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Contrasting partnerships within the low income and traditional markets

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ABSTRACT

This research compares partners required to be competitive in the low income market to the partner network of the more traditional upper income market in South Africa. The research examines the non-traditional partnerships engaged by firms which include local communities, government and NGO's. It further looks at the broader alliances formed by firms competing in the low income market compared to the traditional market and lastly investigates institutional voids and their effect in the respective markets.

The research is exploratory in nature and considers the perceptions of managers in eight companies through the use of semi-structured interviews. 14 managers were interviewed across the 6 industries selected. Insights were gained through the use of a semi structured interview guide.

The research indicates that non-traditional partnerships do take place in both the low income and traditional markets but for different reasons, with the low income market focusing on these partnerships to access the consumer. It was further apparent from the interviews that those competing in the low income market tend to partner more with other firms operating in the market but in different industries, whilst the traditional market managers tend to partner more with smaller business set up to fulfil the needs of the larger firm. The research further indicates that institutional voids may present an area to develop first mover advantage by locking down successful partnerships before competitors do.

KEYWORDS

Low income

Base of the Pyramid (BOP)

Partnership

Alliance

Institutional void

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 in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

Name: Andrew Burdock

Signature: ________________________

Date: 10 November 2014

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Contents

1. INTRODUCTION

1.1 Description of the problem and background

According to Contractor, Wasserman and Faust (2006) the past decade has seen a considerable rise in conceptualising 21st century firms as "network organisations". "The network organisation, these advocates argue, will supplant bureaucracies (and their descendants, the multidivisional form and the matrix form) as the twenty first century organizational coin of the realm" (Contractor et al., 2006, p.681). According to Reficco and Marquez (2009) *amongst others, these network organisations differ in the low income market compared to the traditional upper income market, with the low income market focusing more on non-traditional partnerships.*

The widely accepted definition of the low income segment, defined by Hart and Prahalad (2002) as the Base of the Pyramid (BOP), is an expanding segment and source of multinational growth. The market consists of over 4 billion people living on less than $2 a day, however due to the size of this market it is thought to have significant purchasing power parity, in the region of $5 trillion annually according to Hammond, Kramer, Katz, Tran, and Walker (2007). However the latest global wealth numbers reported, indicate that the BOP consists of almost 70% of the global population, earning less than $10 000 annually. This market has the combined spending power of $7.6 trillion annually (Credit Suisse, 2014).

Hart and Prahalad (2002) claim that by transforming low segment groups into consumers, multinational enterprises (MNEs) can create incomes and wealth among the poor as well as tap into these markets as sources of new revenue. This 'doing well by doing good' philosophy is the basis of the BOP approach. As Prahalad (2009) said, "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up."

Firms entering the low income segment often do so by reducing prices and cost to serve, but this often leads to eroded margins. To offset this, the typical strategy of firms entering this market is high volume low margin, but according to Simanis (2012), this model tends to have a fatal flaw as it relies on firms capturing up to 30% of the available market that it enters. Capturing market share can be extremely difficult in this segment where poor access, infrastructure, client literacy and education often limit sales potential (Anderson & Billou, 2007).

According to Sánchez and Ricart (2010) innovation is key when it comes to infiltrating the lower income segment. "The differences from conventional products or services for the more affluent parts of the population are so significant that for most firms it is almost like starting a new business, therefore similar to changing the role from that of an incumbent to a new entrant," (Schrader, Freimann, & Seuring, 2012).

Developing new products to target this market is not sufficient however, as access to this market is very limited due to the nature of the segment. According to Reficco and Marquez (2009), partnerships are becoming crucial for MNEs entering this unfamiliar landscape. "Innovation in this market is not about a product, it is about developing an appropriate ecosystem that enables new business to function," (Prahalad, 2012).

A number of researchers, including Reficco and Marquez (2009), Hart and Prahalad (2002) and Rivera-Santos and Rufín (2010) have articulated that organisational networks and the partners required within these networks, differ considerably when firms enter a low income market compared to the more developed Top of the Pyramid (TOP) or traditional market. These same authors argue that networks are essential to firms wanting to gain traction with new innovations launched into this lucrative market. Those looking to enter the low income market may face new territory in that suppliers, distributors or complementors do not exist in this market in the same way that they do for the traditional market, according to Rivera-Santos and Rufín (2010). The reason for this is that a number of low income markets have never been serviced sufficiently and partner business would not have evolved as they have in the traditional market. They further postulate that additional challenges in the low income segment include shortfalls in the economic infrastructure, support activities and the information infrastructure.

The literature on low income segments suggests that firms should not only rely on traditional market partners such as suppliers, customers or financial institutions but should expand their networks across sectors and cooperate with non-traditional partners such as non-governmental organisations (NGOs), non-profit organizations and local governments in order to achieve their goals (S. L. Hart & Sharma, 2004; London & Hart, 2004; Prahalad, 2009).

1.2 Purpose and objectives of the research

The purpose of the research is to compare partners required to be competitive in the low income market to the partner network of the more traditional upper income market in South Africa. The research will look at what strategic choices have been made within business units that operate in the low income market in terms of partnership selection and formation. According to Reficco and Marquez (2009), the business landscape is very different in the low income market as it is largely unregulated with very limited available capital. Due to this London and Hart (2004) believe that non-traditional partnerships are key. This research will examine and map the non-traditional partnerships engaged by firms which include local communities, government and NGO's.

It has been suggested that the type of partners required differ in the low income market compared to the traditional market (S. Hart & Prahalad, 2002; London & Hart, 2004; Reficco & Marquez, 2009; Rivera-Santos & Rufín, 2010; Schuster & Holtbrügge, 2013), however these authors have largely described the networks engaged by firms in low income markets. . These non-traditional partners may well be involved in the business networks of the developed markets, but potentially with different relationships to the ones formed in a low income network. This research adds to the literature by examining what type of relationships firms competing in the low income segment have with these non-traditional partners and how these relationships and the reason for forming these relationships differ from those in the traditional market. Thus it focusses on a comparison of firm networks engaged across differing consumer income segments.

This research also investigates the type of alliances formed in the low income segment compared to those required in the traditional market and the reason behind these alliances. Reficco and Marquez (2009) looked at the issue of *alliance formation* in terms of what compels organisations to form alliances with non-traditional actors when entering the low income market; they propose the following benefits of forming network alliances in the low income environment:

- Networks enable access to capital
- Networks enable access to soft funds
- Networks enable access to qualified labour

These benefits have been expanded upon within the research with analysis of potential alliances formed for the following reasons in both the low income and traditional segments:

- Alliances formed to generate sales, assist with product acceptance, adoption and endorsement or to facilitate distribution of the product/service.
- Alliances formed to access qualified and appropriate labour or to facilitate the outsourcing of this labour.
- Alliance formed to facilitate efficient payment collections from customers.
- Alliances to understand the needs of the market including the local tastes and preferences of the community.

Lastly this research determines whether firms that operate in the low income segment in South Africa use the partnerships that they form in their network to fill the institutional voids that exist in the market more so than when they operate in the traditional segment. According to Sánchez and Ricart (2010), institutional voids occur when there is a lack of appropriate resources in the market to develop the company's activity. The institutional voids force the firms to seek substitutive models to fill this gap in the value network by either creating it in house or by using a non-traditional type of partner to fill this gap.

The objective of this research was to test the theory that exists around partners required within the low income market and the reasons for differentiation when entering this market and to compare it with partnerships and networks formed by business units catering to higher income consumer segments. From this research, both confirmation of prior research in terms of partnerships required for the low income market has to be gained and new theory has to be established through the insights learnt. This research highlights the type of partnerships required for firms either operating within the low income segment or firms thinking of entering this market as part of their strategy. It highlights the difference that firms currently operating within both the low income and traditional segments have found and can be used as a guideline for strategic planning and business design.

1.3 Research Scope

This research has been limited to South African corporates that have operations within both the low income and traditional segments. Firms were chosen across a wide range of industries including financial services communications, security and FMCG. Two representatives from each firm selected were interviewed where possible from each one of the market segments to contrast the different partners required within the individual firm. The analysis has been conducted in totality as well as across industries to highlight the differences that were found across the selected industries.

2. LITERATURE REVIEW

There are five main themes that will be explored through the literature review that relate to the research topic: the low income market and the potential of expanding into this large untapped market; ambidexterity that companies need to successfully innovate and enter new markets whilst functioning in their core market; organisational networks, what they are and the differences between the networks required for low income markets versus traditional markets; partnerships and the different types of business partners mainly focusing on non–traditional partners and lastly institutional voids.

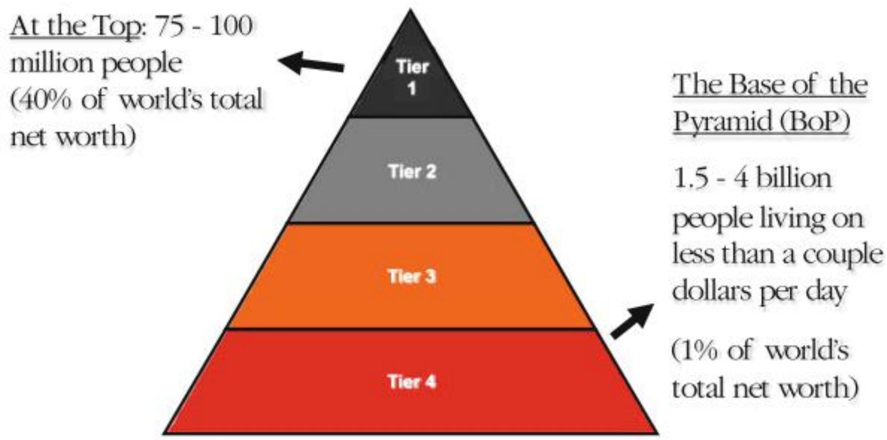
2.1 The Low Income Market

The low income market, also known as the Base of the Pyramid (BOP), refers to the over 4 billion people living on less than $2 a day according to Prahalad (2009). This 4 billion people make up more than 70% of the world's population and Prahalad (2009) believes that the low income consumers tend to spend more than traditional consumers especially on food, medical services and other basics, which magnifies the problem.

However, contrary to common thinking, this population group has vast spending power due to its size with the BOP estimated at representing a potential 5 trillion dollar market according to Hammond, Kramer, Katz, Tran and Walker (2007). As Prahalad (2009) says, "If we stop thinking of the poor as victims or as a burden and start recognizing them as resilient and creative entrepreneurs and value-conscious consumers, a whole new world of opportunity will open up."

The latest global wealth numbers reported, indicate that the BOP consists of almost 70% of the global population earning less than $10 000 annually. This market has the combined spending power of $7.6 trillion annually (Credit Suisse, 2014).

Figure 1: The Economic Pyramid



Source: Calton, Werhane, Hartman and Bevan (2013) adapted from Hart and Prahalad (2002)

Let us consider some defining features of life at the BOP identified in Figure 1. The literature comprises a number of measurements and definitions of the BOP, but the most complete characterisation of the market is defined by London and Hart (2004) as follows:

• Market is often varied across multiple dimensions.

• Per capita income is usually equivalent to or less than $3,000 per year.

• Lack of integration from local business into the formal global economy.

• These firms operate mainly in the informal economy.

• The majority of the human race fall into the BOP market (up to 4 billion people).

Prahalad was the first to identify the BOP market as a potentially profitable market however some firms operating in developing markets had been engaging in this space for a number of years. He was also the first to highlight the double bottom line, which refers to the simultaneous need for social development and strong financial returns (Harjula, 2005). Prahalad (2009) appealed to business by sharing instances of prior success, where wealth was generated through enablement of the poor. He further proposed that “low income markets provide a prodigious opportunity for the world’s wealthiest companies – to seek their fortunes and bring prosperity to the aspiring poor” (Hart & Prahalad, 2002).

The task according to Prahalad (2009) is to convert the poor segment into consumers through market development and innovation. According to Sánchez and Ricart (2010) innovation is considered an imperative element for businesses wanting to move into the low income market. Anderson and Billou (2007) believed that there are four principles in creating the capacity to consume for the low income market, and they are known as “4 As”

i. Awareness: Both informing the market of the product and how to use it
ii. Affordability: Low cost while maintaining quality
iii. Access: Within reach of a geographically diverse market
iv. Availability: Effective and efficient distribution

“However, these four billion people who make up the BOP are not a monolith. They represent multiple cultures, ethnicity, literacy, capabilities, and needs,” (Prahalad, 2012, p.6). Due to this, one solution will not necessarily work for all market participants. Examples from Prahalad (2012) include India where 70% of the BOP market live in rural areas, making market access the main obstacle to service delivery. The BOP in Brazil however tend to be more urbanised and live in the favelas or urban slums where geographic access to the market is much easier (Prahalad, 2012). For this reason an undifferentiated approach to these markets will be unsuccessful and partnerships with the local community and current local distribution markets can assist in gaining access to each individual market (Rangan, Chu, & Petkoski, 2011).

Not all academics believe that the low income market will provide the fortune that Prahalad believed, in fact some believe the theory is too good to be true. Karnani (2007) for instance believes that the low income market is unlikely to be profitable for a large multinational company as the market spend per person is quite small. Additionally, the cost to serve this market at the base of the pyramid can be very high. The poor are often geographically dispersed (except for the urban poor concentrated into slums) and culturally heterogeneous. This dispersion of the rural poor increases distribution and marketing costs and makes it difficult to exploit economies of scale. Fragile infrastructure (transportation, communication, media, and legal) further increases the cost of doing business. Transaction costs tend to be very high due to the small value of each transaction.

It is agreed by most academics, however, that it is by no means easy entering the low income market. According to Rangan et al. (2011) it is a world of many pitfalls. There is a delicate balance between entering the market just for commercial gain and for entering to encourage social development. Rangan et al. (2011) believe that both civil society and governments will oppose any enterprise entering the low income market purely for financial gain. However, if firms focus more on social impact than financial gain, the market can still be extremely risky as projects that don’t make money tend to get relegated to corporate social responsibility departments.

Starting and running a business at the BOP is very different to markets at the TOP. According to Reficco and Marquez (2009, p.512), “An emerging consensus points to the critical importance of partnerships in market initiatives addressed to the base of the pyramid (BOP).” The business landscape is very different in the BOP market as it is largely unregulated with very limited available capital. Due to this London and Hart (2004) believe that community and non-traditional partnerships are key.

“Reaching these markets involves bridging the formal and informal economies. In the informal economy, relationships are grounded primarily on social, not legal, contracts (De Soto, 2000), and the organizations with the most expertise in serving these markets – government and civil society – have a strong social orientation,” (London & Hart, 2004). Thriving in the BOP market needs an ability to comprehend and appreciate the benefits of the current social infrastructure (Chambers, 1997).

According to Prahalad (2012), many business are using low income markets for testing new innovations which later find uses in more developed markets. A number of innovations that are being developed on the ground in developing countries for the BOP market are being used to fulfil different needs within the developed markets. “For global firms, active participation in BOP markets is not an option. Just as Nokia, Unilever, Nestle, and others have discovered, these markets are critical for their sustained and profitable growth,” (Prahalad, 2012).

2.2 Organisational Ambidexterity

Above, a description of low income segments was offered along with some of the mechanisms and strategies firms use to manage and succeed here. However, at the same time that firms innovate in low income segments, they must keep the core business running efficiently. This leads us into the literature on organisational ambidexterity.

According to O’Reilly III and Tushman (2011) businesses in the US do not have a long life span, with only a fraction of firms making it past 40 years. The only firms that have survived past this point tend to be in industries such as natural resources where there is no disruptive change.

For businesses to compete and thrive during such disruptive change, firms need to utilise current assets efficiently as well as discover emerging technologies and markets, according to March (1991). Limited resources need to be allocated efficiently to both invest in current and potential future business opportunities. Low income market segments form the future growth and business opportunities for many firms with stagnating growth in saturated, developed markets.

O'Reilly III and Tushman (2011) believe that for a firm to be able to compete in its current market effectively while prospecting new markets and products it needs to be ambidextrous. They believe to be ambidextrous, firms require senior managers to firstly scan movement in the external environment and to react to these changes quickly and effectively. It is also believed that developing these capabilities is a key role of business leaders.

Exploration entails "search, discovery, autonomy and innovation" according to O'Reilly and Tushman (2013), while exploitation is characterised by "efficiency, control, certainty and variance reduction". They further believe that the feasibility and future feasibility of a firm are based on current exploitation and sufficient investment respectively. "The difficulty in achieving this balance is a bias in favour of exploitation with its greater certainty of short-term success," (O'Reilly & Tushman, 2013).

This research explores the ambidextrous nature and capabilities of firms as they continue business in traditional markets whilst exploring low income markets, mainly focusing on the new alliances and networks that have been established to explore this new market in comparison to the traditional market that they have operated in.

2.3 Organisational Networks

Earlier in this paper, several authors referred to the importance of developing local linkages, non-traditional partners, alliances and networks with low income communities in low income market segments (list authors). Brass and Galaskiewicz (2004) define a network as a set of nodes and ties representing relationships or lack of relationships between the nodes. They further define nodes as actors or egos (organisations). Organisational networks are “strategic alliances and collaborations, flows of information (communication), affect (friendship), goods and services (work flow), and influence (advice), and overlapping group memberships such as boards of directors” (p.795).

According to Contractor, Wasserman and Faust (2006) the past decade has seen a considerable rise in conceptualising 21st century firms as “network organisations”. “The network organisation, these advocates argue, will supplant bureaucracies (and their descendants, the multidivisional form and the matrix form) as the twenty first century organizational coin of the realm,” (Contractor et al., 2006). This raises the importance of increasing our understanding of how networks improve the ability of the firm to be competitive and is under- explored in the developing market, low income context.

Additionally the above mentioned authors (p.681) put forward that organisations use “flexible, dynamic communication linkages to connect organisations and people” into a new creative organisation for products or services. These networks are constantly adapting as dysfunctional members are dropped and new members are added. Thus the evolving network form becomes the new organisation.

The power of the actors and organisations included in the networks that constitute the core of the global network society, over those not included in these global networks is called network power, according to Castells (2011). This form of power functions by exclusion or inclusion. According to Tongia and Wilson (2007), it is extremely important for organisations to be part of organisational networks. They believe that the cost of being excluded from a network increases faster than the benefit acquired by being part of a network. While the importance of being in the network increases significantly with the size of the network, the cost of being excluded from the network also increases significantly and at a faster rate than being in the network.

According to Brass and Galaskiewicz (2004), inter-organisational networks are made up of members that control their own resources but decide together on how best to use these resources. These are often long term symbiotic relationships including those found in joint ventures, strategic alliances, business groups, consortia, etc.

According to Rivera-Santos and Rufín (2010) there are several characteristics of how an organisational network functions and the overall profitability of its member firms:

i. **Centralisation**: a centralised network is where a small number of firms are directly liked to each other. Firms can create value by being the central member of a network as they will be the link between firms in the value chain. TOP networks tend to be arranged around a few large players as the market that they operate in has consolidated and rationalised over time.
ii. **Linearity**: Is reflected by a supply chains central production process, TOP networks tend to be very linear as the value creation process is very rarely impacted by non-market actors. The value chain has built up and matured over a long period and for this reason partners exist in most spheres.

iii. **Density**: How many redundant ties there are in a network comparative to its size. TOP networks tend to be relatively dense as “low transaction costs, extensive flows of information and existence of specialised intermediaries bridge gaps among actors”.

iv. **Structural holes**: Links that connect sections of a network that are not directly linked. Firms benefit from bridging this gap as they create value in the network, the number of structural holes in TOP networks tends to be low as once again this is a mature market where opportunity has been filled over time.

The specifics of the BOP environment strongly influence the BOP networks structural characteristics when compared to TOP networks according to Rivera-Santos and Rufín (2010), they believe characteristics of the BOP network to be as follows:

i. **Centralisation**: BOP networks tend to have a number of centres compared to few at the TOP, as a number of non-market/non-traditional actors are part of the network and these non-market actors tend to be involved in networks related to their core activities. Examples of non-market actors include local NGO’s, communities and government. As the low income market is relatively immature these non-traditional partners assist business both entering the market and servicing this market.

ii. **Linearity**: Unlike very linear TOP networks with a sequence of market transactions, BOP transactions involve both market and non-market interactions, with the basis being trust and politics as much as business principles. Firms within the BOP market may also have to internalise gaps in the value chain due to limited partners in the BOP market i.e. financing or distribution.

iii. **Density**: BOP networks are characterised by “poor information, value chain gaps, lack of intermediaries and isolation”. Due to this BOP networks tend to be clustered with very high density in the local environment but these local environments tend to be relatively isolated from each other. This higher local density than TOP networks can become one of the ways firms can overcome weak institutional environments by becoming part of a local network, including the local community, local business or the local government.

iv. **Structural holes**: Due to intermediaries that are highly developed and entrepreneurial forces, TOP networks tend to have fewer structural holes than BOP networks. Like value chain gaps, structural holes at the BOP may force firms to integrate activities that it would normally have outsourced. This allows firms to gain significant competitive advantage by filling structural holes within networks it joins by linking existing organisations.

2.4 Partnerships

Organisational networks include all actors within a network; partnerships however describe a symbiotic relationship between actors where each party benefits from the relationship in some way. As described above, scholars have started to reinforce the argument that firms can achieve competitive advantage through inter-firm ties, and thus develop resources and capabilities externally. These scholars extended traditional resource-based thinking by integrating thoughts from the network literature to argue that inter-firm relationships can create sustainable competitive advantage through exploiting internal resources and capabilities (Das & Teng, 2000; Gold, Seuring, & Beske, 2010; Zaheer & Bell, 2005). Dyer and Singh (1998) argue that competitive advantages are essentially based on resources that are deeply embedded in inter-firm relations and that the alliance partners can generate common benefits (relational rents) which cannot be realized independently. Gulati, Nohria and Zaheer (2000) highlight that collaboration generally offers firms access to their partner's resources, and Inkpen (2001) mentioned that collaboration offers attractive possibilities for gaining access to resources and skills which would not have been developed if the cooperation had not been formed.

While the strategic management literature emphasizes the importance of business-to-business relationships, the BOP literature suggests that firms should not only rely on market partners such as suppliers, customers or financial institutions but should expand their networks across sectors and cooperate with non-governmental organisations (NGOs), non-profit organizations and local governments in order to achieve the abovementioned benefits (S. L. Hart & Sharma, 2004; London & Hart, 2004; Prahalad, 2009). Oetzel and Doh (2009) point out that relationships with NGOs provide business firms with access to skills, competencies and capabilities that are not available within their own organisation or that may not be obtainable from alliances with partners in the business sector.

Reficco and Marquez (2009) believe that within the low income environment, it is important to partner successfully with non-traditional actors where examples include local NGO's and communities. Partnerships can be the key to solving problems in the BOP markets such as "geographical dispersion, poor infrastructure, and low purchasing power".

They further looked at the issue of *alliance formation* in terms of what compels organisations to form alliances with non-traditional actors when entering the low income market; they propose the following benefits of forming network alliances in the low income environment:

- Networks enable access to capital
- Networks enable access to soft funds
- Networks enable access to qualified labour

Advantages of a partnership are realised when both partners complement each other in achievement of a common goal. Building upon insights from the strategic alliance literature, the relational view suggests that partners may exploit their complementary resources to generate value (and subsequently capture relational rents and competitive advantage) through combined and synergetic cooperation between the partners (Duschek, 2004)

"Because they promote seemingly incompatible agendas, the relationship between firms and NGOs historically has been adversarial," (Webb, Kistruck, Ireland, & Ketchen, Jr., 2010). However, there is a blurring of the lines between economic and social goals, causing the goals of the organisation to be viewed as more complementary.

They further believe that alliances between MNEs and NGOs are increasing in number for the sole purpose of taking advantage of the opportunities available in the low income markets. As they do not have the capabilities to serve these markets themselves, these two types of organisations serve to complement each other, allowing the establishment of a viable business model for the low income market. This type of relationship will be tested within this study to understand if these partnerships do exist in reality in the South African environment and if the benefit the literature describes is being gained.

Prahalad (2012) talks about the need to develop an ecosystem in the BOP environment, where network partners are chosen that can assist the roll out of new products in a number of ways. Workflow is essential to innovators within the BOP market. Workflow determines business partners and who to include in the ecosystem. Further to this, capital reduction is a primary focus for firms operating in the BOP; the ecosystem allows the firm to spread the capital burden over the entire network. The study will investigate the type of partners that South African firms have chosen to partner with in the low income market, to reduce the cost to serve and the capital burden required to compete in this market.

2.4.1 Non-Traditional Partners

2.4.1.1 Government

The government can become a crucial member of a low income market network, according to Rivera-Santos and Rufín (2010). A government official's network will include members of the official party that he is a member of and potentially a number of local decision makers. These members join the low income market network and partner with firms, which provide them with connections to other partners that they may not have had access to otherwise.

London and Hart (2004) believe that partnering with national government is an unsuccessful strategy as they would be as far removed from the low income market as the firm itself. Instead they recommend the strategy of partnering with local or village based government that has influence in the community directly and understands the community intimately. They discuss an example where a firm partnered with the national government to launch a technology in a market, with the government providing funding. However, the venture struggled to meet the needs of the community as they did not understand the needs of the community, as local partners were not developed.

Non-market partners can be described as either "supporters" or "regulators" according to Reficco and Marquez (2009). They believe that "regulators" include government, trade unions or any other body who creates the rules of the game and brings some form of formality to the unstructured low income market. "Because of the inherent asymmetry in power and influence, as well as ethical conundrums linked to servicing the poor through markets, those operating with low-income groups need to secure a “license to operate”—legal or societal—that requires engaging those in position to issue it,” (Reficco & Marquez, 2009). Within this study the different types of government relationships described will be investigated across the low income and traditional markets to expand on the current literature as to purpose of partnering with the government in the respective markets.

2.4.1.2 Community

It is important that the community are intimately involved in low income ventures to ensure that the product or service design is fit for the purpose it is intended to serve according to Grzybowski, Mathias and Mehta (2012). They believe that involving the community in participatory research will engage them to identify their current problem and develop appropriate, effective and sustainable solutions. Further benefit achieved through engaging the community is that this will lead to both expectations being created and eventually ownership of the new product or service.

Businesses have created value through engaging communities and involving them in distribution, access, payment and security of their new low income products according to Rangan et al. (2011). They believe that for a model to be sustainable in the long run, it is essential to streamline the operations and offer appropriate incentives for those brought into the new ecosystem that the business has created. An example they provide is how M-Pesa relied on nearly 18 000 mom and pop stores in Kenya to distribute the product for the business.

London and Hart (2004) mention that gaining insight from the local community allows firms to better understand and take advantage of social strengths within these environments. Community input would allow firms to better understand which society concerns are myths and which are realities. These non-traditional partners could provide insight on the local context, local legitimacy, and access to resources required.

Low income communities are usually linked to the outside world through intermediaries such as NGO's or influential members of the community according to Rivera-Santos and Rufín (2010). As local firms are embedded in local informal networks they tend to be competitively weak but institutionally strong within this market. They further propose that low income market networks are developed for reasons other than commercial development and they are strongly embedded in the social structure of the community that already exists.

2.4.1.3 Civil Society/NGO's

According to Schuster and Holtbrügge (2013), firms competing in the low income segment should not limit their partnerships to traditional business to business relationships, but should instead expand their networks across sectors and cooperate with both NGO's and non-profit organisations. Cross sector relationships such as these, provide firms with access to skills, competencies and capabilities they would not have access to without such an alliance.

Partnering with NGO's is way that firms overcome institutional barriers in the low income segment according to Webb et al. (2010). They provide a number of examples of MNE's partnering with NGOs to successfully enter a market, one of the examples being of Danone partnering with a large NGO called the Grameen Group to produce and sell nutritionally enhanced yoghurt to the low income population in Bangladesh where 48% of the children are malnourished.

Webb et al. (2010) further believe that due to the high institutional distance between low income markets and traditional developed markets and the institutional voids that exist, opportunities will not be immediately exploited when firms enter the low income market for the first time. MNE's create the market and the means to serve the market when they enter the low income segment, NGO's act as a unique local alliance partner to MNE's to help facilitate their entrepreneurial process, serving the needs of the local community and helping them to achieve the goal of generating financial returns.

Schuster & Holtbrügge (2013) found that it is only civil society partners that help firms meet the community's needs in the low income segment. The reason for this is that it is only civil society that succeeds in reaching the low income community and has greater latitude to attempt untried approaches than do local government. They believe that a reason for this could be that civil society has a lot more to gain by partnering with a MNE within this market than another potential partner such as the government would have.

Instead of being able to partner with NGO's, instead the firm may face pushback including demonstrations and claims of corporate imperialism according to London and Hart (2004). With increased global attention on poverty, globalisation and corporate greed, firms need to make sure that they take the needs of the local community into account when entering the low income segment as well as the social impact of doing business in the market.

2.5 Institutional Voids

According to Sánchez and Ricart (2010), institutional voids occur when there is a lack of appropriate resources in the market to develop the company's activity. The institutional voids force the firms to seek substitutive models to fill this gap in the value network by either creating it in house or by using a non-traditional type of partner to fill this gap.

An institutional void is “a situation where absent and/or weak institutional arrangements prevent those excluded by poverty from participating in market activities,” (Mair & Marti, 2007). According to Reficco and Marquez (2009) the voids hamper economic value creation as the cost of doing business increases. They believe that for firms entering the low income market for commercial gain, filling this void internally can be costly and precarious at best. Usually firms will partner with specialised intermediaries to reduce the cost of this void. Within the low income segment, those intermediaries are frequently social entrepreneurs or NGO’s which allow the formation of company-led inclusive networks.

Reficco and Marquez (2009) further believe that institutional voids are not just constraints but offer an area of opportunity for firms to fill. Rivera-Santos and Rufín (2010) stated that low income networks are characterized by the presence of structural holes, compared to the traditional developed market. In network theory, structural holes connect sections of a network that would otherwise remain unconnected. Structural holes are connected by “bridging organisations”; opportunity exists for firms to gain competitive advantage by providing a bridge for one of these gaps. As the low income market has more structural holes than the traditional market, the research will try to understand if firms are capitalising on this and if it is providing competitive advantage to firms operating in this market.

3 RESEARCH QUESTIONS

The fundamental question this research aims to answer is: How the functioning of firm partnerships required to compete within the low income market in South Africa differ to the function of firm partnerships in the more traditional upper income market?

- **Research question 1:**
  Reficco and Marquez (2009) believe that within the low income environment, it is important to partner successfully with non-traditional actors where examples include local NGO's and communities.

  Question: How important are non-traditional partners such as the local community, the government and NGOs in the low income market in South Africa compared to the traditional market?

- **Research question 2:**
  Reficco and Marquez (2009) further looked at the issue of alliance formation in terms of what compels organisations to form alliances with non-traditional actors when entering the low income market.

  Question: Why are broader alliances formed in the low income market in South Africa compared to broader alliances in the traditional market?

- **Research question 3:**
  According to Rivera-Santos and Rufín (2010) "compared to TOP networks, BOP networks are considered to have more structural holes".

  Question: Do business units that operate in the low income market in South Africa use partnerships to fill institutional voids that those in the traditional market do not require?

4 RESEARCH METHODOLOGY

4.1 Research Design

It was pointed out by Rivera-Santos and Rufín (2010) that networks found in the low income market and the partners that make up these networks differ from those in traditional market in fundamental ways, justifying a differentiated analysis. The aim of the research was to understand and identify the differences between partners engaged by firm's business units, operating in both the low income market and the more traditional upper income market. The aim of the research was to provide a rich, deep level understanding of the partners required across different functions within these respective markets. In order to understand these differences, managers working within the traditional business units and the low income business units were interviewed across a sample of firms in order to answer the research questions posed in Chapter 3.

The research is an exploratory study using a qualitative, deductive & inductive approach. Qualitative research attempts to explore phenomena around a subject further (Zikmund, 2003), in this context the different partnerships required between the low income and traditional markets within the South African context. The qualitative approach also allows the development of deep insights around a subject to enable a better understanding (Saunders & Lewis, 2012). According to Zikmund (2003) qualitative research is useful when an ambiguous problem needs to be clarified.

Theory exists around partners required within the low income market and the reasons for differentiation when entering this market. This theory was tested in a South African environment through organisations that operate both within the low income market and the traditional market. From this research both confirmation of prior research in terms of partnerships required for the low income market was gained and new theory was established through the insights learnt.

4.2 Population & Unit of analysis

The population consisted of all firms within South Africa that operate in both the low income market and the more traditional upper income market.

The unit of analysis according to Zikmund (2003) indicates who will provide the content for analysis and how this analysis will be aggregated. In this study the unit of analysis were the firms within the sample regarding:

- How important non-traditional partners are in the low income market in South Africa compared to traditional market?
- What are the major reasons for alliance formation in the low income market in South Africa compared to the traditional market?
- Are partnerships that they form in the low income market in South Africa important to fill institutional voids more so than they are in the traditional market?

4.3 Sampling

A non-probability sampling technique was used, which Zikmund (2003) described as a sampling technique where units of the sample are selected on the basis of "personal judgement or convenience". Saunders and Lewis (2012) describe the process of selecting a sample using judgment based on the subject's ability to answer the research questions as purposive sampling

This type of sampling was not necessarily representative of the entire population. This is primarily due to the fact that the complete population is not known and it is therefore not possible to randomly select the sample (Saunders & Lewis, 2012). This study used cross case qualitative analysis that cannot be representative of a population, but offers deeper insights which cannot be uncovered through statistical analysis. It is, however, judged to be the best representative sample possible for a qualitative study given resource availability and accessibility. The sampling technique was suitable due to of ease of access and an increased sample size.

For the purposes of this study, eight firms that operate in both the low income market and the traditional market were chosen, with 14 managers being interviewed within these firms. The sample was made up of firms across a number of different industries; this facilitated a comparison of the varying dynamics and network structures across each one of these industries. These firms were chosen both for their ambidexterity but also for their accessibility to the researcher. The firms included as part of this research and the managers interviewed were as follows:

Table 1: The research sample

	Company	Industry	Low income manager	High income manager
1	ADT Security	Security	Bongani Dyantyi	Clive Humphrey
2	MTN	Telecommunications	Simo Mkhize	N/A
3	Standard Bank	Banking	Chris Weiss	Andrew van der Hoven
4	ABSA	Banking	Miguel Martins	N/A
5	Sanlam	Insurance	Hayley Kuhn	Karin Muller
6	Regent	Insurance	Este Digue	
7	Multichoice	Broadcasting	Dave Hagen & Mpume Ncube	Robyn Lok
8	SAB	FMCG	Siya Mpanza	Antonio Rossetti

In each of the sample firms, carefully selected managers with significant knowledge of the low income segment and managers operating in the traditional segment were interviewed within each firm. One of the respondents had expert knowledge of the low income market and one of the respondents per firm specialised in the more traditional market; this will enable a comparison across the two segments under study. The interviewees were selected based on their knowledge of the segment that they work in and were identified through personal connections within the business. The interviews were concluded after the sessions with the 14 managers as a data saturation point was reached and no new significant findings were being uncovered at that point.

Through interaction with the initial respondents, references were obtained for relevant interviews with other managers within each business in the sample. In two of the firms included in the sample - MTN and ABSA - it was not possible to interview candidates from the high income segment, therefore insights relating to the high income segment for those firms was obtained through the low income manager. Regent Insurance have not yet entered the low income market, however the manager interviewed, Este Digue, had researched the low income market thoroughly with a view to potentially enter it and had put a business plan together for this market. Insight on both segments was gained from her interview.

4.4 Research Instrument

Semi-structured interviews were be used for the data collection. The main aim of the interviews was to gather insights around the partnerships formed in low income segments of the market in South Africa in comparison to the more traditional market.

An interview guide was developed for this study to explore these areas in more detail. Existing theory on partnerships and networks had been used to design the interview guide; however additional areas were covered and explored further when they arose during the discussion.

The following themes are covered in the interview guide and were used to lead the semi-structured interviews:

- Theme 1 was an introduction to determine professional characteristics of the respondent, to get a general view of the respondents view of the low income market compared to the traditional market and the challenges they believe exist in each of the markets.

- Theme 2 focused on the importance of forming non-traditional partnerships within low income market compared to the traditional market and how they have helped them compete within this market. This expands on theory from Reficco & Marquez (2009) surrounding non-traditional actors being important to partners within the low income market, in particular the government, the community and NGO's.

- Theme 3 focused on why broader alliances are formed in the low income market compared to the traditional market and what benefit these alliances provide. This expands on theory from Reficco and Marquez (2009) regarding what compels alliances to be formed in the low income market .

- Theme 4 focused on whether firms operating in the low income market use partnerships to fill institutional voids that firms in the traditional market do not require. This expands on theory from Rivera-Santos and Rufín (2010) that states that low income networks tend to have more structural holes than traditional networks .

Table 2: The interview guide

Main Research Themes	Questions
1. Introduction	**1.1** What is your position at the company and how long have you been within this position?
	1.2 What are the characteristics of the market you operate in (urban/rural/income levels)?
	1.3 Do you believe the business if focusing more on low income or traditional market expansion at this point?
	1.4 Is your business unit profitable and how do you believe it would compare to the low/high income focused business unit in terms of profitability?
	1.5 What do you believe are the biggest challenges in the low income market compared to the traditional market and vice versa?
	1.6 How different are the products/services sold into the low income and the traditional markets?
2. Non-Traditional Partners	**2.1** Do you find you interact with the government to either sell, license or endorse your service/product?
	2.2 Do you find you interact with the community within your market to either sell, distribute or endorse your service/product?
	2.3 Do you find you interact with civil society/NGO's to either sell, distribute or endorse your service/product?
3. Alliances	**3.1** What type of alliances has your business formed to service this market, in terms of: A) sales B) distribution & C) supply?
	3.3 Do you have any alliances in place in terms of employee recruitment or outsourced employees?
	3.4 Do you have any payment collection alliances formed within your specific market?
4. Institutional Voids	**4.1** Have any potentially outsourced activities been brought within your business due to a lack of available partners within your market?
	4.2 How does your market research take place in your market?
	4.3 What are your main methods of payment collection within your market, please can you discuss any pros and cons of these collection methods?
	4.4 Has your business ever been first to fill a void in the market you operate in that has lead to economic profit for the business?

The interview guide was pre-tested to check timing of the interview and to practice how to make the interview flow smoothly. The timing of the interviews varied depending on the manager and the segment they were discussing. The interviews lasted between 40 minutes and an hour. The interviews with managers operating in the low income sector tended to be longer than the traditional sector as expected as the questions focused more on this segment.

4.5 Data Analysis

The interview guide utilised for this study consisted of several open ended questions which were used to establish the partnerships formed by the firm interviewed, which allowed them to compete within the low income or traditional market.

Content analysis was used to analyse the qualitative data collected through the interview process and this method was used to extract information from interviews and analyse the data systematically (Welman, Kruger, & Mitchell, 2005). The interviews were recorded on two devices and each of the interviews was transcribed into Microsoft Word. NVivo was the data tool used to analyse the transcribed interviews and common themes and references were uncovered using this data tool. The raw text data was summarised into a brief, condensed format, that allowed the researcher to establish links between the research objectives set out and the summary findings (Zikmund, 2003).

In addition to the content analysis, a deductive-inductive approach to the analysis was conducted. The deductive approach tested existing theories around business partnerships and networks required within the low income and traditional markets, while the inductive approach uncovered new insights.

In this study, the partnerships formed by these firms were compared and insights were gained where patterns or themes emerged for both the low income and traditional markets. This research will be useful for both academics and business who want to move into the low income market and need to understand partnerships required to strategically enter the market.

4.6 Research Limitations

The methodology suggested above was appropriate for this research; however there are a number of limitations:

- As this was a qualitative study, the sample of the eight businesses operating within the low income market is not reflective of the entire population.
- The sample only included firms across a limited number of industries, for this reason no inferences can be made regarding other industries from this research.
- Judgment sampling was utilised for the interviews and hence no inferences can be made to the population.
- The time frame for the project was limited to 2014 and therefore changes to results are anticipated as the low income market continues to change and evolve as it has over the past number of years.
- The study focused on the South African market in particular so may not be reflective of the global low income and traditional markets.

5 RESEARCH RESULTS

In this study, managers from eight South African corporates were interviewed to contrast the partnerships required to compete in the low income market compared to the upper income market. This study then delves deeper into these partnerships to discover the type of alliances that firms need to form in these respective markets and if these alliances are in place to either fill or take advantage of institutional voids.

14 managers were interviewed across the eight firms with the intention to interview one manager with in-depth knowledge of the low income market and one manager with in-depth knowledge of the traditional market from each firm. Three of the firms did not offer a candidate for the traditional market separately, however insights were gained for both markets through the one respondent.

The managers were asked general questions at the start of the interviews relating to their market and the characteristics of the markets that they operate in. Table 3 summarises the manager's characteristics. The majority of the respondents operating in the low income market have a client base that is both urban and rural; however the upper income client base for the respondents is all based within an urban setting.

The low income market within the sample is made up of customers that earn less than R10 000pm, with the majority of the market making between R3 000 and R6 000pm. The market as a whole is said to be profitable across the respondents, however the market very much focuses on high volume low margin business. A number of the respondents pointed out that the consumers within the low income segment are very discerning shoppers due to their limited income situation and for this reason products sold need to be of an acceptable standard. All of the firms seemed to be of the opinion that the low income market is a highly sought after market within South Africa, with large profits to be made. The firms do seem to be targeting this market but the majority of respondents do not believe there is more of a focus on the low income segment than the traditional segment or vice versa.

It was felt by the majority of respondents that products and services need to be tailor-made for the lower income market. One of the low income market managers interviewed from the telecommunication industry (MTN) mentioned that the acquisition cost of clients is something all firms are trying to reduce in the low income market as this severely affects the profitability of the market:

"Look the product/service (the value proposition) obviously needs to be an affordable thing, but what I am saying is where we as a business need to go and look, is how we solve our biggest issue – the one for all of us would be acquisition – the cost of acquiring this customer."

Table 3: Respondent characteristics

Respondent	Company	Sector	Characteristics	Focus
1	**ABSA**	Banking	Urban and rural	Low income
2	**ADT Security (Tyco)**	Security	Urban	Low income
3	**ADT Security (Tyco)**	Security	Urban	Traditional
4	**MTN**	Telecommunications	Urban and rural	Low income
5	**Multichoice**	Broadcasting	Urban and rural	Low income
6	**Multichoice**	Broadcasting	Urban and rural	Low income
7	**Multichoice**	Broadcasting	Urban	Traditional
8	**Regent**	Insurance	Urban	Both markets
9	**SAB**	FMCG	Urban and rural	Low income
10	**SAB**	FMCG	Urban	Traditional
11	**Sanlam**	Insurance	Urban and rural	Low income
12	**Sanlam**	Insurance	Urban	Traditional
13	**Standard Bank**	Banking	Urban and rural	Low income
14	**Standard Bank**	Banking	Urban	Traditional

5.1 Research Question 1

How important are non-traditional partners in the low income market in South Africa compared to the traditional market?

5.1.1 Non-traditional Partners: Government

Managers were asked whether they interact with government to either sell, license or endorse their products or services. Table 4 below shows how the managers identified the government as a partner to either sell, license or endorse their products or services. Overall, the managers working in the low income market identified the government as a partner much more than the managers working in the traditional market. The majority of the managers, irrespective of the income market they work in, identified the government much more as a regulatory body/partner than a partner to help them sell, license or endorse their product/services.

Table 4: Government as a partner

Company	Sector	Income market	Sell	License	Endorse	Regulate
ABSA	Banking	Low	1		1	1
MTN	Telecommunications	low	1			1
ADT Security (Tyco)	Security	high				
ADT Security (Tyco)	Security	low	1			
Standard Bank	Banking	high	1			
Standard Bank	Banking	low		1	1	1
Regent	Insurance	both				1
SAB	FMCG	high				
SAB	FMCG	low		1		
Multichoice	Broadcasting	high		1		1
Multichoice	Broadcasting	low		1		1
Sanlam	Insurance	high				
Sanlam	Insurance	low				1

A breakdown of the responses gathered during the interview process will now be discussed for each sector separately.

5.1.1.1 Sector analysis – Banking

In the banking sector, two companies' representatives were interviewed. The two banks are ABSA and Standard Bank. Two managers work in the low income market and one works in the traditional market. Representatives of both banks confirmed that the government is a partner in aid of selling and endorsing their products/services. One manager working in the low income market mentioned that the bank interacts with government to sell their products/services by incentivising them through education. This is done by spending a certain amount of money on educating the general public on how to save their money, which in turn yields customers. A manager working in the traditional market reported that they collaborate with the government when there is public sector banking deals to negotiate. In terms of endorsing, the government needs to pay out pensions to pensioners in remote areas, and here they approached the banks to provide mobile ATMs for this purpose. By doing this, the government also encouraged the pensioners to consider banking services. The government also encouraged Mzanzi accounts, which provided affordable banking across all banks to low income customers. One bank's representative reported that the government is a partner in terms of licensing their products/services. The banks need a general license to operate.

An additional theme that became prevalent from both the managers working in the low income market as well as the traditional market was that the two banks interacted with the government as a regulatory body. The government regulates the banks in terms of the products/services they provide to the public. The government regulates banks in terms of the Financial Services Charter. Both banks' representatives mentioned that Mzanzi-account was a government regulated initiative. Furthermore, the government requires that the banks exercise responsible lending to low income customers.

5.1.1.2 Sector analysis – Broadcasting

In the broadcasting sector, one company's representatives (Multichoice) were interviewed – one in the low income market and one in the traditional market. Both the managers mentioned that they interacted with the government only in terms of licensing. They both mentioned that the company needs to have and abide by a broadcasting license agreement, which is highly regulated. The manager working in the lower income market stated that the license agreement is not differentiated between the low income market and the traditional market.

Furthermore, the two managers both reported that their company works with the government as a regulatory body. This regulations range from monitoring the company's standards, content broadcasted, sharing the platform and any business related monitoring.

5.1.1.3 Sector analysis – Fast Moving Consumer Goods (FMCG)

In the FMCG, one company's representatives (SAB) were interviewed – one in the low income market and one in the traditional market. The low income market manager from SAB mentioned that the company only partners with government in terms of licensing:

"*Licensing is an important driver for us, what we do see in this market, there is a lot of unlicensed outlets that spring up, they have a need to service and the licensing regime does not always keep up with the dynamic in the market, you are always finding this backlog or the legislation has changed and therefore this outlet can no longer be licensed according to the prevailing legislation so it automatically becomes an illegal unlicensed outlet which by law we cannot deal directly with.*"

5.1.1.4 Sector analysis – Insurance

In the insurance sector, two companies' representatives were interviewed. The two companies are Regent and Sanlam. One manager works in the low income market, one works in the traditional market, and one manager works across both the low and traditional markets. The managers working in the low income market, and in both the low and traditional market stated that they only interact with government as a regulatory body. The manager working in both the low and the traditional market stated that their company has to comply with certain regulations in order to do business, and they need to comply with the financial charter where they undertake to provide a service to the mass market.

The manager working in the low income market also mentioned that their company needs to adhere to government-enforced rules and regulations. This includes a regulation regarding the amount that the insurance industry is allowed to take from their customers.

5.1.1.5 Sector analysis – Security

In the security sector, one company's representatives (ADT) were interviewed – one in the low income market and one in the traditional market. The low income market manager mentioned that they only interacted with government to sell their products/services:

"*I think there is really an appetite for government to get involved, because it has something to do with crime, and crime in the townships and the segments we go into is one of government's biggest challenges.*"

The manager also mentioned that the government is an important partner in terms of introducing the company to the community and its leaders, in order to sell their products/services.

5.1.1.6 Sector analysis – Telecommunications

In the telecommunications sector, only one representative from MTN was interviewed, who works in the low income market. This manager reported that the government is an important partner to sell their products/services, as government helps provide access to the communities the company wishes to sell to.

Furthermore, the government acts as a regulatory partner in two ways, according to the manager. Firstly, if the company wishes to sell their products/services to school children (for example), the company needs permission from the Department of Education to approach the school, and then permission is required from the respective school's governing body. Secondly, if the company employs street vendors in the streets of Johannesburg, the local Metro Police needs to provide permission to do this.

5.1.2 Non-traditional Partners: Community

Managers were asked whether they interact with the community within their market to sell, distribute or endorse their products or services. Table 5 below shows how the managers identified the community as a partner to sell, distribute or endorse their products or services. Overall, the managers working in both the low income market and the traditional market identified the community as a partner. All but three of the managers, irrespective of the income market they work in, identified the community as a means of endorsing their products/services. The community was also identified as a partner to sell and distribute the companies' products/services by the majority of the managers. Due to the nature of the community's role, there might be some overlap between the areas of selling, distributing and endorsing products/services, where a single response can provide evidence of more than one of these areas simultaneously.

Table 5: Community as a partner

Company	Sector	Income market	Sell	Distribute	Endorse
ABSA	Banking	Low	1		1
ADT Security (Tyco)	Security	High	1	1	1
ADT Security (Tyco)	Security	Low	1	1	1
MTN	Telecommunications	Low	1	1	
Multichoice	Broadcasting	High	1		1
Multichoice	Broadcasting	Low	1	1	1
Regent	Insurance	Both	1	1	
SAB	FMCG	High	1	1	
SAB	FMCG	Low	1	1	
Sanlam	Insurance	High		1	1
Sanlam	Insurance	Low	1	1	1
Standard Bank	Banking	High			1
Standard Bank	Banking	Low			1

A breakdown of the responses gathered during the interview process will now be discussed for each sector separately.

5.1.2.1 Sector analysis – Banking

The low income market manager from Standard Bank mentioned that they interacted with the community to sell their products/services at some point:

"*Not today, in the past we have had had guys like that, standing under an umbrella in the street selling accounts…"*

All three of the managers stated that their companies interacted with the community to endorse their products/services. One manager indicated that their company would like to resurrect the business of having a Point of Sale (POS) device in spaza shops, where the customer will benefit significantly.

Another manager in the traditional segment reported that they rely strongly on word-of-mouth in the community, because if a community member hears about the products/services from a friend, it carries a lot more weight to the potential client. This manager also mentioned that the company organizes social gatherings for the high-end of their clientele. The third manager had the same opinion as the second manager, indicating that their company interacted with the community by getting the important people in the community to endorse their products/services.

5.1.2.2 Sector analysis – Broadcasting

All of the managers mentioned that the company interacted with the community to sell and endorse their products/services. All the managers said that "word of mouth" is a powerful method used by the community to endorse and sell their products/services. In terms of selling their products/services, all managers said that their company collaborates with smaller companies to install and activate their products. These companies are known in the community. Furthermore, the manager working in the traditional market reported that the company train individuals who work for a retailer to sell their products/services, and also to provide information to the clients upon purchasing the products.

All the managers spoke about partnering with the community to endorse their products/services. The manager in the traditional market reported that they partner with their content providers, such as Super Sport to create awareness in the community. The manager in the low income market reported that they have a programme currently running where they (the company and a partner company) go to the community's homes and try to reconnect any services that might not be connected currently. This low income market manager further stated that trust is very important in the community:

"*And by putting it in the community you develop trust, you develop presence, you develop word of mouth and you limit the cost of them having to move out of their community to purchase the service … so in community we have a number of initiates running…*"

The manager in the low income market also mentioned that they do sales and distributions through an existing installer who is trusted by the community. This person or company then functions as a mini-agent for their company by selling and distributing their products and also doing field marketing and offering support.

5.1.2.3 Sector analysis – Fast Moving Consumer Goods (FMCG)

The manager working in the traditional market said that they use promoters to distribute and sell their products. Ideally, the company would place promoter girls in the drinking establishments during peak times to distribute and sell the products.

The manager working in the low income market also mentioned using some sort of promotional activity that creates excitement in the licensed establishments. This manager emphasized the importance of community buy-in and the licensing of new taverns. A sales representative is also deployed to distribute and sell their products. In this case, it is important to match the right sales representative to the right community.

5.1.2.4 Sector analysis – Insurance

All three of the managers said that they interact with the community to distribute their products/services. One manager said that: "*If you don't get the community involved it will not work.*" The manager working in the traditional market reported that they have roadshows and that they support a few financial literacy programmes, especially the programmes running at schools and universities. One of these programmes is the Takalani Sesame sponsorship focusing on financial education. The manager working in the traditional market mentioned that their CSI initiatives are an important distribution tool in the community, as this helps them identify a need in the community. This manager's company also recognizes certain managers who have collaborated with the community in a special way and they then do some PR around this to create a sense of caring for the community in need.

Two of the managers also said that they interact with the community to sell their products/services. The manager working in both the low and traditional market reported that their company provides an opportunity for individuals in the community to create their own business, which will also help the community generate revenue. The manager working in the low income market stated that they make use of representatives to do site marketing. These representatives will present the products/services to the community on Saturdays which produces some sales. The company also generates sales through an affiliate product/service in the form of Funeral cover. Furthermore, the company would approach the pensioners in the communities after permission from the community's Chief has been granted.

The managers working in the traditional market and the low income market also reported that their companies interacted with the community to endorse their products/services. The manager in the low income market reported that building a reputation in the community results in the community trusting the company with their money. The manager working in the low income market reported that they collaborate with schools and transport initiatives to market and endorse their products/services.

5.1.2.5 Sector analysis – Security

Both the managers reported that they interact with the community to sell, distribute and endorse their products/services. The manager working in the traditional market said that the communities are seeking greater involvement from the security companies to protect the streets they live on. This also requires continuous communication with the community, which has led to a community development department at the company. The company uses CPF meetings and community peace forums to continue this relationship.

The manager working in the low income market mentioned that the company tries to have their sales consultants present at the CPF meetings. The company also is involved in sports tournaments which creates the feeling that the company is part of the community. If they recruit a customer through these initiatives, another potential customer will appear as they see the marketing. They also build partnerships with local businesses, such as spaza shops, and educate the community to become customers.

5.1.2.6 Sector analysis – Telecommunications

The low income market manager reported that they gain access to the community through their vendors. These vendors are known to and trusted by the community. By employing these vendors the company achieves sales, and also provides a job opportunity for a community member.

5.1.3 Non-traditional Partners: Civil societies/NGOs

Managers were asked whether they interact with civil societies or NGOs to sell, distribute or endorse their products or services. Table 6 below shows how the managers identified the civil societies or NGOs as a partner to sell, distribute or endorse their products or services. Overall, the managers did not identify civil societies/NGOs much as a partner, with only two managers mentioning interacting with civil societies/NGOs. An additional theme emerged through the interviews: interaction and collaborations with civil society/NGOs to raise awareness of some kind. This theme falls outside the scope of the current study.

Table 6: Civil societies/NGOs as a partner

Company	Sector	Income market	Sell	Distribute	Endorse	Awareness
ABSA	Banking	Low				1
ADT Security (Tyco)	Security	High				
ADT Security (Tyco)	Security	Low				
MTN	Telecommunications	Low	1	1	1	
Multichoice	Broadcasting	High				
Multichoice	Broadcasting	Low	1			
Regent	Insurance					
SAB	FMCG	High				
SAB	FMCG	Low				1
Sanlam	Insurance	High				1
Sanlam	Insurance	Low				1
Standard Bank	Banking	High				
Standard Bank	Banking	Low				

Only two managers mentioned interacting with civil societies/NGOs to sell, distribute or endorse their products/services. Both the managers work in the low income market. One manager mentioned collaborating with an NGO to employ young people, rather than having the NGOs just "sell" the products/services. This then generates sales for the company, and also allows for employment through the NGO. The second interviewer mentioned that their company uses opportunities to work with stokvels (community saving schemes) and churches. The meetings in these societies provide opportunities to sell their products.

5.2 Research Question 2

Why are alliances formed in the low income market in South Africa compared to alliances in the traditional market?

5.2.1 Sales, Distribution and supply Alliances

Managers were asked whether they have formed alliances to service the market in terms of sales, distribution and supply. Table 7 below shows how the managers identified alliances to service the market in terms of sales, distribution and supply.

Table 7: Alliances to service the market in terms of sales, distribution and supply

Company	Sector	Income	Sales	Distribution	Supply
ABSA	Banking	Low	1		
ADT Security (Tyco)	Security	High	1	1	1
ADT Security (Tyco)	Security	Low	1	1	1
MTN	Telecommunications	Low	1	1	
Multichoice	Broadcasting	High	1	1	1
Multichoice	Broadcasting	Low	1	1	1
Regent	Insurance	Low	1	1	
SAB	FMCG	High	1	1	
SAB	FMCG	Low	1	1	
Sanlam	Insurance	High	1		
Sanlam	Insurance	Low			
Standard Bank	Banking	High	1		
Standard Bank	Banking	Low	1	1	

A breakdown of the responses gathered during the interview process will now be discussed for each sector separately.

5.2.1.1 Sector analysis – Banking

All three of the managers mentioned having alliances to sell their products, and one manager mentioned having alliances for distribution purposes. One manager working in the low income market mentioned that they have alliances with retailers and supermarkets where customers can withdraw money and claim their social grants. This manager also said that his company has an alliance with a big retailer in terms of a transactional account. This account is easy to apply for in store, and links directly to your Visa Card. The customers can then pay for transactions and earn a balance on this account. This method of applying for this account is very cost effective to this bank.

The other manager working in the low income market reported that they have alliances with certain businesses to present a bank day, where they sell their service to the employees. Opening up an account will then mean that the employees' salaries will be paid directly into their bank accounts. Through this initiative, the alliance also provides a distribution line.

The manager working in the traditional market stated that most of the sales methods are done internally, however they do have alliances with certain industries such as the mortgage and home loan industry. These industries provide good service to their customers and the bank has strong alliances with these industries. Furthermore, they also have alliances in the form of sending potential customers SMS's and the company would return the calls to the customers in the hope of selling the products/services.

5.2.1.2 Sector analysis – Broadcasting

All the managers mentioned that they had alliances in place for sales, distribution and supply purposes. The manager working in the traditional market mentioned that their alliances for sales purposes include installers, retailers, barter deals in terms of promotions, radio stations and television producers. Furthermore, this company has an alliance with a logistics company to distribute and warehouse their stock.

The manager working in the low income market mentioned they work with a big retailer, supermarkets and furniture outlets to sell their products. The customer can buy a decoder from the retailer, and then the service will be provided to the company. The manager mentioned working with the same logistics company as the other manager to distribute and warehouse their products. The company also works with independent retailers and installers and other agencies to distribute their products. The manager mentioned that they have alliances that supply their products to them, after which quality checking is needed.

5.2.1.3 Sector analysis – Fast Moving Consumer Goods (FMCG)

Both the managers mentioned that they have allies to sell their products, as the company is a producer of this product. Therefore, the company supplies the product to any and all retailers and smaller independent businesses. The manager working in the low income market also mentioned that they work with a company that is responsible for stocking shelves at the retailers.

The manager working in the traditional market said they have allies in the form of urban redistributors who distribute their products to restaurant. The manager working in the low income market has allies in the form of promoters at the retailers, to promote and distribute their products.

5.2.1.4 Sector analysis – Insurance

The manager working in both the low and traditional market reported that they are allied with a Wi-Fi provider to sell and distribute their products. The insurance can then be applied for using the Wi-Fi platform, and the insurance premium is enclosed in the Wi-Fi subscription.

The manager working in the traditional market reported that the company has alliances with independent companies. Another channel they use for sales is call centres.

5.2.1.5 Sector analysis – Security

Both managers mentioned having alliances in terms of sales, distribution and supply. The manager working in the traditional market mentioned working with dealers who are essentially separate subcontracted security companies, which sells contracts for the security company. These dealers are independent, established businesses which can also profit from the alliance. Furthermore, installation sub-contractors serve as distribution agents. Both managers mentioned that the company also allies with suppliers who are responsible for producing the basic products and logistics services for warehousing and distributing their products.

The manager working in the low income market has an alliance with a telecommunications company who sends out sales consultants to market and sell products for both companies. This alliance is also working well, due to the fact that payments are done up front through the product the telecommunications company is selling. The manager also mentioned that they have allied with independent businesses and dealers to sell their products. For distribution purposes, the company has allied with sub-contractors who install their products. This manager added that they are venturing with new allies to try and cut the cost of producing their products.

5.2.1.6 Sector analysis – Telecommunications

The low income market manager mentioned working with new and established business to sell their products/services. The most effective way to build alliances for sales and distribution in this industry is through the wholesalers who provide to small businesses.

5.2.2 Employee Related Alliances

Managers were asked whether they have alliances in place in terms of employee recruitment or outsourced employees. Table 8 below shows how the managers identified alliances in place in terms of employee recruitment or outsourced employees.

Table 8: Alliances in place in terms of employee recruitment or outsourced employees

Company	Sector	Income	Employee recruitment	Outsourced employees
ABSA	Banking	Low		
ADT Security (Tyco)	Security	High	1	
ADT Security (Tyco)	Security	Low	1	
MTN	Telecommunications	Low	1	
Multichoice	Broadcasting	High	1	1
Multichoice	Broadcasting	Low		
Regent	Insurance		1	
SAB	FMCG	High	1	
SAB	FMCG	Low		
Sanlam	Insurance	High	1	
Sanlam	Insurance	Low		
Standard Bank	Banking	High	1	1
Standard Bank	Banking	Low		

A breakdown of the responses gathered during the interview process will now be discussed for each sector separately.

5.2.2.1 Sector analysis – Banking

Only one manager mentioned having alliances in terms of employee recruitment or outsources employees. The manager working in the traditional market mentioned that they probably have alliances with recruiting agencies, and that they also rely on social media and advertising. Furthermore, the manager mentioned that they do make use of temporary staff members when needed.

5.2.2.2 Sector analysis – Broadcasting

Only the manager working in the traditional market mentioned that they use head hunters to help them find candidates for more senior positions. The company also makes use of a large volume of temporary staff members who work in shifts.

5.2.2.3 Sector analysis – Fast Moving Consumer Goods (FMCG)

The manager working in the traditional market mentioned that the company mainly makes use of internal talent acquisition teams.

5.2.2.4 Sector analysis – Insurance

The manager working in both the low and traditional market mentioned that the company mainly uses social media and leaders in the community for recruiting employees. The manager working in the traditional market reported that they make use of a panel of recruitment agents to help them find appropriate candidates.

5.2.2.5 Sector analysis – Security

The manager working in the traditional market reported that they mainly make use of internal recruitment. However, they also make use of companies for critical positions that require certain skills. The manager working in the low income market reported that they work with recruiters within certain communities and advertise through schools or websites. They also rely on social media advertising and online recruiters.

5.2.2.6 Sector analysis – Telecommunications

The low income market manager said that the company needs someone who is able to do community-based recruiting and put up advertisements.

5.2.3 Payment Collection Alliances

Managers were asked whether they have payment collection alliances formed within their specific market. During the interview process it was noted that payment collection alliances and payment collection in general were discussed interchangeably. Therefore, the managers' responses will be discussed, even though they might not have discussed any alliances in this regard. All but two managers discussed payment collection during the interviews.

5.2.3.1 Sector analysis – Banking

All three the managers mentioned that their companies use debit orders for payment collection. Other methods of payment collection in the banking sector were stop orders, credit push transactions, EFTs and salary payments. The manager working in the traditional market mentioned that they have an alliance with a payment association.

5.2.3.2 Sector analysis – Broadcasting

The manager working in the traditional market reported that they receive payment through debit orders, EFTs and bank deposits through retailers. The manager working in the low income market stated that they collect payment through POS systems, payments at retailers and bank payments.

5.2.3.3 Sector analysis – Fast Moving Consumer Goods (FMCG)

The manager working in the low income market mentioned collecting payment through cash on delivery or an agreement that delivery is only made once payment has been received in their bank account. The company also formed an alliance with a bank to help them roll out cash accepting ATMs into townships where the company trades with the community.

5.2.3.4 Sector analysis – Insurance

The managers working in the low income market and the traditional market mentioned that they collect payment through debit orders, stop orders and EFTs. The employee working in the low income market also mentioned collecting payment through snap money.

5.2.3.5 Sector analysis – Security

The manager working in the traditional market mentioned collecting payment through monthly fees and debit orders. Furthermore, they make use of an organization that assists them in collecting payment that has not been paid yet.

The manager working in the low income market mentioned an alliance with a bank through a specific service the bank offers that allows the customer to swipe their debit or credit cards to make a payment. Payments are also collected through paying at a retailer.

5.2.3.6 Sector analysis – Telecommunications

The low income market manager mentioned that payment collection poses a problem:

"*Selling the product is 20% of my problem; the biggest problem is getting the money*."

The main method of receiving payments is through cash payments. Payments are also received through bank and retailer payments.

5.3 Research Question 3

Do business units that operate in the low income market in South Africa use partnerships to fill institutional voids that those in the traditional market do not require?

5.3.1 Institutional Voids

Managers were asked various questions regarding institutional voids:

- Have any potentially outsources activities been brought within your business due to a lack of available partners within your market?

- How does your market research take place in your market?
- What are your main methods of payment collection within your market, please can you discuss any pros and cons of these collection methods?
- Has your business ever been the first to fill a void in the market you operate in that has led to economic profit for the business?

Table 9 below shows how the managers identified institutional voids within their markets.

Table 9: Institutional voids identified

Company	Sector	Income	Lack of available partners	Market research	Payment collection methods	First to fill a void
ABSA	Banking	Low		1		1
ADT Security (Tyco)	Security	High	1	1	1	1
ADT Security (Tyco)	Security	Low		1		1
MTN	Telecommunications	Low		1		1
Multichoice	Broadcasting	High		1		
Multichoice	Broadcasting	Low		1		
Regent	Insurance	Low		1		
SAB	FMCG	High	1	1		1
SAB	FMCG	Low	1	1		1
Sanlam	Insurance	High		1		
Sanlam	Insurance	Low		1		1
Standard Bank	Banking	High		1		1
Standard Bank	Banking	Low		1	1	

A breakdown of the responses gathered during the interview process will now be discussed for each sector separately.

5.3.1.1 Sector analysis – Banking

One manager working in the low income sector mentioned that they do their own market research. This manager also mentioned that the partnership they formed with a retailer that links their cards to their Visa account allowed them to fill a void in the market in terms of ease of payment.

The manager working in the traditional market reported that they have a market research department. This department then partner with various market research agencies, depending on the requirements of the research needed: tracking surveys, brand tracking, consumer tracking, understanding those trends, and media type surveys. Recently the company has conducted an online survey with customers. This company filled an institutional void by rolling out a new way of payment.

The other manager working in the low income market reported that they used a lot of information gathered through industry learning for market research. They also partner with an independent company that does face-to-face market research on their behalf: going into the environment and having conversations with the right people. In terms of methods of payment collection, this company sometimes needs to call for legal assistance in collecting their payments.

5.3.1.2 Sector analysis – Broadcasting

The managers only mention their market research initiatives. The manager working in the traditional market reported that they do market research through email, SMS and telephony surveys as well as focus group discussions. The manager working in the low income market mentioned that they work with a market research company that specialises in focus group research.

5.3.1.3 Sector analysis – Fast Moving Consumer Goods (FMCG)

Both the managers mentioned a lack of available partners. The manager in the traditional market mentioned that they had to bring the production of refrigerators in-house to reduce cost and because they were unable to find a supplier. The manager working in the traditional market mentioned that they have started bringing the finance aspect in-house.

In terms of market research, the manager working in the high income sector said that it is as simple and informal as asking people. The manager working in the low income market said that they used various techniques of doing market research: focus groups with customers, sales data, trading patterns, credit utilization and predictive modelling.

Both the managers mentioned that their company has filled an institutional void by providing new products aimed and the female market, and the different taste market.

5.3.1.4 Sector analysis – Insurance

The manager working in both the low and the traditional market reported that their main method of market research is questionnaires completed by their customers. The manager working in the traditional market mentioned that their company works with a small team who runs their market research. The aim is to determine the things that are happening regarding the client, the industry and the environment.

Furthermore, external partners are used to run big research projects, for example through face-to-face conversations and focus group discussions and also telephony interviews. The manager working in the low income sector reported that they collaborate with their research house by providing a brief, and the research house then conducts focus groups or administers questionnaires.

In terms of filling a market-based void, the manager working in the low income market reported that they were the first to remove HIV exclusions from their policies.

5.3.1.5 Sector analysis – Security

The manager working in the traditional market mentioned that they brought an element of finance approval in-house to ensure that sales could be made quickly. This manager also reported that their market research is run by their marketing department, who does research in the community. The manager working in the low income market said that they use a research company to conduct their research by means of surveys and presenting service offerings. Furthermore, they have a monthly in-house due diligence survey.

The manager working in the traditional market reported that their main methods of payment collection are through EFTs, debit orders and payments at partnered retailers. This manager also spoke about the institutional voids this company filled: by approaching the community and ensuring that they get a certain service provided to them, and also by successfully implementing license plate recognition in the community. The manager working in the low income market reported that they filled an institutional void by identifying the gap in the market in terms of security. Also, they saw an opportunity to help the government eradicate crime.

5.3.1.6 Sector analysis – Telecommunications

The low income market manager mentioned that they have a marketing team with the right structures to conduct their market research, and the suppliers also do market research in order to improve the market. Furthermore, they gather data through an additional source who interview the consumers. This company also filled an institutional void by providing cellular service to parts in Africa that were not able to use these services before.

6 DISCUSSION OF RESULTS

The objective of this study was to understand what types of partnerships are required to be successful in the low income market compared to the traditional market. The focus was mainly on non-traditional partners and an attempt was made to understand if these partners are more prominent in the low income market. The study then delves deeper into partnerships, to understand what alliances firms are making in their respective segments and if these alliances are filling voids that exist in the market place.

This information adds to the theory base of low income markets and partnerships. It also provides a framework for firms when they are considering entering the low income market segment.

Research Question 1 looks at how important non-traditional partners are in the low income market in South Africa compared to the traditional market. This is based on research from Reficco and Marquez (2009) amongst others, who believe that it is important in the low income market to partner with non-traditional partners such as government, local communities and NGO's.

Research Question 2 explores this further by seeking to understand the alliances that are formed in the low income market compared to the traditional market and the reasons for these alliances. This elaborates further on the research from Reficco and Marquez (2009) who looked into the reason for alliance formation in the low income market and why firms tend to align with these non-traditional partners. It further focuses on the other more traditional types of network alliances formed and the differences between the low income market and the traditional market.

Research Question 3 examines whether business units that operate in the low income market in South Africa use partnerships to fill institutional voids that those in the traditional market do not require. Rivera-Santos and Rufín (2010) mentioned that compared to the traditional market, the low income segment has more structural holes. The South African sample, tested and included in this study, represents this. It has further been examined whether the non-traditional partnerships/alliances have been used to fill structural holes in ether of the markets.

6.1 Research Question 1

How important are non-traditional partners in the low income market in South Africa compared to the traditional market?

6.1.1 Non-traditional Partners: Government

The majority of the low income respondents mentioned partnering with the government in some form to get access to the segment. The respondents from the low income segment mentioned that the government is involved in a number of respects, including helping the firm acquire business, putting in place legislation that firms are required to provide a service for and actually servicing the government sector.

In contrast, not one of the traditional market respondents mentioned that the government was a partner in terms of acquiring business or assisting them to do business in their segment. The only interaction that the traditional segment respondents had with government was in a licensing/regulatory role. Non-market partners can be described as either “supporters” or “regulators” according to Reficco and Marquez (2009) and they very much fall into the regulator space in the traditional market. This is not dissimilar to the low income segment where the same licensing/regulatory requirements are required. Only one of the high income managers from a bank (Standard Bank) mentioned that the government can sometimes be a client in their space:

"The only time we have interactions is if there's a public sector sort of business banking deal that's going down and whether there are any support services that are required for that, but generally not a lot."

As mentioned in Chapter 2, the government can become a crucial member of a low income market network according to Rivera-Santos and Rufín (2010). These members join the low income market network and partner with low income firms, which provide them with connections to other partners that they may not have had access to otherwise.

This was confirmed by respondents from the security and telecommunications industries, where they both had to form partnerships with the government to gain access to a market that would have been difficult to access through traditional marketing channels. According to the low income market manager in the telecommunications industry (MTN):

"*I want to have access to schools, to provide school children with access to cellular products, if the school sells airtime etc. it will go towards a community project or school project, in order to do that I need to get clearance from the department of Education. I need the help of the school governing bodies and therefore they play a very critical role in assisting us to get to the communities we want*."

The low income market manager from the security industry (ADT) confirmed this; they use ward councillors within a number of the communities that they operate in to get introduced to the community and to assist the local government reduce the areas crime rate:

"*So what we have done is government, or what you call your ward councillors within these communities, they give us a foot into the door. We go and approach them to sort of give us their blessing to actually operate in their wards, and once then we have got the foot into the door we get into local businesses in the area.*"

London and Hart (2004) believe that partnering with national government is an unsuccessful strategy as they would be as far removed from the low income market as the firm itself. Instead they recommend the strategy of partnering with local or village based government that has influence in the community directly and understands the community intimately. The respondents within the sample seem to be split when it comes to this approach with some of the firms partnering with local government and others partnering at a national level.

The low income respondents from the banking and telecommunications industries mentioned that they partner with government at a national level, more than a local level. The government has put national initiatives in place to assist these industries in serving the client base as they are industries that the government recognises as essential services that benefit and uplift the poor. The government has put regulation in place to make sure that the low income consumer has a viable option in place to meet their needs. An example of this is the Mzanzi account regulation that was imposed on the bank by the government, as per the low income market manager from one of the banks (Standard Bank):

"*They essentially got the banks together, including post bank, and they said guys let's do a standardised bank account, standardised pricing – we'll agree on the pricing every year. In many ways it will be a loss leader, it's probably not going to be profitable but it will drive financial inclusion*".

As mentioned, the low income respondent from the security industry (ADT) mentioned that they partner with the ward councillor from the local government. They require access to the community from a partner who has an established relationship with the community already. It seems that the type of government relationship that is required in the low income market tends to depend on the need for the relationship, whether it is to gain access to customers at a local level or whether it is to gain access to customers at a more national level.

6.1.2 Non-traditional Partners: Community

All of the firms interviewed across the two segments mentioned that the community are an important partner in their markets. The low income respondents however, felt that the community was a much more important partner in terms of being successful than the high income respondents. All of the low income respondents mentioned that the community played a vital role in their market in terms of sales with the majority mentioning that endorsement and distribution were the two key roles the community played.

The most important insight gained in terms of community partnership, which was highlighted continuously throughout the interviews with the low-income respondents, was employing people from within the community to sell the product or service. There seems to be an apparent trust issue in the low income community where consumers do not believe in spending their money with a firm or on a product that they do not know and that they do not trust. As Rangan et al. (2011) mentioned, businesses have created value through engaging communities and involving them in distribution, access, payment and security of their new low income products. They believe that for a model to be sustainable in the long run, it is essential to offer appropriate incentives for those brought into the new ecosystem that the business has created.

The low income respondents believed this to be true and majority have made sure that the community is involved in the sale and distribution process in some respect. The low income market manager from the telecommunications industry (MTN) mentioned:

"*People might be different in terms of sophistication, we buy from people. You know if you want to buy a BMW and you go to a friend or you know somebody who sells BMW for a living, you might just say 'I want a car and can you organize me something' – the price at the end of the day is the same, rather the guy you know get the commission than somebody you don't know.*"

"Low income markets provide a prodigious opportunity for the world's wealthiest companies – to seek their fortunes and bring prosperity to the aspiring poor," (Hart & Prahalad, 2002). The basis of the BOP concept, coined by Prahalad, revolved around the theory that for firms to be successful in the low income market they needed to include the poor and enable their development. All of the low income market managers interviewed mentioned that it was essential to employ field staff from the community itself. This not only generates product buy-in from the community but also provides firms with the access to consumers that they would not have had available otherwise. The low income market manager from the telecommunications industry (MTN) mentioned:

"*So how does the community benefit? MTN has come in and created employment. You know? Within that context community must have a brand affinity for us and to a certain degree that helps the community with some form of additional income, so directly re-invested into those communities*."

The low income market manager from the security industry (ADT) mentioned that they use brand ambassadors in the communities that they go into to both build trust from the community and to develop sales channels and provide leads. These brand ambassadors are normally individuals respected within the community, who have a lot of influence on the other individuals in that same community:

“*The second one is identifying community leaders that we see as brand ambassadors for ADT. So we identify people that have either their school principal or they are working within the community, they are role models, and we try and get them to be ADTs Watch brand ambassadors… and secondly from a lead generation point of view, help us penetrate the market: those community meetings are basically the best way for us to sell because already the community leader has bought into the product, they are our brand ambassador, they are talking on behalf of ADT and all we do is piggy back on their marketing of ADT, and then we just go through with the sales.*”

The traditional income market managers did not discuss employing the community directly to sell their products. One of the traditional market managers from the FMCG industry (SAB) did make mention of engaging members of the community on a promotional level but the majority did not hire from the community in particular. What does seem to take place in the traditional market, however, is that firms tend to partner with established small businesses within the community to both sell and distribute their products. A good example is Multichoice, where one of their main channels to market in each community will be a local satellite reseller who sells and installs independently of Multichoice, however, is contracted by Multichoice as an official supplier.

Grzybowski, Mathias and Mehta (2012) believe that it is important that the community are intimately involved in low income ventures to ensure that the product or service design is fit for the purpose it is intended to serve according to They believe that involving the community in participatory research will engage them to identify their current problem and develop appropriate, effective and sustainable solutions.

According to the managers from both markets, community involvement and opinion are vital for all market research. The majority of respondents across both the markets mentioned that they use specialist market research firms to conduct research and gain insight regarding products and services offered. The most prominent technique used to gain these insights in the low income market, however, is face to face interviewing, where the interviewers immerse themselves in the target community to get consumer feedback. According to the low income market manager in the broadcasting industry (Multichoice):

"*We used a company called Foshizi – Foshizi is a specialist market research company for mass market… They go in and do immersions. Even when they are doing focus groups, those focus groups are in-house.… these guys have worked in this market for a number of years and they just understand the lifestyle, they understand the thinking, they understand the lingo, they are ingrained in there."*

In the traditional market however, the research and insight seems to come from different channels such as telephonic or online surveys, published reports or focus groups where people's opinions are gathered. The managers in the traditional market have many more channels available to them due to the infrastructure in place within the market to initiate their research, which reduces the need for immersion type face to face interviews. According to the traditional market manager from the same firm (Multichoice):

"*We have got different panels that we tap into every couple of weeks, we have an email panel, an SMS panel, we also do telephonic surveys and we spend a lot of resources on focus groups, a lot*"

6.1.3 Non-traditional Partners: NGO's

Schuster and Holtbrügge (2013) mentioned that firms competing in the low income segment should not limit their partnerships to traditional business relationships, but should instead expand their networks across sectors and cooperate with both NGOs and non-profit organisations. They mentioned that cross sector relationships such as these would provide firms with access to skills, competencies and capabilities that they would not have access to without such an alliance.

Two of the low income market managers interviewed mentioned that they partnered with NGOs to compete in their market, the Banking industry (Standard Bank) and the telecommunications industry (MTN) in particular. The other respondents did not make use of NGOs to sell their product or to gain access to markets and in fact a number of the managers felt it was unethical to do so.

A low income market manager from the banking industry (ABSA) mentioned that they partner with NGOs in an educational emersion exercise for reasons other than to simply generate sales. Partnering with NGOs gets them closer to the communities that they want to serve and allows them to understand the needs of the community better. This view was reinforced by the other low income market manager from the banking industry (Standard Bank):

"*We did a lot of work with the Gates foundation around financial inclusion and understanding some of the market information and did a lot of research with them, but there's no formal engagement to access customers.*"

The low income market manager from the telecommunication industry (MTN) did feel that NGOs were a valuable partner for generating business. In particular, they work with an NGO in a number of their communities that helps young people find employment. They partner with this NGO to provide employment and generate sales within the community that they live in. This model meets the goals of the firm (sales), the NGO (job creation) and the community (social upliftment). Another type of entity that this manager has partnered with is churches within the community and the committees of these churches. It was mentioned that a number of churches in the low income market have actually formed commercial divisions to negotiate business deals with firms, with the goal of raising funds for the church and the local community by providing the firm access to the community.

In contrast to the literature indicating that NGOs are an important partner in the low income segment, a number of the managers interviewed mentioned how NGOs did not employ business people and did not have the business acumen required to partner in this market. The low income market manager from the telecommunications industry (MTN) mentioned:

"*NGOs exist for a particular purpose and profit is not one of them. So the most difficult thing to try and do is to tell an NGO how great your product is and if they were to start selling how much money they could make."*

This was reiterated by the low income market manager from the insurance industry (MTN) mentioned:

"*The one thing from her six months working with these NGOs is that those are not business people, they cannot manage and they go in with a philanthropic kind of approach rather."*

Webb et al. (2010) too believed that the non-business mind-set of the typical NGO was an issue. They said that the relationship between firms and NGOs have been adversarial as they promote seemingly incompatible agendas. The main goal of the typical NGO is social development, whilst the main goal of the firm is profit generation.

NGO partnership as a sales generation channel was not mentioned at all by the traditional market managers. However, all of the managers mentioned that they partner with NGOs on a corporate social responsibility (CSI) level and in terms of boosting the *triple bottom line.* This is similar to the majority of the low income market managers who mentioned that they to partner with NGOs on CSI initiatives not only in terms of market penetration. According to the traditional market manager in the broadcasting industry (Multichoice):

"*Not to sell the product, not even for distribution, if it's a CSI initiative you might find you would hook into one of them, maybe a children's home or something like that…We do it because it's the right thing to do and it's also expected…You have got your triple bottom line thing that you do and it's the right thing to do.*"

6.2 Research Question 2

Why are alliances formed in the low income market in South Africa compared to alliances in the traditional market?

6.2.1 Sales and Distribution Alliances

According to Duschek (2004), advantages of a partnership are realised when both partners complement each other in achievement of a common goal. As per the strategic alliance literature, the relational view suggests that partners may exploit their complementary resources to generate value through combined and synergetic cooperation between the partners.

The majority of managers interviewed in the sample mentioned that they have alliances with other firms to either sell or distribute their products or services in their markets. It was very apparent from the interviews that those competing in the low income market tended to partner more with other firms operating in the market but in different industries, whilst the traditional market managers tend to partner more with smaller business set up to fulfil the needs of the larger firm.

The type of alliances that the low income managers tend to form allow for each of the firms to benefit due to the complementary nature of the partnership. A very fitting example of this comes from a low income market manager in the banking industry (ABSA). They have partnered with a major low income retail chain who primarily sells clothing to the low income market with a substantial national footprint. The retailer processes over 250 million customer transactions a year in the low income market and this makes them an extremely attractive partner for other firms looking to infiltrate this market.

ABSA Bank partnered with this retailer to access the low income market. To do this they formed a joint venture to provide basic bank accounts for the low income community. This was a white labelled ABSA bank account with very basic transactional functionality. According to the low income market manager at ABSA:

"Their average customer is a customer who is probably a grant recipient, maximum of R3 000 to R5 000, has a family to support. The retailer subsidises the cost of the card, there are no monthly fees, there are not costs if you transact inside the retailer and you can withdraw and deposit cash at a till, up to a maximum of R200. You can go to an ABSA branch and do it at normal ABSA prices and SASWICH, you get USSD mobile, you have got mobile banking which works off the ABSA platform, we have totally enabled them to be able to offer this to their customers."

This type of sales alliance not only benefits the bank in question, as it provides access to a large customer base, but also provides the retailer with an expanded product line to upsell to their current customer base. The client base is also very well understood by the retailer due to a loyalty card system that the retailer has in place. This allows ABSA to tailor make the product for the needs of this customer base.

Prahalad (2012) talked about the need to develop an ecosystem in the BOP environment where network partners are chosen that can assist with the roll out of new products in a number of ways. This partnership between a bank and a retailer is exactly that. Workflow determines business partners and who to include in the ecosystem. Further to this, capital reduction is a primary focus for firms operating in the low income market; the ecosystem allows the firm to spread the capital burden over the entire network. The ABSA alliance is a good example of how they decreased both their investment cost and risk of entering the low income market with this type of alliance.

There are further similar examples of this type of alliance across the low income market, such as Multichoice (Broadcasting) partnering with the same retailer to sell to this market and ADT (Security) partnering with MTN (telecommunications). MTN and ADT operate in very different industries but both have feet on the ground in the low income market to increase penetration. They are looking to partner to sell each other's products, which will increase the potential sales force for each and will reduce the acquisition cost of new clients. According the low income market manager from ADT:

"…it (MTN) is one of first to market in that segment of the market, so I think we can learn a lot from them, but they can see some benefit in partnering with us."

The managers interviewed in the traditional market segment all made mention of sales and distribution alliances they have in their markets, however these all tend to be with businesses that were formed to be experts in their particular service, such as sales or distribution for the firm they partner with. Examples of these types of alliances include:

- ADT (Security) – Dealer network
- Multichoice (Broadcasting) – Installation agents
- Sanlam (Insurance) – Brokers and financial advisors

6.2.2 Employee Related Alliances

Contractor et al. (2006) suggested that organisations use “flexible, dynamic communication linkages to connect organisations and people” into a new creative organisation for products or services. These networks are constantly adapting as dysfunctional members are dropped and new members are added. These types of relationships exist between firms to source employees in their individual markets, where different alliance are added or taken away depending on the market or circumstance.

Recruiting employees in the low income segment is very different to recruiting employees in the traditional market due to the lack of infrastructure and the need for community based employees, according to the interviews. In the traditional market firms form alliances with specialist recruitment companies to source talent; these firms are very prolific and allow the firm to outsource this task to experts. Besides forming alliances with specialist recruitment firms, the traditional market firms also partner with online businesses to recruit staff through new social media channels and more traditional internet job advertising sites.

In contrast to the traditional market, managers focusing on the low income segment need to develop alliances with partners within the community they operate to source talent. As mentioned, the low income community trust members of their own community more so than outsiders and are more willing to do business with them.

The low income market managers mentioned different type of alliances formed in their segment to recruit staff. A low income manager from the insurance industry (Regent) mentioned that they partner with religious leaders or education leaders in their communities to assist them recruiting community based employees as they "*have a very strong standing in the community*". The low income market manager in the security industry (ADT) mentioned that they mainly partner with schools and colleges based in the community to recruit new sales staff for their division.

A number of the managers focusing on the low income market mentioned how they have also started using online recruitment tools to source staff in their market. The availability of internet is increasing and this is allowing the low income community to get access to the internet more so than ever before, mainly through cell phone/mobile access. According the low income market manager from the security industry (ADT):

"So we have sort of shifted to advertising on P-Net and Career Junction and all of that, so we are moving towards really targeting that specific market in that specific area, because ADT Watch is very area-specific."

6.2.3 Payment Collection Alliances

Businesses have created value through engaging communities and involving them in distribution, access, payment and security of their new low income products according to Rangan et al. (2011). This is especially true when it comes to payment collection in the low income segment, where local businesses in the community are vital to the collection process.

All of the managers interviewed across both markets mentioned that they have payment collection alliances in place to facilitate payment. The firms all use one of the major banks to run debit orders monthly on their clients account to collect payment but this method of collection is a lot more effective in the traditional segment where the customers use bank accounts more formally than the low income segment do. To collect payment from the low income segment more non-traditional alliances have been created to improve this process, according the low income market manager in the security industry (ADT):

"So we need to come up with creative payment solutions for customers and accessible or easy way for customers to pay… So we need to come with flexible ways for customers to pay, and like I said before, the internet banking and debit order is not the most frequently used in that market. And in that market most of the customers don't have bank accounts"

Brass and Galaskiewicz (2004) mentioned how inter-organisational networks are made up of members that control their own resources but decide together on how best to use these resources. These are often long term symbiotic relationships including those found in strategic alliances.

Examples of this came from managers focusing on the low income market that have developed alliances with partners to facilitate the collection of money from consumers that tend to use cash as their means of trade. An example of completely out of the box thinking came from the low income market manager form the insurance industry (Regent). They partnered with a firm offering Wi-Fi access to the low income community. This Wi-Fi business allowed clients to access the internet from their phones within their communities and they could top up their available data by buying vouchers with cash from local spaza shops and other local vendors. The client would then automatically have funeral insurance by registering for this Wi-Fi as part of the payment for registering would go towards covering this insurance premium. According to the low income market manager from the insurance industry (Regent):

"*…and through that we got our premium because we embedded it in something that they wanted and there is nothing that they can use a bank card for in those communities, nobody has a point of sale payment system."*

A number of the firms interviewed used retailers operating in their communities as an alliance for payment collection. Retailers have become a major payment collection player in the market and facilitate the collection of client's cash whilst they are doing their shopping in a store and allocate it to the appropriate service partner that they have an alliance with. According to the traditional income manager from the broadcasting industry (Multichoice):

"*The guys love paying at retailers, they use their credit cards and they can get the points, Pick n Pay, Pep, Spar, we have a large footprint there. It is also because you pay and you it on your slip, you get your points, you can do it with your grocery shopping.*"

This is true for the low income market as well; the traditional retailers have started to expand into the low income communities and will continue to do so into the future. However, the low income managers have had to partner with other non-traditional retailers in their communities where one of the traditional retailers does not have a presence currently. They partner with these informal retailers to convert a client's cash into an electronic payment, while the retailer makes a commission on a transaction. According to the low income market manager in the broadcasting industry (Multichoice):

"*We have different payment points, we've got vendors like Flash, Cazen – those are vendors that have, it's like a point-of-sale systems – so at a Spaza shop this person will have this POS system and they sell electricity and airtime, and using that same system you can then pay for your DSTV subscription.*"

6.3 Research Question 3

Do business units that operate in the low income market in South Africa use partnerships to fill institutional voids that those in the traditional market do not require?

Sánchez and Ricart (2010) believe that institutional voids occur when there is a lack of appropriate resources in the market to develop the company's activity. The institutional voids force the firms to seek substitutive models to fill this gap in the value network by either creating it in house or by using a non-traditional type of partner to fill this gap.

One of the major institutional voids Sánchez and Ricart (2010) mention that exist for the majority of firms in the low income market is the lack of available credit for consumers. Consumers cannot afford to pay for a number of items that would benefit their lives and it is difficult to raise credit in this market due to the risk profile of the customers. A way to solve this and to gain competitive advantage amongst firms competing in this market is to bring the financing function in house and provide goods or services on credit to consumers.

The low income manager from the security industry (ADT) mentioned that they created the first low cost rented alarm system to target the low income market. ADT finance the cost of the equipment up front and the client pays it off over a number of months of the contract. According to the low income manager from ADT:

"*I don't think they (the competitors) have quite gotten the recipe in terms of how to penetrate. I mean the guys who are competing with their pricing, it is very different to what we are charging, and I think the rented option is giving us a head start by a mile."*

Sánchez and Ricart (2010) further believe that institutional voids are not just constraints but offer an area of opportunity for firms to fill in where competitive advantage can be gained. This can be seen from the likes of MTN, where they have taken telecommunication access to the low income consumer. This has allowed a large number of other industries to enter the market due to the accessibility that MTN has provided. A further example of this can be taken from the low income market manager at Multichoice, where they have brought television access to remote low income communities that never would have had access to television in the past. This opens up channels for other industries and firms to advertise and reach these communities for the first time, making Multichoice a very valuable member of the low income network in these segment and allows them to generate profit due to this competitive advantage.

Mair & Marti (2007) mentioned that an institutional void is where absent and/or weak institutional arrangements prevent the low income community from participating in certain market activities. This was touched upon by the low income manager from the banking industry (ABSA). The banking industry in South Africa finds it very difficult to serve the low income community in general due to the lack of institutional arrangements in place and this is the reason why there is such a large unbanked population in South Africa. This is why ABSA formed its alliance with one of the major retailers in the low income space; to offer very low cost simple bank accounts to the community. These accounts allow a section of the population to have bank accounts for the first time and afford them the safety of not having to keep all of their disposable income in cash. This would not have been possible if the retailer had not been in place to bridge the void that would have existed if they did not operate in the low income space.

There were no real examples of institutional voids being present in the traditional market from the traditional market managers, as the market place is much more formalised and very few structural holes seem to exist in this market. This is in line with the theory from Rivera-Santos and Rufín (2010) where they state that due to intermediaries that are highly developed and entrepreneurial forces, TOP networks tend to have fewer structural holes than BOP networks.

7 CONCLUSION

This chapter revisits the research objectives and summarises the findings of the study, manager recommendations are suggested based on the findings. Finally study limitations and a conclusion for the research are presented.

7.1 Research Objectives

The objective of this research was to compare partners required to be competitive in the low income market to the more traditional upper income market in South Africa. The research looked at what strategic choices have been made within business units that operate in the low income market in terms of partnership selection and formation. The non-traditional partnerships that were examined in this research included the community, government and NGO's. This research determined what type of relationships firms competing in the low income segment have with these non-traditional partners and how these relationships and the reason for forming these relationships differ in the traditional market.

This research also investigated the type of alliances formed in the low income segment compared to those required in the traditional market and the reason behind these alliances. Lastly this research looked at whether firms that operate in the low income segment in South Africa use the partnerships that they form in their network to fill the institutional voids that exist in the market more so than when they operate in the traditional segment.

The objective of this research was to test the theory that exists around partners required within the low income market and the reasons for differentiation when entering this market. It highlights the difference that firms currently operating within both the low income and traditional segments have found and can be used as a guideline for strategic planning and business design.

7.2 Research Findings and Synthesis

Research question 1 focused on the importance of forming non-traditional partnerships within the low income market compared to the traditional market and how they have helped them compete within this market. This expands on theory from Reficco & Marquez (2009) surrounding non-traditional actors being important partners within the low income market, in particular the government, the community and NGO's.

The government was a major partner in the low income market for the majority of the firms interviewed. The respondents from the low income segment mentioned that the government is involved in a number of respects, including helping the firm acquire business, putting in place legislation that firms are required to provide a service for and actually servicing the government sector. The managers from the traditional market did not mention that they use the government as a partner; however they did have a regulatory relationship with government. This regulatory relationship existed for both the low income market and the traditional market and a distinction cannot be made between the two in terms of this.

The community was seen as an important partner for both the managers working in the low income and the traditional markets. The low income respondents however, felt that the community was a much more important partner in terms of being successful than the high income respondents. All of the low income respondents mentioned that the community played a vital role in their market in terms of sales, with the majority mentioning that endorsement and distribution were the two key roles the community played. This is in line with research done by Ismail, Kleyn and Ansell (2012) where they found that Blue Label Telecoms partnered with tribal chiefs, gospel singers, soccer teams and churches within the community to help endorse and distribute their products. Low income managers emphasised the importance of employing staff from within the community to be successful in this market. Ismail et al. (2012) also found that staffing from within the community in the low income market was essential, as the staffers would be in the best position to provide knowledge and the needs of the community, they could also help bridge any mistrust that was felt from the community towards the firm

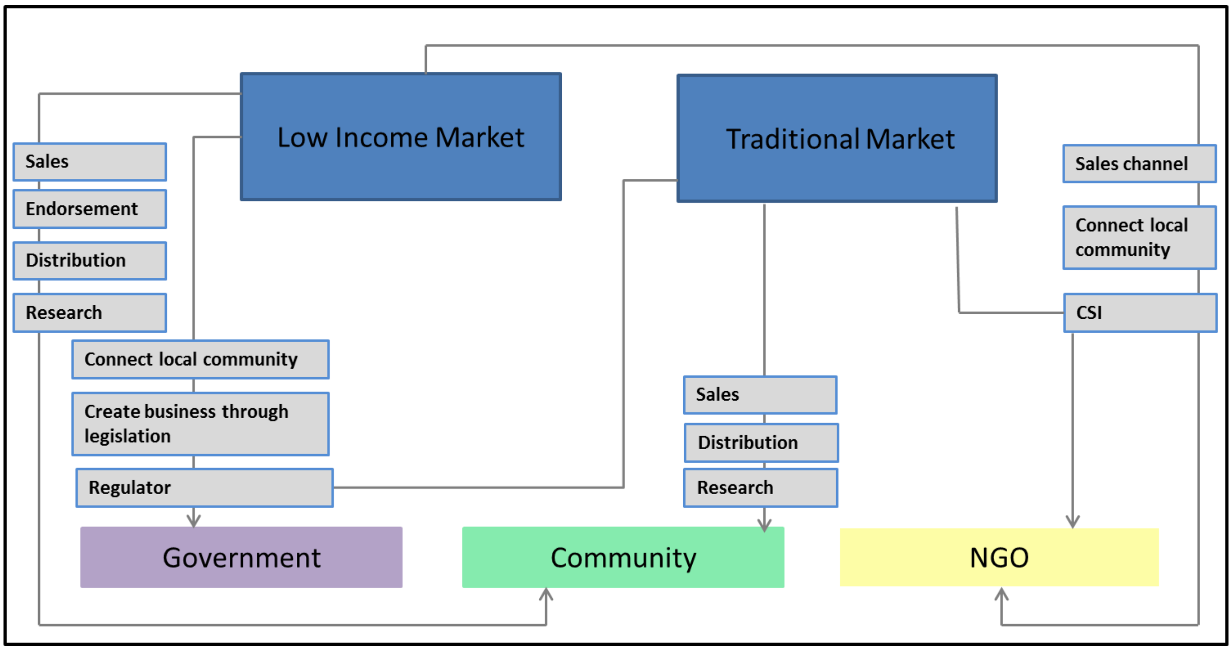
The managers from the traditional market did make mention of involving the community in sales and distribution, however the partnerships they did mention were more with small community based businesses instead of with local individuals. Both the low income and traditional market managers felt that it was very important to involve the community in market research to understand the customers' requirements to service their markets.

NGOs were not seen as a major partner by the majority of firms both in terms of the low income market or the traditional market. A number of the low income managers did however have a relationship with NGOs to gain access to the community that they were targeting or to find community based sales staff. The feeling from the research however, was that firms in South Africa are not partnering with NGOs in this market as much as they should be and this has to do with a lack of business awareness and skill within the majority of NGOs. All of the firms interviewed across both the low income and traditional markets did mention that they partner with NGOs as part of their CSI responsibilities.

In general the research proves that firms operating in the low income market will have a relationship with non-traditional partners more so than those operating in the traditional market. The research also proves that managers operating in either market will have relationships with these partners but for quite different reasons.

Figure 2 summarises these relationships and can be used as a framework for managers.

Figure 2: A non-traditional partnership framework for the low income and traditional markets



Research question 2 focused on why alliances are formed in the low income market compared to the traditional market and what benefit these alliances provide. This expands on theory from Reficco and Marquez (2009) regarding what compels alliances to be formed in the low income market . This was analysed by looking at what alliances firms formed in terms of sales and distribution, in terms of employee recruitment and lastly in terms of payment collection.

The majority of firms interviewed across both the low income and traditional markets mentioned that they have alliances with other firms to either sell or distribute their products or services in their markets. It was very apparent from the interviews that those competing in the low income market tend to partner more with other firms operating in the market but in different industries, whilst the traditional market managers tend to partner more with smaller business set up to fulfil the needs of the larger firm.

In the traditional market, firms form alliances with specialist recruitment firms to source talent; these firms are very prolific and allow the firm to outsource this task to experts. Besides forming alliances with specialist recruitment firms, the traditional market firms also partner with online businesses to recruit staff through new social media channels and more traditional internet job advertising sites. The low income market managers mentioned forming alliances with a number of non-traditional partners within their market to recruit staff including schools, colleges and churches. The reason for these alliances is that it is very important in this market to recruit staff from within the community to be successful.

Payment collection alliances were widely established by all the firms interviewed across both markets. The firms all use one of the major banks to run debit orders monthly on their clients account to collect payment, but this method of collection is a lot more effective in the traditional market where the customers use bank accounts more formally than the low income market do. To collect payment from the low income market more non-traditional alliances have been created to improve this process. Some of the alliances formed include partnering with local retailers to accept payment and partnering with other firms who already have a payment process in place.

Research question 3 focused on whether firms operating in the low income market use partnerships to fill institutional voids that firms in the traditional market do not require. This expands on theory from Rivera-Santos and Rufín (2010) that states that low income networks tend to have more structural holes than traditional networks . It was found from the research that institutional voids are a lot more prolific in the low income market than the traditional market. A number of firms interviewed have been successful by filling one of these voids and gaining competitive advantage from this. A number of the firms competing in the low income market have had to bring certain processes in-house as a partner did not exist in the market place. Examples of this include ADT Security who had to bring the financing of alarm systems in-house as clients do not have credit cards available to them in this market place; SAB also mentioned that they need to offer financing in-house for the low income market as the institutions are not available for the tavern owners to access finance.

7.3 Recommendations for managers

The research proves that operating in the low income market is very different from operating in the traditional market due to the lack of traditional partners within the market. Managers need to assess the market that they will be entering and research where the partner gaps will be and what they may be forced to bring in-house due to this.

Establishing relationships in the low income market can be difficult for a firm entering this market for the first time, it would be beneficial for firms to partner with other corporates already operating in this market when they launch. Firms that have already set up partnerships and relationships in the low income market are very valuable in this market and have a competitive advantage due to this.

Managers should identify NGOs operating in the communities and attempt to form joint ventures with them. It has been established in this research that this is not common in South Africa, but works really effectively for firms that have managed to form these relationships. NGOs are strategically placed in the low income communities to provide a bridge between big firms and the local community and this needs to be taken advantage of more effectively.

Lastly, I would suggest to managers who are considering entering the low income market to not underestimate the value of employing the local communities in sales and distribution roles in their communities. This was the most common point raised by the respondents in this research. It was made categorically clear that without the community buy-in, one would not be successful in this market.

7.4 Recommendations for Future Research

This was an exploratory study contrasting partnerships in the low income market compared to the traditional market. The research looked at a number of non-traditional partners, namely the government, the community and NGOs. Further to this, alliances that the firms formed in both of these markets were investigated and commented on. All of the research conducted was at a broad higher level and each one of these partners could be researched in more detail with deeper frameworks being developed for each, in terms of the type of partnership required with low income focused firms.

Some of the suggested future research topics include:

- Why South African corporates are not partnering with NGOs in the low income market as effectively as they should and how this can be rectified.
- An analysis of local government compared to national government as a partner in the low income market.
- The effect that the large retailers and other large firms are having on the small local community based business within the low income market.
- An analysis of how firms can form joint ventures to enter the low income market to reduce the acquisition cost of clients and potentially the cost to serve.

- Is low margin high volume a successful business model for entering the low income market?
- Quantitative analysis to check findings on a broader sample

7.5 Conclusion

This study contributed to an understanding of the variety of non-traditional partners required to compete in the low income market than those engaged in the more traditional upper income market. The findings have contributed to the knowledge of why non-traditional partners are required more so in the low income market than the traditional market. There was an indication however, from the companies interviewed in this paper that these non-traditional partnerships do take place in the traditional market but for different reasons. Additionally, the research adds to the literature on institutional voids and highlights the difference between the low income and traditional markets. Low income market networks are characterised by a larger number of structural holes which firms must bridge and innovate around in order to compete successfully, this often entails establishing partnerships with non-traditional groupings in order to overcome this barrier. However, these institutional voids may present an area to develop first mover advantages by locking down successful partnerships before competitors and building brand awareness and loyalty through these alliances.

The output of the research provides a model aimed at leaders of businesses wishing to explore markets in the lower income segments of the economic pyramid. This provides a structured framework to understand the different types of non-traditional partnerships and why alliances should be formed with them.

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