what is happening within that market." (segment manager, middle-income markets)

> *"We are finding greater intelligence in the middle market, it tends to be more in the middle market always because that is where your customer is really taking up products and we have a lot of information around on your customer."* (segment manager, middle-income markets)

The respondents found that they had rich information on their markets, as the customer information provided by their systems allowed for thorough interrogation, leading to true intelligence on their markets.

> *"The other dimension about middle market is that we only measure customers on the fact that they have a main bank account, having a main account allows us to build rich information about our customer. This account gives you an enormous amount of intelligence."* (segment manager, middle-income markets)

> *"We are able to interrogate the data we have on our current consumer, finding out what our current base looks like, having a good sense of what that looks like and having a look at the demographics of South Africa, so we are able to see that, here are potential and pockets of."* (segment manager, middle-income markets)

The respondents were confident that their businesses had been designed to generate information and capture intelligence particularly on this customer from an end-to-end perspective. Information about this consumer is readily available across the value chain.

"We were established to leverage off all the efficiencies and information in the value chain from an end to end process." (product manager, middle-income markets)

Table 7: Summary - Availability of customer information and the ability to generate customer intelligence - middle-to-high-income

Theme: Availability of customer information and the ability to generate customer intelligence – middle/high income
Respondents believe that they have a mature competency of obtaining information and generating intelligence for the middle to high income markets.
Respondents are confident that their businesses have been designed to generate information and capture intelligence an end to end perspective. Information about this consumer is readily available across the value chain.

5.4.2.2 Ability to Access and Engage Customers in Middle- to High-income Markets

The respondents confirmed that they had regular engagements with the middle-to high-income markets in order to build true intelligence on these markets.

"Focus groups are a huge driver for us, we probably run at least two focus groups per sub-segment per annum, so quite comprehensive looking at a representative sample of a at least a thousand per focus group. We probably spend between ten and twelve million on running focus groups." (segment manager, middle-income markets)

"We learn a lot by speaking to people in workshops, where we listen to customers and get their feedback." (product manager, middle-income markets)

"We have done a couple of workshops where we actually invite different customers, and ask them questions around what their views on insurance are, what is the perception, what resonates with them, what is the concept that they would like. This type of research has already taken place and it's ongoing." (product manager, middle-income markets)

Table 8: Summary - Ability to access and engage customers - middle-to-high-income

Theme: Ability to access and engage customers – middle /high income
Respondents confirmed to having regular engagements with their customers in order to build true intelligence.
Respondents agreed that their infrastructure and the way they operate allows them to effectively engage this market, as their natural affinity is towards this market.

5.4.2.3 Ability to Understand Customers' Expressed and Latent Needs in Middle- to High-income Markets

The respondents believed that there was a strong capability in the middle- to high-income markets that allowed them to deeply understand their middle- to high-income customer.

"In the customer insights and analytics hub they would effectively separate the wood from the trees in terms of raw data; they would then package it into meaningful insights. They get very specific as to what the key insights are." (product manager, middle-income markets)

"The intelligence-generation process is relatively effective. We have built an infrastructure that fosters a community-based intelligence-generation capability for our market segments, even if ideas are contrary to popular belief." (segment manager, middle-income markets)

The respondents agreed that they were at a mature phase regarding the models they had in place to understand their customers' expressed and latent needs.

"We have a comprehensive network feedback, the research, everything that we do is geared towards the middle market. Those customers are more demanding; they are more explicit in terms of their needs, their engagement with us often at a different level, so we get a better understanding of their needs" (product manager, middle-income markets)

"You have to appreciate the framework that we have in place to understand the customer in the middle market. We develop an understanding of profitable product combinations, as well as what is being taken up. This framework really gives me a market understanding." (product manager, middle-income markets)

"So George and his team are focused on predictive models, they say with all this understanding of the middle market, what are they likely to need based on historical take up of product, and they are now predicting the needs of customers." (segment manager, middle-income markets)

Table 9: Availability of customer information and the ability to generate customer intelligence - middle-to-high-income

Theme: Availability of customer information and the ability to generate customer intelligence – middle/high income
Respondents believe that they have a mature competency of obtaining information and generating intelligence for the middle to high income markets.
Respondents are confident that their businesses have been designed to generate information and capture intelligence an end to end perspective. Information about this consumer is readily available across the value chain.

5.5 Intelligence Dissemination

The second section of the discussion guide requested the respondents to describe how they shared and communicated market intelligence with the rest of the organisation. This section sought to understand the respondents' views on the effectiveness of their intelligence-dissemination processes, and appropriate evidence of the effectiveness was requested. The discussion guide requested the respondents to provide a view, together with evidence, of what they believed either promoted or hindered intelligence dissemination in their business. These probing questions were designed to establish whether low-income managers experience greater challenges when disseminating intelligence as opposed to their counterparts in the middle- to high-income markets. The questions were intended to uncover the nature of these challenges in the intelligence-dissemination process, should they exist.

The two themes that emerged from the discussions regarding intelligence dissemination were the following:

- Effectiveness of the formal dissemination processes, and
- Shared interpretation of the intelligence.

The research results for intelligence dissemination were interpreted separately for the low-income managers and the middle- to high-income managers, using the same themes.

5.5.1 Results of Intelligence Dissemination: Low-income Managers

5.5.1.1 Effectiveness of Formal Dissemination Processes

The respondents in the low-income markets disseminated intelligence using formal mechanisms.

> *"Market intelligence is shared with everyone, the same information. Annual and quarterly reports are sent out, with ad hoc alerts. The information is disseminated through various ways – it is disseminated through the internet portal and it is sent out via email as well with key insights attached to it."* (segment manager, low-income markets)

> *"We have a weekly team meeting and any information that we get around anything that is happening in the market space, is recorded and minuted there.* (product manager, low-income markets)

"*There is a formalised process that I have for sharing information with senior management, a monthly management meeting where I do a presentation."* (product manager, low-income markets)

"Customer insights do presentations on the research results they have gathered. We get invited to the presentations quite regularly." (segment manager, low-income markets)

The respondents shared their concerns regarding the formal processes that are in place to disseminate intelligence; there were concerns of intelligence not filtering throughout the organisation.

"So those are the two formal ways I share information, they have failures. For an example I don't know the extent to which the intelligence filters down to the people that can actually use the intelligence, and of course as you know, when people get information that confirms their prejudices it is good, if it contradicts them, it's bad." (segment manager, low-income markets)

"Our intelligence dissemination is not effective, you find that intelligence that we generate regarding activities in this market not reaching the appropriate places and driving out the necessary actions, so no, I don't think we effectively disseminate intelligence." (product manager, low- income markets)

"I don't think that it's stressed that management should actually disseminate that intelligence, and besides we get basic information, it was not insightful." (product manager, low-income markets)

"Suggestion management is supposed to filter and share intelligence about the suggestions coming from our c business about this market, and yet these do not filter through, in terms of what we need to do. They are the engines for us to develop products that are responsive to our markets, and yet we don't get the intelligence." (product manager, low- income markets)

The respondents were concerned that intelligence does not flow bi-directionally, as dissemination requires feedback from those with whom the intelligence is being shared.

"Mechanisms are not fully in place to learn from our parent company, they have moved strides ahead in this market in many of the things we are trying to do. But we don't have a forum that engages them and vice versa, we have to build a two-way direction for sharing and communicating intelligence." (product manager, low-income markets)

"I get no feedback on the information that we disseminate, so there is no way of assessing the usability of the intelligence." (segment manager, low-income markets)

Table 10: Summary - Effectiveness of the formal dissemination processes - low income

Theme: Effectiveness of formal dissemination process- low income
Respondents shared their concerns regarding the formal dissemination processes that are in place they raised concerns of the intelligence not filtering throughout the organisation.
Respondents' have a concern that intelligence does not flow bi-directionally, suggesting that dialogue within the organisation about this market is limited.

5.5.1.2 Shared Interpretation of Disseminated Intelligence

The respondents felt that intelligence dissemination was hindered by the lack of shared meaning for the intelligence that was generated. Their concern was that there was no common base of understanding within the organisation regarding intelligence about the low-income markets.

> *"The problem is there isn't a shared understanding of a glossary of terms for this market segment. If I talk about financial inclusion versus someone down the passage, financial inclusion has a different meaning. We need to get an industry wide glossary of understanding of terms of what specific terms and phrases mean for this market. It doesn't exist for our business; we have an informal understanding because we have been talking about it. But if you go to the middle market and you say definition of the band, there is a lot more structure to it."* (segment manager, low-income markets)

> *"A common understanding of meaning of terms does not exist. There isn't even a uniform definition of low income, you ask people and it will differ across different areas. So if you ask someone what does low-income mean to you, you will not get one uniform definition that will affect our ability to respond eventually."* (product manager, low-income markets)

> *"The fact is when you talk to different people and you say something it is often misunderstood because there is no common understanding of terminology and what constitutes entry-level banking or financial inclusion or bottom of the*

pyramid. The challenge in the dissemination process is getting everyone else to have the same understanding." (product manager, low-income markets)

"The ability to clearly articulate and formulate one standard position and have that communicated across the whole organisation does not exist." (segment manager, low-income markets)

The lack of a common understanding poses real challenges as, at times, the intelligence that is generated has to be "sold" in order for it to be well received within the organisation, and for it to be seen as being credible.

"Because there is no shared meaning, the guys have to sell the opportunity to us, from the intelligence they have gathered." (product manager, low-income markets)

"*There is no shared meaning of the information. There is a structural element to dissemination, we have not been an organisation that shares information freely, so we always have to be selling."* (segment manager, low-income markets)

The respondents found that launching projects in their low-income markets was hindered by the lack of effective dissemination.

"No, we don't have a shared interpretation of intelligence. And it has come through in how we have tried to launch products in the past. With each division

we don't have structures that allow us to share the vision." (segment manager, low-income markets)

"The shared meaning of what is deemed to be a priority project because of the meaning it has to our strategy is not disseminated or is not even shared throughout the business." (product manager, low-income markets)

Table 11: Summary - Shared interpretation of disseminated intelligence - low income

Theme: Shared interpretation of disseminated intelligence – low income
Respondents feel that intelligence dissemination is hindered by the lack of shared meaning for the intelligence that is generated.
The lack of a common understanding, poses real challenges as at times, the intelligence that is generated often has to be "sold" in order for it to be well received within the organisation and for it to be seen as credible.

5.5.2 Results of Intelligence Dissemination: Middle- to High-income Managers

5.5.2.1 Effectiveness of the Formal Dissemination Processes

The respondents in the middle- to high-income markets believed that the formal mechanisms in place allowed them to disseminate intelligence effectively across the organisation.

"Effectively it sits with customer analytics, the raw data is packed into meaningful insights, they get very specific as to what the key insights are, and the intelligence gets packaged into a PowerPoint deck which gets circulated and presented to the various BUs. The intelligence gets shared within Retail

bank, within IT and Operations, within Distribution everyone would be exposed to the key insights, and out of that would be the strategy that gets formulated in terms of value propositions, point of representation, sales and service strategies." (product manager, middle-income markets)

"We have been pretty good at intelligence dissemination – what has been happening in the organisation is that we have been sharing key intelligence across various departments. We have seen a very positive response from sharing that type of intelligence with the wider group and I think that has worked." (segment manager, middle-income markets)

"We are geared towards sharing best practices, where we see provinces hitting a specific sweet spot, we would share the intelligence and we are quite effective at rolling out best practice throughout the regions." (segment manager, middle-income markets)

The respondents felt that the intelligence was well received by the organisation and that there was two-way communication regarding the intelligence.

"The insights' depth is getting stronger, so with a much better intelligence around the middle market, factual and not anecdotal into the right structures, people are impressed with the content, I don't have to sell." (product manager, middle-income markets)

"We receive formal and informal feedback, from the formal sessions we run we get instantaneous feedback, informally we have feedback as well. We invite people to give us feedback, so that we have the right dialogue. There is a strong sense of interdependence" (product manager, middle-income markets)

Table 12: Summary - Effectiveness of the formal dissemination processes - middle-to-high-income

Theme: Effectiveness of formal dissemination process – middle /high income
Respondents in the middle to high income markets believe that the formal mechanisms in place allow them to effectively disseminate intelligence across the organisation.
Respondents sighted that the intelligence is well received by the organisation and that two way communication existed regarding the intelligence.

5.5.2.2 Shared Interpretation of Disseminated Intelligence

The respondents felt that the organisation had a shared interpretation of the intelligence being disseminated and that, as a result, the dissemination processes was seen to be effective amongst managers in the middle market.

> *"We have a shared meaning; the insights guys deconstruct intelligence to its simplest level. For example key insights show price sensitivities and channel sensitivities."* (segment manager, middle-income markets)

> *"Within the Head Office environment, you find that the dissemination and understanding is fantastic. We have internal focus groups where we bring everyone together to validate a lot of the intelligence, in this way we create a shared meaning."* (product manager, middle-income markets)

"We are far better at breaking intelligence down and sharing it across, the understanding of the base is really mature, and it is a lot easier in the middle market." (product manager, middle-income markets)

"I think that initially when you roll out the intelligence there is misunderstanding and confusion, but as you provide regular sessions, you get a good sense of ok so I get this and it makes sense from the participants." (product manager, middle-income markets)

Table 13: Summary - Shared interpretation of disseminated intelligence - middle-to-high-income

Theme: Shared interpretation of disseminated intelligence – middle /high income
Respondents feel that the organisation has shared interpretation and as a result the dissemination processes is seen to be effective amongst managers in the middle market.
The lack of a common understanding, poses real challenges as at times, the intelligence that is generated often has to be "sold" in order for it to be well received within the organisation and for it to be seen as credible.

5.6 Organisational responsiveness

The third section of the discussion guide requested the respondents to describe how they designed responses based on the gathered intelligence. The discussion guide sought to understand the respondents' views on the effectiveness of their response-design processes, and appropriate evidence of the effectiveness was requested. The

probing questions requested the respondents to provide a view, together with evidence, of what they believed either promoted or hindered response design in their business. These questions were designed to establish whether low-income managers experienced greater challenges when responding to their markets as opposed to their counterparts in the middle- to high-income markets. The questions were intended to uncover the nature of these challenges in the organisational responsiveness processes, should they exist.

The two themes emerging from the discussions regarding organisational responsiveness were the following:

- Organisational infrastructure (people, processes and technology), and
- Coordination of the response across the organisation.

The research results for response design were interpreted separately for the low-income managers and the middle- to high-income managers, using the same themes.

5.6.1 Organisational Infrastructure (People, Processes and Technology): Low-income markets

The low-income market managers felt that response design was not entirely effective, and that their current infrastructure limited their ability to respond to low-income markets. According to them, the infrastructure is best suited to respond to the middle market.

> *"Response design is useless basically, the way we have operated historically is that we have products, we will find markets to serve and you will take what we give you, has been the broad-based approach. This is also based on the silos*

that aren't willing to work together. We are very restricted in what we can and cannot do because of the nature of the model." (segment manager, low-income markets)

"Where we are getting to, is the realisation that this model cannot serve this market. So now we have gotten to an understanding that we have to develop flexibility and that we have to develop a completely different infrastructure and methodology to serve the market and react to the market." (product manager, low-income markets)

"The infrastructure in which you operate for this market, needs to give you a large degree of flexibility, needs to take cost out of the equation, so you potentially have to use a different platform and methodology to respond to these customers, currently we use the same infrastructure for middle income, and it is not working" (segment manager, low-income markets)

"All the systems that need to speak to each other to respond with a product are scattered, and different priorities exist. People only do what is important to them." (product manager, low-income markets)

The respondents believed that the size of the organisation inhibited response design, and the bureaucracy associated with big organisations was regarded as a major challenge when responding to this market.

"You just have too much of bureaucratic and red tape in the organisation that hinders being able to move quickly enough to adjust to a change in the market. This is different from the middle income space." (product manager, low-income markets)

"We are still a bit slow when we look at responding to our customers. We have system constraints regarding how fast we can move." (segment manager, low-income markets)

The respondents cautioned that processes intended for the middle market cannot facilitate effective responsiveness in the low-income markets.

"Because there are so many processes in a huge organisation, it is very hard to quickly put something onto the market. And I think that is one of the key things that hinder us specifically in the low-income space. Those are our biggest issues from a responsive perspective." (product manager, low-income markets)

"My worry about responsiveness is again linked to our internal processes. We need to do things differently. We sort of want to do things the same way we were doing it before. It is a new business yet we want to classify it in the same way, we want to use the same methods as the middle income market, so that really hinders our responsiveness." (product manager, low-income markets)

Table 14: Summary - Organisational Infrastructure - low income

Theme: Organisational Infrastructure - low income market
Respondents feel that their current infrastructure is inflexible and limits their ability to respond, they find that the infrastructure is best suited to respond to the middle market.
Respondents believe the high cost structures in the current infrastructure need to be taken out of the equation, by potentially having a different platform and methodology to respond to these customers.
Respondents agreed that tackling this market would need an entirely different approach from the middle market.

5.6.2 Coordination of Response Design across the Organisation - Low-income markets

The respondents perceived limited coordination across the organisation when attempting to respond to the market.

> *"The lack of common understanding of terms during the dissemination process also hinders response design – that is a definite issue. The design team to a certain degree has to play catch up for designing for this market."* (segment manager, low-income markets)

> *"Two months before we are meant to launch we pull products back, I have seen two products get canned. All of a sudden, we will get told that the business case does not work, yet it was fine when the project was commissioned, this delays our ability to respond."* (product manager, low-income markets)

> *"Everyone has the product roadmap, but people don't understand their roles with regard to realising the product roadmap. The technical guys and engineers decide what happens; they decide that they are not going to move as fast as their required."* (product manager, low-income markets)

The respondents complained about the lack of organisational speed when attempting to respond effectively to this market.

> *"The functional things of trying to get a project under way for us to service this vision that we supposedly have, takes such a long time. Speed is an issue, snail's pace, and this is a consequence of our structure, how we design and respond."* (segment manager, low-income markets)

> *"We don't respond at all we are very, very slow. We have our arse to the customer and our face to the CEO."* (product manager, low-income markets)

The respondents felt that organisational responsiveness tended to be hindered, as the response processes were dependent on generating true intelligence from the onset. They believed that responsiveness was jeopardised by limited information.

> *"Because we are not getting the adequate information out, we are not necessarily going to get the adequate design coming out from a CVP perspective because we don't have all the information."* (segment manager, low-income markets)

"We don't have enough information, because we don't engage this market. Because we have a core fundamental failure in the entry point of your market orientation which is the information coming in, it filters though the whole process. No one can claim to have information." (product manager, low-income markets)

Table 15: Summary - Coordination of response design across the organisation - low income

Theme: Coordination of response design across the organisation – low income market
Respondents find that there is limited coordination across the organisation when attempting to respond to the market.
The respondents complain about the lack of organisational speed when attempting to respond effectively to this market.

5.6.3 Organisational Infrastructure (People, Processes and Technology) - Middle- to High-income Managers

The respondents believed that responsiveness was interwoven across the entire market-orientation processes, namely in intelligence generation and intelligence dissemination.

"We would have touch points throughout the intelligence-gathering process, where the proposition team would have virtually weekly, monthly touch points with the customer intelligence team" (segment manager, middle-income markets)

"As the intelligence is being generated, and the intelligence is at a mature phase, the segments guys in the meantime start building a framework for the product." (product manager, middle-income markets)

"So if the timeline of gathering intelligence and formalising CVPs is a six-month period, you find that it gets refined and crystallised throughout that period. So by the time of month six, literally within a week we can input that into a prototype of what the value proposition should look like. And by that time every department would have been socialised as to what they need to do." (product manager, middle-income markets)

"That whole process runs in parallel and it's quite nimble." (segment manager, middle-income markets)

The respondents added that they were effective at aligning all the activities that were required to respond to their markets.

"My role was created so that we could ensure ownership; the burning platform was to ensure that we can fulfil the need of the customer with our solutions and getting it out to market. We have a view of the end to end process." (segment manager, middle-income markets)

"*We pull the right resources together, we say you are the marketing person you have a good sense of what to do, we have legal, we have compliance, all the*

guys in the value chain they have a clear understanding of what their accountabilities." (product manager, middle-income markets)

"We have cross-functional teams and they work well together, the internal structures seem to be working." (product manager, middle -income markets)

Middle- to high-income markets find that the organisation's infrastructure is better suited to respond to their markets. Thus the high cost structures are not seen as a hindrance and they are able to achieve their price accordingly.

"We respond better to the middle-income market, because quite simply that is where our primary focus is, we have a multitude of offerings within that space, the business case often justifies a response." (product manager, middle-income markets)

Table 16: Organisational Infrastructure - middle-to-high-income

Theme: Organisational Infrastructure - Middle- to High-income Markets
Respondents believe that responsiveness is interwoven across the entire market orientation processes, being intelligence generation and intelligence dissemination.
Respondents believe that the cost structures in the infrastructure can be recovered from their segments.

Coordination of Response Design across the Organisation - Middle- to High-income Managers

The respondents in the middle market believed that, although they had the ability to respond, there still was room for improvement, particularly regarding their speed to market.

> *"There is room for us to improve on response design. Whilst we are good at getting the information and we know what we need to do, we are sometimes slow at getting out to the consumer base."* (segment manager, middle -income markets)

> *"We are a big organisation and there are some bureaucratic rules in place, with the matrix structure that we currently have, it is difficult to establish lines of accountability so hence we draw it up front and that speeds up the processing and getting stuff out. It is something that has been identified as an area for improvement, so we know where some of the challenges are."* (product manager, middle-income markets)

However, the respondents believed that even though their processes slowed them down, leadership played a key role in driving the response throughout the organisation and creating a sense of urgency.

> *"Leadership here is about urgency, they want to get things out. They push the organisation to respond to opportunities in the market. Leadership understands we need to do things quickly and the organisation understands that."* (segment manager, middle-income markets)

Table 17: Summary - Coordination of response design across the organisation -- middle-to-high-income

Theme: Coordination of response design across the organisation - Middle-to-High-income Markets
The common understanding fosters and effective response across the organisation.
Respondents believe that although their processes affect speed to market, leadership plays a key role in driving response throughout the organisation by creating that sense of urgency.

Chapter 6 DISCUSSION OF RESULTS

6.1 Introduction

Chapter Six discusses the results with respect to the research propositions and the literature review. This chapter provides insight into the findings in terms of the purpose of the study and, in the light of the theory base, will validate that the research objectives have been met.

The research results discussed in this chapter contribute to an enhanced understanding of why large organisations have not performed in low-income markets relative to middle- to high-income markets through providing an understanding of the different levels of market orientation within the same organisation.

As stated by Simanis and Hart (2008), although “first generation” corporate BOP strategies are commendable as an initial step, most have failed to hit the mark. Anderson and Billou (2007) concur, stating that the success of multinational corporations (MNCs) in penetrating these low-income customers has been “patchy” at best, with most companies based in the developed world choosing to focus on the middle- and upper-income segments of the developing world.

6.2 Discussion of Results for Research Proposition One

6.2.1 Are there challenges associated with gathering market intelligence for low-income markets relative to middle- to high-income markets?

According to Slater and Narver (2002), generating intelligence provides a focus for the business's product development and sales growth efforts by enabling the business to develop strong relationships with key customers and insights into opportunities for market development.

The questions posed to explore Research Proposition One sought to establish whether low-income managers experienced challenges when generating intelligence for their markets that differed from the situation of their middle- to high-income market counterparts. These research results will be presented using three themes that emerged from the data. The themes centre on the following headings:

- Availability of customer information and the ability to generate customer intelligence,
- Ability to access and engage customers, and
- Ability to understand customers' expressed and latent needs.

What is strongly evident from the research results presented in Chapter Five is that all the respondents responsible for managing the low-income markets experienced enormous challenges generating market intelligence. Interestingly, however, their counterparts cited that their markets were mature and that obtaining information and generating market intelligence consequently was not a challenge.

6.2.2 Availability of customer information and the ability to generate customer intelligence

All the respondents responsible for the low-income markets admitted that the lack of information pertaining to their market posed an enormous challenge for generating market intelligence. This is a significant challenge, as the starting point of market orientation is market intelligence (Kohli & Jaworski (1990).

On the contrary, all respondents responsible for the middle- to high-income markets did not experience challenges concerning the availability of information for their markets. The respondents pointed out that vast sources of information pertaining to their market and stated that intelligence generation consequently was a mature competency within their organisations. They believed that this was due to the fact that their organisations historically had served these markets.

This is in line with the findings of Pitta *et al.* (2008), who affirm that companies traditionally have been focused on serving the top of the pyramid. Furthermore, SadreGhazi and Duysters (2008) maintain that higher-income markets have for a long time been the most attractive marketplace for large corporations, despite their smaller population in a global comparison with low-income markets.

The low-income managers found that resources were geared predominantly towards these markets, as they remained the core of the business. This a real impediment to low-income managers, as the resources required to obtain information and generate intelligence are first allocated to profit-generating business units.

> *"The middle- to high-income market is the core of our business, we can't spend a lot of money in an attempt to generate insights about the low-income customer for the following reason: it is not profit making yet."* (segment manager, low-income markets)

Pitta *et al*. (2008) believe that success will depend on knowing the BOP intimately, but that the BOP currently is *terra incognita* in terms of segments and their needs. Adequate resources to establish a market understanding should be channelled to low-income, markets otherwise low-income managers will continue to struggle in this market.

Until companies better understand the needs of emerging consumers, and adapt their business models to serve them more efficiently and effectively, their growth will be limited (Pitta *et al*. 2008).

The unavailability of transactional data impedes intelligence generation, and low-income unlike their counterparts, low-income managers cannot access a rich source of historical data.

> *"Because you don't have these persons on your book you don't have a way to analyse the information."* (product manager, low-income markets)

The respondents said that, to counter the challenge posed by a lack of transactional data, secondary information could provide real intelligence. However, the low-income

managers complained that information emanating from these sources provided little insight and only limited differentiation from competitors.

> *"We do not have a lot of information on the unbanked which is a huge market; Finscope is general and does not allow us to differentiate, basically our intelligence does not differ from our competitors."* (product manager, low-income markets)

6.2.3 Ability to access and engage customers

All the respondents responsible for managing low-income markets agreed that there was limited data on their markets. They believed that engagement with the customer was imperative to build market intelligence so as to counter this limitation. This is in line with suggestions by Kohli and Jaworski (1990), namely that market intelligence relies on a host of complementary mechanisms and may involve collecting primary data or consulting secondary sources. The mechanisms include meetings and discussions with customers.

The low-income managers concurred that they could derive benefit from spending time engaging with and delving into the true needs of their market. The challenge, however, is that focus groups are seen to be costly. Due to financial constraints, and if given the choice, the business will usually prioritise its spending on having focus groups with middle- to high-income customers, as that is where the majority of their value is derived. This was confirmed by all the respondents in the low-income markets, with one respondent citing:

> *"No we don't spend time with our customers doing focus groups. My counterpart heading up the middle income market, one of his customers can buy a product for ten million rand and one of mine can spend thirty-five rands on a product. Think about it if you were the business where would you spend your money if you were going to do a focus group?"* (product manager, low-income markets)

In agreement with the literature, it is evident that to be successful in this market it is imperative that time is spent engaging these customers in order to learn about them and to ascertain the true needs of low-income market consumers. Organisations seeking to enter this market should find cost-effective avenues to enter into dialogue with this consumer if they want to be successful.

Dialogue is important, as in South Africa it is quite likely that there would be a substantial gap between the lives of people designing a business offering at the BOP and the people for whom it is intended (Barnard 2008). Deep engagement is essential to overcome this divide and to avoid projecting an incorrect reality onto the participants.

Simanis and Hart (2008) agree that engagement is necessary, stating that a BOP strategy requires an embedded process of co-invention and business co-creation that brings corporations into close, personal business partnership with BOP communities. Such a strategy moves corporations beyond mere deep listening and into deep dialogue with the poor. London and Hart (2004) agree, saying that local co-invention and bottom-up development are key components of the BOP mantra for success.

Through engagement, a “seed” value proposition is progressively evolved by the corporation, together with the community members, through constant and deep interaction with the wider community. The creation process thereby ensures that the business is in tune with the broader community’s needs and wants (Simanis & Hart 2008).

The results show that the managers responsible for middle- to high-income markets did not experience difficulties engaging with their market in order to generate intelligence. Focus groups were held regularly and the insights emanating from these focus groups were seen as key to delivering effective value propositions.

> *“Focus groups are a huge driver for us, we probably run at least two focus groups per sub-segment per annum, so quite comprehensive looking at a representative sample of a at least a thousand per focus group. We probably spend between ten and twelve million on running focus groups.”* (segment manager, middle-income markets)

6.2.4 Ability to understand customers’ expressed and latent needs

The researcher established that organisations need to engage with the low-income market in order to gain a deeper understanding of its needs, as primary and secondary sources are lacking. The respondents agreed that organisations have focused primarily on understanding the needs of the middle- to high-income markets and have been successful as a result.

> *"We operate in a high street banking model that focuses predominantly on understanding the customers where we make the majority of our money from. So our drivers are, understanding the business customers, the top end and middle market customers that is where our strength lies."* (product manager, low-income markets)

This concurs with Prahalad and Hammond's (2004) observation that managers in multinational corporations are conditioned to think mainly of the rich, and that they are prisoners of their own logic. One respondent confirmed that, as a consequence of the employees in the organisation originating mainly from the middle-market segments, they were better geared to understand the middle-market consumer rather than the low-income consumer. Challenges faced by the low-income markets are generally foreign to most employees. To overcome this challenge, SadreGhazi and Duysters (2008) suggest, as a first step in addressing low-income markets, to understand existing markets and their associated challenges.

All the respondents in the low-income markets confessed to having limited understanding of the challenges of this market. As cited by one respondent:

> *"The problem that we have in this segment is in short we do not understand a hell of a lot of what the requirements in this segment are. We have a good idea of what we think it is, but we don't know what it is."* (product manager, low-income markets)

The literature declares that firms with superior market orientation achieve superior business performance because they have a greater understanding of their customers' expressed wants and latent needs (Morgan *et al*. 2009). With low-income managers professing not to understand the requirements of their markets, the market orientation towards this market can be assumed to be limited, if not non-existent. As one respondent who manages low-income markets confessed:

> *"I feel that we don't understand key differences in this customer segment, when I talk about we, I talk as the industry in general, and we don't really grasp what the needs are for this market."*

A concern that was evident among all managers in the low-income market space was that professionals tended to generalise this market and assume that insights applied across the entire low-income market spectrum. As one respondent pointed out:

> *"The danger stems essentially a lot from those sorts of studies which are broad based market studies as they generalised and generalisation is very, very dangerous."*

This confirms the findings of Pitta *et al*. (2008), who propose that success lies beyond generalisations about this market and will depend on knowing the BOP intimately.

If companies are to succeed, corporate initiatives focused on the BOP will require a major new conception of the current value proposition for business and a thorough

understanding of local needs and human development paradigms (Gardetti 2005). The respondents agreed on this notion and confirmed that

> *"The needs are fundamentally different, so you have to find that balance and understand that there are regional differences, there are real socio-political and economic drivers that shape the needs differently in different areas."*

Managers in the middle- to high-income markets, however, had a different experience to that of their counterparts in the same organisations. All of these respondents stated that they had a deep understanding of their markets and that it stood them in good stead when developing sustainable value propositions.

> *"A number of research studies give us good insights into what is happening within the middle market and the practical reality is that our infrastructure and the way that we operate, the people we employ are from this market in a lot of instances, and so our natural affinity, our natural understanding and everything is geared towards this market." (product manager, middle-income markets)*

6.2.5 Conclusive Findings on Research Proposition One

The results show that low-income managers in the same organisation as middle- to high-income managers experienced greater challenges when generating market intelligence than their counterparts.

The basis of market orientation stems from intelligence generation, founded on a deep understanding of a particular market. The absence of true intelligence in the low-income market starts to paint a picture that explains why South African companies are not performing well in the low-income market.

6.3 Discussion of Results for Research Proposition Two

Are there challenges associated with the dissemination of market intelligence in low-income markets relative to middle- to high-income markets?

Maltz and Kohli (1996) suggest that the dissemination of market intelligence across functions represents an integral component of market orientation, which is a major concern of businesses today. The questions posed to explore Research Proposition Two sought to establish whether low-income managers experienced challenges when disseminating intelligence about their markets as opposed to their middle- to high-income markets counterparts. This research proposition was examined using two themes that emerged from the data. The themes centre on the following headings:

- Effectiveness of formal dissemination processes, and
- Shared interpretation of disseminated intelligence.

The research results presented in Chapter Five5 show that all the respondents responsible for managing the low-income markets mentioned that formal mechanisms to disseminate intelligence are ineffective; they believe that the information does not filter to the relevant departments within the organisation. Conversely, middle- to high-income managers believe their intelligence-dissemination process to be effective,

citing that they receive both formal and informal feedback on their intelligence, suggesting continuous dialogue about their market.

6.3.1 Effectiveness of formal dissemination processes

All the respondents responsible for the low-income markets admitted that there were forums in place to disseminate intelligence, although the effectiveness of these forums was questioned, as information was not seen to be disseminated outside of the forums. One respondent raised a concern about the dissemination process.

> *"The two formal ways I use to share information, have failures. For an example I don't know the extent to which the intelligence filters down to the people that can actually use the intelligence, and of course as you know, when people get information that confirms their prejudices it is good, if it contradicts them, it's bad."* (segment manager, low-income markets)

Pitta *et al*. (2008) suggest that, to overcome prejudices, a change of focus in the BOP will require new techniques and freedom from "accepted knowledge". The BOP is so radically different that companies will have to ignore what they know as "truths" that may not apply any more.

The respondents conceded that, due to information not filtering down, their dissemination processes present challenges, as the required actions cannot be determined. A respondent in the low-income markets stated that:

> *"Suggestion management is supposed to filter and share intelligence about the suggestions coming from our customers and business, and yet these do not filter through, in terms of what we need to do."* (product manager, low- income markets)

Information dissemination is critical, and Slater and Narver (1995) believe that effective dissemination should lead directly to superior outcomes, such as the greater success of new products, superior customer retention, higher customer-defined quality and, ultimately, superior growth and/or profitability.

The respondents representing the low-income market felt that what hindered the effectiveness of the dissemination process was that the usefulness of the intelligence could not be determined.

> *"I get no feedback on the information that we disseminate, so there is no way of assessing the usability of the intelligence."* segment manager, low-income markets)

The importance of the bi-directional flow of intelligence is that it creates dialogue within the organisation regarding a particular market, and thus creates an opportunity to refine the intelligence. Respondents in the middle- to high-income markets consider their dissemination processes as effective and they report receiving regular feedback.

> *"We receive formal and informal feedback, from the formal sessions we run we get instantaneous feedback, informally we have feedback as well. We invite people to give us feedback."* (product manager, middle-income markets)

The level of feedback enjoyed by the middle- to high-income managers suggests that the entire business is involved in the dissemination of information, unlike what happens with their counterparts in the low-income markets, who receive limited feedback. This suggests that the latter division is the only one focusing its understanding on the low-income space. Hence, the effort should be the focus of the entire business and not merely of a single department in it.

6.3.2 Shared interpretation of disseminated intelligence

The concern amongst the low-income managers was that there was no shared meaning for the limited information that they managed to disseminate within the organisation. Shared meaning is critical for the organisation to create the appropriate responses.

> *"The problem is there isn't a shared understanding of a glossary of terms for this market segment. If I talk about financial inclusion versus someone down the passage, financial inclusion has a different meaning."* (segment manager, low-income markets)

The issue of shared meaning was felt by all the respondents and appeared to cause frustrations for the low-income managers.

> *"A common understanding of meaning of terms does not exist. There isn't even a uniform definition of low income, you ask people and it will differ across different areas. That affects our ability to respond."* (product manager, low-income markets)

> *"The fact is when you talk to different people and you say something it is often misunderstood because there is no common understanding.".* (product manager, low-income markets)

Common understanding is critical to effective dissemination (Jaworski & Kohli 1990), and the effective dissemination of market intelligence is important because it provides a shared basis for concerted actions by different departments. Without a shared interpretation of the intelligence, it is difficult to establish a basis for concerted actions (Jaworski & Kohli 1990).

On the contrary, the middle- to high-income managers felt that there was a shared meaning in their intelligence and that a shared understanding existed:

> *"We have a shared meaning; the insights guys deconstruct intelligence to its simplest level."* (segment manager, middle-income markets)

Unlike their counterparts in the low-income markets, these respondents remain impressed with the dissemination process:

> *"Within the Head Office environment, you find that the dissemination and understanding is fantastic."* (product manager, middle-income markets)

Low-income managers, on the other hand, besides not having a shared meaning for their intelligence, are frustrated, as they feel that they have to convince the organisation of the credibility of their insights and have to "sell" their intelligence in order for it to be accepted.

> *"Because there is no shared meaning, the guys have to sell the opportunity to us, from the intelligence they have gathered."* (product manager, low-income markets)

Kohli and Jaworski (1990), however, do not have an issue with marketing managers playing the "sales" role. They believe that the organisational direction is a result of the marketing managers educating and communicating with managers in other functional areas and that the marketers' most important role may be selling within the firm. The fact that low-income managers have to sell within their own organisations is in line with the information in the literature. Conversely, the middle- to high-income managers believed that their information was adopted easily and they did not have to play a sales role.

> *"People are impressed with the content, I don't have to sell."* (product manager, middle-income markets)

When disseminating intelligence, the middle- to high-income managers enjoy acceptance of their intelligence, as this is a market that organisations have gained experience in over the years and they are able to confirm the insights based on their deep knowledge of this base. In contrast there is not yet any deep understanding in the low-income markets.

6.3.3 Conclusive Findings on Research Proposition Two

The results show that the low-income managers in the same organisations as the middle- to high-income managers experienced more challenges when disseminating intelligence than their counterparts. As the literature suggests, intelligence dissemination across functions represents an integral component of market orientation. The results showed that all low-income managers experienced challenges with this integral component.

6.4 Discussion of Results for Research Proposition Three

Are there challenges associated with organisation-wide responsiveness to low-income markets relative to middle- to high-income markets?

Kohli and Jaworski (1990) state that an organisation can generate intelligence and disseminate it internally, but that very little is accomplished if it does not respond to market needs.

The questions posed to explore Research Proposition Three sought to establish whether low-income managers experienced more challenges when responding to their markets than did their middle- to high-income markets counterparts.

These research results will be presented using two themes that emerged from the data. The themes centre on the following headings:.

- Organisational infrastructure (people, processes and technology), and
- Coordination of response design across the organisation.

What is strongly evident from the research results presented in Chapter Five is that all the respondents responsible for managing the low-income markets argued that the organisational infrastructure inhibited response design. They recognised that the infrastructure had been developed to respond to middle- to high-income managers. Middle- to high-income managers in the same organisations stated that they were able to respond better than their low-income counterparts.

6.4.1 Organisational infrastructure (people, processes and technology)

Internal business processes are seen to inhibit success in the BOP. McFalls (2007) agrees that MNCs have built-in weaknesses that limit their potential for success among consumers at the BOP. MNCs are simply too large, too rigid and too far from the customer to be effective. The low-income managers complained about responsiveness, with one citing that

> *"Response design is useless basically, the way we have operated historically is that we have products, we will find markets to serve and you will take what we*

give you. We are very restricted in what we can and cannot do because of the nature of the model." (segment manager, low-income markets)

The low-income managers believe that their organisations are largely inflexible, as the infrastructure is established to serve a different market. The respondents also recognised that the current operating model did not allow for an effective response.

"We have gotten to an understanding that we have to develop flexibility and that we have to develop a completely different infrastructure and methodology to serve the market and react to the market." (product manager, low-income markets)

Serving the BOP market therefore requires a different business model (Pitta *et al*. 2008). The results show that using the same infrastructure designed for the middle-income market poses a challenge for low-income market managers. According to Barnard (2008), participants from large organisations feel frustrated by the existing routines and processes, and it often is very challenging to develop BOP offerings in that context. As one respondent stated:

"The infrastructure in which you operate for this market, needs to give you a large degree of flexibility, needs to take cost out of the equation, so you potentially have to use a different platform and methodology to respond to these customers, currently we use the same infrastructure for middle income." (segment manager, low-income markets)

However, large firms generally have adequate resources to be able to experiment with a BOP concept, but they often also have stultifying internal processes (Barnard 2008). These processes make it costly to respond to the customer in a profitable way.

Low-income managers agree that their current infrastructures have high costs built into them and, as a result, devising an appropriate response is challenging, as organisational cost structures often make it difficult to justify a business case for the low-income markets. Pitta *et al*. (2008) concur, stating that successful companies have evolved into efficient machines whose foundation is high structural cost.

Middle- to high-income markets find that the organisation's infrastructure is better suited to respond to their markets. Thus the high cost structures are not seen as a hindrance and they are able to achieve their price accordingly.

> *"We respond better to the middle-income market, because quite simply that is where our primary focus is, we have a multitude of offerings within that space, the business case often justifies a response." (product manager, middle-income markets)*

The middle- to high-income market managers believe that the infrastructure serves them when responding to their markets, and that the structures in place do not impede their responsiveness.

> *"We have cross-functional teams and they work well together, the internal structures seem to be working. We have gotten that right. We have the right structures that allow us to respond."* (product manager, middle -income markets)

The cross-functional teams justify Kohli and Jaworski's (1990) view that responsiveness is not the function of just one department, but that virtually all departments – not just marketing – should participate in responding to market trends in a market-oriented company.

6.4.2 Coordination of response design across the organisation

Respondents in the low-income markets complained of limited coordination across the organisation when attempting to respond to the market. This is a concern, as Kohli and Jaworski (1990) see responsiveness as not being the function of one department, but rather of virtually all departments and not just of marketing. All departments should participate in responding to market trends in a market-oriented company.

Narver and Slater (1990) support the notion of response design being the responsibility of all departments, adding that creating value for customers is much more than a "marketing function"; rather, a marketer's creation of value for customers is analogous to a symphony orchestra in which the contribution of each subgroup is tailored and integrated by a conductor – with a synergistic effect.

Speed to market was a concern that was similar for both groups of respondents, although those in the low-income middle market believed that although their

processes affected speed to market, leadership played a key role in driving the response throughout the organisation by creating a sense of urgency.

> *"Leadership [is] about urgency, they want to get things out. Leadership understands we need to do things quickly and the organisation understands that."* (segment manager, middle-income markets)

The low-income managers believed that the lack of common understanding tended to affect response design, whereas their counterparts enjoyed a common understanding of opportunities in the middle market

6.4.3 Conclusive Findings on Research Proposition 3

The results show that low-income managers in the same organisations as middle- to high-income managers experience more challenges with organisation responsiveness than their counterparts.

6.5 Conclusion

Shoham, Rose and Kropp (2005) believe that the positive impact of market orientation on performance is greater than previously assumed because of its indirect impact on performance through organisational commitment and *esprit de corps*. Managers should expect more from investing in implementing and strengthening a market orientation in their organisation.

Lusch and Laczniak (1987) support this view, stating that the link between the marketing concept and organisational performance is positive and significant.

The research results prove that low-income managers in firms serving a range of income markets experience challenges across all the market-orientation activities relative to their counterparts serving higher income markets. This suggests that a single firm can have two instances of market orientation. It is evident that the non-performance of South African firms operating in the low-income market space can be attributed to their limited market orientation.

Table 18: Research Findings Summary

Research Findings	Explanations Provided (Summation)
The results show that low income managers in the same organisations as middle to high income managers experience greater challenges when generating market intelligence than their counterparts	• The intelligence generation competency to obtaining information and generating intelligence is far less developed than that of their counterparts managing middle to high income markets. • Engagement with the low income market is limited. • The real needs of this market are not understood, in low income markets need are perceived to be homogenous.
The results show that low income managers in the same organisations as middle to high income managers experience challenges when disseminating intelligence than their counterparts.	• The formal dissemination processes are considered ineffective as the intelligence does not filter throughout the organisation. • There is limited dialogue about this market within the organisation. • The dissemination process is hindered by the lack of shared interpretation.
The results show that low income managers in the same organisations as middle to high income managers experience challenges with organisation responsiveness than their counterparts.	• The high cost structures in the current infrastructure inhibit feasible response. • There is limited coordination across the organisation when attempting to respond to these markets. • The business models are not engineered to serve low income markets.

Chapter 7 Conclusions and Recommendations

7.1 Introduction

This chapter reviews the research background and objectives, and summarises the research findings. Recommendations for the stakeholders are provided, together with a framework that can be utilised by low-income managers seeking to address organisational challenges associated with market orientation. The chapter concludes with implications for future research.

7.2 Review of Research Background and Objectives

The literature asserts that the bottom-of-the-pyramid approach to earning corporate profits has gained considerable attention and has awakened managers to the potential of serving an underserved market and alleviating the level of global poverty while still earning a profit (Pitta *et al.,* 2008). While commendable as an initial step, most BOP strategies have failed to “hit the mark”. Firms serving a range of low-income markets have not reached the performance levels of their counterparts serving higher-income markets. If companies are to succeed, their corporate initiatives focused on the BOP will require a major new conception of their current value propositions and a thorough understanding of local needs and human development paradigms (Gardetti, 2005).

The literature suggests that understanding the BOP consumer is central to success in the BOP. Pitta *et al*. (2008) believe that, until companies have better understood the

needs of these emerging consumers and adapted their business models to serve them more efficiently and effectively, their growth will be limited.

Contrary to the situation in relation to low-income markets, South African firms serving middle- to high-income markets have achieved market success through their deep understanding of this market. Morgan *et al.* (2009) propose that, due to their greater understanding of customers' expressed wants and latent needs, market-oriented firms achieve superior business performance.

This research sought to increase the understanding of whether market orientation can play a role in the success of South African firms serving a range of income markets by comparing the levels of market orientation to low-income markets with the levels of orientation to middle- to high-income markets. To date, studies have been conducted that have measured a single instance of market orientation in a firm and have attributed its existence to exceptional business performance. However, the researcher is not aware of studies that have tested whether an organisation can have more than one instance of market orientation.

7.3 Research Findings

As indicated in Chapter Six, the research results are presented below..

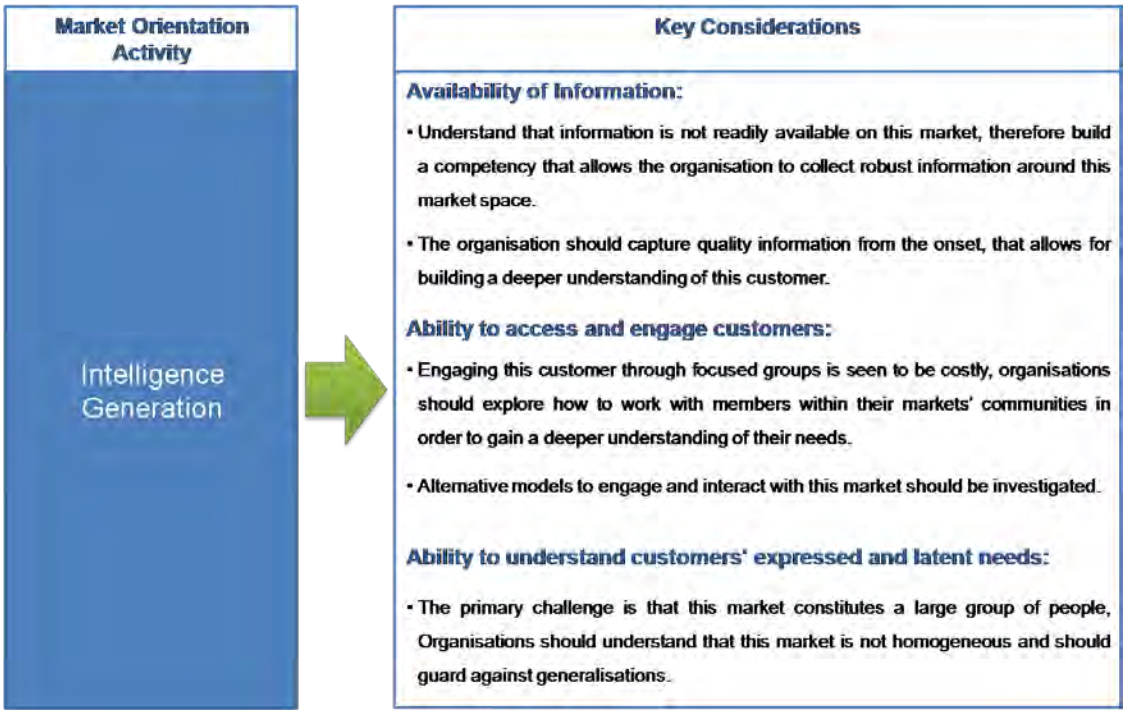
Research Findings	Explanations Provided (Summation)
The results show that low income managers in the same organisations as middle to high income managers experience greater challenges when generating market intelligence than their counterparts	• The intelligence generation competency to obtaining information and generating intelligence is far less developed than that of their counterparts managing middle to high income markets.

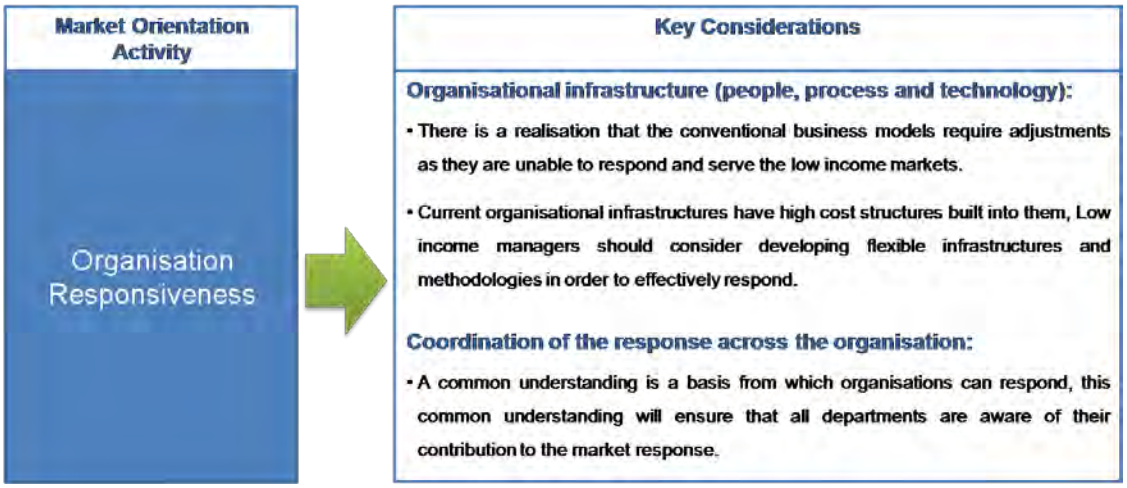
	• Engagement with the low income market is limited. • The real needs of this market are not understood, in low income markets need are perceived to be homogenous.
The results show that low income managers in the same organisations as middle to high income managers experience challenges when disseminating intelligence than their counterparts.	• The formal dissemination processes are considered ineffective as the intelligence does not filter throughout the organisation. • There is limited dialogue about this market within the organisation. • The dissemination process is hindered by the lack of shared interpretation.
The results show that low income managers in the same organisations as middle to high income managers experience challenges with organisation responsiveness than their counterparts.	• The high cost structures in the current infrastructure inhibit feasible response. • There is limited coordination across the organisation when attempting to respond to these markets. • The business models are not engineered to serve low income markets.

7.4 Recommendations for Practitioners

The researcher provides recommendations for both practitioners and academics on the basis of the research results. The recommendations for practitioners are presented in a framework that provides considerations for low-income managers seeking to address organisational challenges associated with market orientation.

Figure 2: Recommendations for Practitioners





7.5 Recommendations for Future Research

The study of whether an organisation can have more than one instance of market orientation is relatively underdeveloped. Five areas for future research are suggested below:

- A quantitative study of increased sample size (to obtain statistical relevance) to confirm the existence of differing levels of market orientation within the same organisations is needed.
- The scope of this research is limited to service firms in the banking, insurance and telecommunications fields. Further research should be undertaken beyond these industries.
- The extent of the further challenges faced by South African firms serving low-income markets outside the market-orientation construct were not explored, this study could lend itself to further research
- Research exploring South African companies that have achieved success serving both low- and middle- to high-income markets would be of interest,

particularly an understanding of how their market-orientation activities are employed.

- Further research to identify and examine appropriate business models to serve low-income markets would be of interest.

7.6 Conclusion

It is clear from the evidence provided in Chapter One that organisations have an increased interest in the BOP. However, despite this increased interest and focus, firms disappointingly have achieved limited success and have not performed in these markets. The literature in Chapter and the research results in Chapter 5 suggest that companies have been employing business models best suited to serve the middle- to high-income markets and that initiatives focused on the BOP require a fundamental change to “business as usual”.

The middle- to high-income markets, in contrast, have enjoyed market success, some of which has been attributed to the firms’ market orientation. Morgan *et al. (*2009) suggest that, due to a greater understanding of the customers’ expressed wants and latent needs, market-oriented firms achieve superior business performance. The research sought to establish whether an organisation can have more than one instance of market orientation in its chosen markets.

The research results prove that an organisation can have more than one instance of market orientation as managers responsible for low income markets experienced

challenges across all market orientation activities, whereas their middle to high income markets counterparts did not experience similar challenges.

This study has contributed to the body of research on whether firms can have two instances of market orientation. The study furthermore provides an understanding of the challenges South African firms face in their market-orientation activities, namely intelligence generation, intelligence dissemination and organisational responsiveness.

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Appendices

APPENDIX A: The Millennium Development Goals

THE MILLENNIUM DEVELOPMENT GOALS

Table 19: Appendix A - The Millennium Development Goals

Goal 1: Eradicate extreme poverty and hunger	**Target 1:** Halve, between 1990 and 2015, the proportion of people whose income is less than $1 per day **Target 2:** Halve, between 1990 and 2015, the proportion of people who suffer from hunger
Goal 2: Achieve universal primary education	**Target 3:** Ensure that by 2015 children everywhere, boys and girls alike, will be able to complete a full course of primary schooling
Goal 3: Promote gender equality and empower women	**Target 4:** Eliminate gender disparity in primary and secondary education, preferably by 2005, and in all levels of education no later than 2015
Goal 4: Reduce child mortality	**Target 5:** Reduce by two thirds, between 1990 and 2015, the under-five mortality rate
Goal 5: Improve maternal health	**Target 6:** Reduce by three quarters, between 1990 and 2015, the maternal mortality ratio
Goal 6: Combat HIV/AIDS, malaria, and other diseases	**Target 7:** Have halted by 2015 and begun to reverse the spread of HIV/AIDS **Target 8:** Have halted by 2015 and begun to reverse the incidence of malaria and other major diseases
Goal 7: Ensure environmental sustainability	**Target 9:** Integrate the principles of sustainable development into country policies and programs, and reverse the loss of environmental resources **Target 10:** Halve by 2015 the proportion of people without sustainable access to safe drinking water and basic sanitation **Target 11:** Have achieved by 2020 a significant improvement in the lives of at least 100 million slum dwellers
Goal 8: Develop a global partnership for development	**Target 12:** Develop further an open, rule-based, predictable, non-discriminatory trading system (includes a commitment to good governance, development, and poverty reduction – both nationally and internationally) **Target 13:** Address the special needs of the Least Developed Countries (includes tariff- and quota-free access for Least Developed Countries' exports, enhanced program of debt relief for heavily indebted poor countries [HIPCs] and cancellation of official bilateral debt, and more generous official development assistance for countries committed to poverty reduction) **Target 14:** Address the special needs of landlocked developing countries and small island developing states (through the Program of Action for the

	Sustainable Development of Small Island Developing States and 22nd General Assembly provisions) **Target 15:** Deal comprehensively with the debt problems of developing countries through national and international measures in order to make debt sustainable in the long term **Target 16:** In cooperation with developing countries, develop and implement strategies for decent and productive work for youth **Target 17:** In cooperation with pharmaceutical companies, provide access to affordable drugs in developing countries **Target 18:** In cooperation with the private sector, make available the benefits of new technologies, especially information and communications technologies

Source: http://www.wri.org/publication/content/8025

APPENDIX B: Discussion Guide

WARM UP AND BACKGROUND 5 MINS

- Please can you provide me with an overview of your role in this organisation?
- How long have you been in this role?

INTELLIGENCE GENERATION 15 MINS

Definition: Intelligence generation focuses on acquiring information about customers' expressed and latent needs, and competitors' capabilities and strategies.

1. Please describe the processes that you follow to gather intelligence about your customers (evidence)?

   Probes for interviewer

   - Generation of customer insights (lean vs. rich / internal vs. external).
     - Lean/internal = transactional data analysis/customer complaints
     - Rich/internal = internal discussion groups/in house market research/ leveraging experience
     - Lean/external = analysis of customer databases/sales response in test markets/surveys
     - Rich/external = discussions with customers and trade partners/collaboration with other organisations/ experimentation

2. How would you describe the effectiveness of your customer intelligence generation processes (evidence)?

   Probes for interviewer

   - If successful why/if not successful why?
   - How do you adequately anticipate your customer current and future needs?
   - How do you systematically measure customer satisfaction/experience?
   - How do you develop a deep sense of what is important to your customers?
   - How quick/slow are you at detecting changes in your customers' preferences?

3. What in your view, promotes or hinders intelligence generation in your business (evidence)?

   Probes for interviewer

   - What are the barriers and enablers to intelligence generation?

Intelligence Dissemination 15 MINS

Definition: Intelligence dissemination focuses on communicating and sharing (disseminating) market intelligence to relevant departments and individuals in the organisation.

1. Please describe how you share and communicate market intelligence with the rest of the organisation?

   Probes for interviewer

   - How do you disseminate information?
   - What channels/forums do you use to share intelligence, why?
   - How often is intelligence shared? (probe informal and discuss cultural implications)

2. How effective do you find the dissemination process (evidence)?

   Probes for interviewer

   - If successful why/if not successful why?
   - How frequently to you share the intelligence with the rest of the organisation?
   - Do you share the intelligence using formal mechanisms? How often?
   - Do you share the intelligence using informal mechanisms?
   - How do you receive intelligence from other departments?
   - What feedback do you receive regarding the intelligence that you have gathered from the organisation?
   - Is there a shared interpretation of the intelligence by the organisation?

3. What type of intelligence do you share within the organisation (evidence)?

   - Do you freely communicate information about your successful and unsuccessful customer experiences across all business functions?

4. What in your view, promotes or hinders intelligence dissemination in your business (evidence)?

   Probes for interviewer

   - What are the barriers and enablers to intelligence dissemination?
   - How would you describe the communication between your area and other departments about your market developments (minimal, sufficient)?