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Gordon Institute of Business Science
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The antecedents of sustained competitive advantage in low income markets: A financial services analysis

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration.

6 November 2017

ABSTRACT

Businesses are currently operating in an environment characterised by constant change due to, an increase in competitive rivalry, erratic global events, continuous change in customer needs, technological developments and a changing regulatory landscape (Osisioma, Nzewi & Mgbemena, 2016). Based on these environmental changes, in their current state, the resources and capabilities of the organisation risk becoming obsolete because *“firms are not only competing in their ability to configure and exploit existing resources, but also in their ability to renew and develop these resources”* (Osisioma, Nzewi & Mgbemena, 2016: p100). This subsequently impacts a firm’s ability to develop, gain and sustain competitive advantage.

An exploratory qualitative research study was adopted to explore the antecedents of sustained competitive advantage in low income markets. This research study sought to demonstrate how the resource-based view (RBV) as well as dynamic capabilities framework can contribute to organisational competitiveness when used either individually or combined in low income markets. Furthermore the study sought to establish differences and / or similarities that exist among traditional and non-traditional financial service providers in the pursuit of sustained competitive advantage within the low income markets. To this end, ten in-depth semi-structured interviews were conducted with senior managers from traditional and non-traditional financial service providers that serve the low income markets in South Africa. Data from the interviews was analysed to uncover emerging themes and constructs that revealed insights which inform the findings of this study.

The findings indicate that from the effective coordination of resources and capabilities, an organisation is able to develop and nurture the accelerators to sustained competitive advantage whilst reduces and eliminating the negative effects of the decelerators of competitive advantage. The model for gaining and sustaining competitive advantage within low income markets was devised using these key findings.

Key Words: Competitive advantage; Bottom of Pyramid; Resource-Based view; Dynamic Capabilities.

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.

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Nombulelo Mbha

06 November 2017

CONTENTS

ABSTRACT ii

DECLARATION iii

LIST OF FIGURES x

LIST OF TABLES x

CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM 1

1.1 INTRODUCTION 1

1.2 PURPOSE 3

1.3 RESEARCH PROBLEM 3

1.4 RESEARCH OBJECTIVES 6

1.5 STRUCTURE OF RESEARCH PROPOSAL 6

CHAPTER 2: LITERATURE REVIEW 8

2.1 INTRODUCTION 8

2.2 THEORY OF COMPETITIVE ADVANTAGE 8

2.2.1 Introduction to competitive advantage 8

2.2.2 Sustained competitive advantage 9

2.2.3 Sources of competitive advantage: resources and capabilities 11

2.2.4 Accelerators of competitive advantage 15

2.2.5 Sustainable competitive advantage and organisational performance 21

2.3 THE RESOURCE-BASED VIEW OF THE ORGANISATION 22

2.3.1 Introduction to the resource-based view (RBV) 22

2.3.2 Ownership, possession and control of resources 25

2.3.3 Critiquing the resource-based view 26

2.4 DYNAMIC CAPABILITIES OF THE FIRM 28

2.4.1 Introduction to dynamic capabilities 28

2.4.2 Reconfiguration of resources according to the market environment in gaining competitive advantage 28

2.4.3 The path dependent process of dynamic capabilities development 30

2.4.4 Dynamic capabilities of organisational and managerial processes in gaining competitive advantage 32

2.4.5 Dynamic capabilities stemming from organisational learning in gaining competitive advantage 33

2.5 THE LOW INCOME MARKET 34

2.5.1 Low income market defined....................34

2.5.2 Characteristics of low income and bop markets....................36

2.5.3 The potential of low income markets 39

2.6 SUSTAINABLE COMPETITIVE ADVANTAGE IN LOW INCOME MARKETS....40

2.7 FINANCIAL SERVICE PROVIDERS (FSPS) 42

2.8 CONCLUSION....................43

CHAPTER 3: RESEARCH QUESTIONS 44

3.1 INTRODUCTION 44

3.2 RESEARCH QUESTIONS....................46

3.3 CONCLUSION....................47

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN....................48

4.1 INTRODUCTION 48

4.2 OVERVIEW AND RATIONALE FOR CHOSEN METHOD OF RESEARCH.......48

4.3 RESEARCH METHODOLOGY AND DESIGN 49

4.4 TARGET POPULATION 51

4.5 SAMPLING METHOD AND SIZE....................51

4.5.1 Sample and sampling method 51

4.6 UNIT(S) OF ANALYSIS 53

4.6 DATA COLLECTION TOOLS 53

4.6.1 Measurement Instrument....................53

4.6.2 Pilot testing process 56

4.7 DATA GATHERING PROCESS....................56

4.8 DATA ANALYSIS APPROACH....................56

4.9 DATA VALIDITY AND RELIABILITY....................58

4.10 ETHICAL CONSIDERATIONS....59

4.11 RESEARCH LIMITATIONS....59

4.12 CONCLUSION....60

CHAPTER 5: RESULTS 61

5.1 INTRODUCTION....61

5.2 DESCRIPTION OF THE SAMPLE....61

5.3 RESULTS FOR RESEARCH QUESTION 1....63

5.3.1 Determining the definition of low income market....63

5.3.2 Understanding the assumptions made about the low income market....66

5.3.3 Understanding the market size (volume and value)....70

5.3.4 Determining the low income market leaders....71

5.4 RESULTS FOR RESEARCH QUESTION 2....74

5.4.1 Understanding how organisations define a "sustainable competitive advantage"....74

5.4.2 Understanding the internal / organisational factors that can be attributed to the shifts in market share....77

5.4.3 Understanding the factors attributed to the organisations success or failure within this market....79

5.4.4 Understanding the speed and ease of imitating a competitor strategy....83

5.4.5 Understanding factors an organisation must acquire or change in order to increase the rate of replication of competitor strategy....85

5.4.6 Understanding what competitive advantage non-traditional and traditional fsps have over each other....88

5.5 RESULTS FOR RESEARCH QUESTION 3....93

5.5.1 Resources and capabilities owned, controlled and unique to the firm can give the firm a competitive advantage within low income markets....93

5.5.2 Assessing if the organisation fully optimises its owned and controlled resources and / or capabilities....97

5.6 RESULTS FOR RESEARCH QUESTION 4....100

5.6.1 Organisational changes in response to the changes in the environment specifically within the low income market....100

5.6.2 Understandingthe impact on resources and capabilities due to the changes made 102
5.6.3 Assessing whether the organisational changes contributed to the organisation being more competitive 103
5.7 RESULTS FOR RESEARCH QUESTION 5 105
5.7.1 Understanding the the organisations view on optimising existing resources and capabilities vs developing new resources and capabilities 105
5.7.2 Understanding what gives the organisation more of a sustained competitive advantage 106
5.8 CONCLUSION 108
CHAPTER 6: DISCUSSION OF RESULTS 109
6.1 INTRODUCTION 109
6.2 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 1 109
6.2.1 Defining the low income market 109
6.2.2 Assumptions made about this market 112
6.2.3 Size of the market by volume and by value 114
6.2.4 Financial services market leaders within low income market 115
6.2.5 conclusive findings for research question 1 115
6.3 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 2 116
6.3.1 How does your organisation define “sustainable competitive advantage”? 116
6.3.2 Internal organisational factors attributed to the shifts in market share 120
6.3.3 Understanding the factors attributed to the organisations success or failure within this market 122
6.3.4 How rapidly and easily have you and your competitors imitated each other’s strategies in this market? 125
6.3.5 What would your organisation need to acquire or change in order to increase the rate of replicating a competitor strategy? 128
6.3.6 What competitive advantage do you think traditional and non-traditional fsps have over each other? 130
6.3.7 Conclusive findings for research question 2 133
6.4 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 3 134

6.4.1 What unique resources and capabilities do you own and control that give you a competitive advantage within low income markets? 135

6.4.2 Does the organisation fully optimise these resources or capabilities? If so how? 138

6.4.3 Conclusive findings for research question 3 139

6.5 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 4 140

6.5.1 How has your organisation had to change in response to the changes in the environment specifically within the low income market? 141

6.5.2 Understanding the impact resources and capabilities due to changes made e.g. were resources reconfigured, integrated, gained or disposed of or other? ...143

6.5.3 Have these organisational changes contributed to organisational competitiveness? Is the change sustainable? 144

6.5.4 Conclusive findings for research question 4 145

6.6 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 5 146

6.6.1 View on optimising existing resources and capabilities vs developing new resources and capabilities? 147

6.6.2 What do you think gives you more of a sustained competitive advantage .. 148

6.6.3 Conclusive findings for research question 5 150

6.7 CONCLUSION 150

CHAPTER 7: CONCLUSION 151

7.1 INTRODUCTION 151

7.2 PRINCIPAL RESEARCH FINDINGS 151

7.2.1 Organisations competitive strategy and its understanding of low income markets 151

7.2.2 Accelerators and decelerators of sustainable competitive advantage 152

7.2.3 Ownership and control of unique resources 153

7.2.4 Reconfiguration of resources and capabilities 153

7.2.5 Sustaining competitive advantage 154

7.3 THE MODEL FOR GAINING AND SUSTAINING COMPETITIVE ADVANTAGE IN LOW INCOME MARKETS 154

7.4 IMPLICATIONS AND RECOMMENDATIONS FOR MANAGERS....................156

7.5 LIMITATIONS OF THE RESEARCH..157

7.6 RECOMMENDATIONS FOR FUTURE RESEARCH 158

REFERENCES...159

APPENDICES 170

APPENDIX 1: Informed consent letter 170

APPENDIX 2: Research interview guide...171

APPENDIX 3: Ethical clearance approval 173

LIST OF FIGURES

Figure 1: The building and eroding of competitive advantage....................................10
Figure 2: Components of an internal firm resource analysis 14
Figure 3: The Resource-Based Model above average returns...................................24
Figure 4: A dynamic capabilities view of firm growth..31
Figure 5: The South African Population Pyramid 38
Figure 6: Accelerators and decelerators of sustained competitive advantage in the low income market...134
Figure 7: Ownership, control and uniqueness of resources in gaining sustainable competitive advantage 140
Figure 8: Model of gaining sustainable competitive advantage in low income markets 155

LIST OF TABLES

Table 1: Interview distribution across industries 52
Table 2: Mapping of research questions with interview questions...............................54
Table 3: Phases of Thematic Analysis...57
Table 4: Sample Description 62
Table 5: Defining the low income market..63
Table 6: Understanding the assumptions made about the low income market............67
Table 7: Understanding the market size (volume and value) 70
Table 8: Determining the market leaders..72
Table 9: Understanding the definition of sustainable competitive advantage 74
Table 10: Understanding the internal / organisational factors that can be attributed to the shifts in market share 77
Table 11: Understanding the factors that can be attributed to the organisations success or failure within this market..80
Table 12: Understanding the speed of the organisation in duplicating the competitor competitor 83
Table 13: Determining the ease for competitors to duplicate the strategy of the organisation..84
Table 14: Understanding the factors an organisation must acquire or change in order to increase the rate of replicating a competitor strategy..85
Table 15: Competitive advantage non-traditional FSPs have over traditional FSPs.....88

Table 16: Competitive advantage traditional FSPs have over non-traditional FSPs.....91
Table 17: Resources and capabilities owned and controlled by a firm can give the firm a competitive advantage within low income markets 94
Table 18: Does the organisation fully optimise its resources and / or capabilities 97
Table 19: Assessing if the organisation fully optimises the resources or capabilities owned and controlled, and if so how they achieve that..98
Table 20: Understanding how organisations have had to change in response to the changes in the environment specifically within the low income market 100
Table 21: Understanding the impact of the change on the organisational resources and capabilities 102
Table 22: Assessing whether the organisational changes contributed to the organisation being more competitive, and if so if the change was sustainable...........104
Table 23: Understanding the organisations view on optimising existing resources and capabilities vs. developing new resources and capabilities.......................................105
Table 24: Given a choice, should organisations choose owning and controlling resources or the ability to reconfigure and change the organisations resources as the environment changes 107

CHAPTER 1: INTRODUCTION TO RESEARCH PROBLEM

1.1 INTRODUCTION

A well-developed financial system has the ability to drive and accelerate the growth of an economy and within this system, financial institutions in the form of banks and insurance companies, occupy a significant place and have a great responsibility of facilitating funds from savers to borrowers which ultimately drives the growth (Coras & Regneala 2015; Sharma, 2015). However, historically this growth has excluded a significant portion of the world's population as globally, financial services have predominantly been designed to service and benefit a now shrinking affluent income and squeezed middle income market with very little attention afforded to low income markets as these markets were perceived to be unprofitable (Dhanaraj & Khanna, 2011; Faurie, 2014; Sandhu & Singh, 2016) as they occupied the bottom of the economic pyramid (Prahalad & Hart, 2002).

However in recent times, there has been a global shift in realising the untapped potential that lies in the low income market (Portocarrero & Delgado, 2010) and with the dynamism brought about by the saturation of and declining profits from affluent income markets (Dhanaraj & Khanna, 2011), together with the opportunity for growth presented by the low income market, corporates in general and financial services specifically, are under immense pressure to be active participants in the low income markets arena (Ahmed & Kumar, 2015). With the realisation of the growth potential, non-traditional financial services providers have and continue to enter the competitive landscape by providing financial services specifically addressing the needs of the low income markets (Wentzel, et al., 2013). These include institutions such as the Post Office as the primary financial service provider (FSP) in the Middle-East and supermarkets all around the world (Wentzel, et al., 2013).

In the case of South Africa, with one of the most developed financial systems in the world, due to the legacy of its past as a result of the apartheid system, the country was left with a dual economy; characterised by highly sophisticated first-world financial markets with third-world social infrastructure thereby leaving parts of society, mainly low income markets, behind and outside the financial system (Porteous & Hazelhurst, 2004). As a result of this structural legacy, the financial services landscape has changed with a surge of informal economic activity which the low income market predominately transacts in (Rivera-Santos & Rufín, 2010).

The South African financial services landscape has historically been dominated by commercial banks as well as insurance companies as the primary financial services providers (Wentzel, et al., 2013) however, as in other parts of the world, market rivalry within the financial services sector has intensified due to newer entrants (Market Line, 2017). The industry is crowded with banks, insurance companies', investment banks, thrifts, and mostly recently out-of-category players such as telecommunications providers, retailers and Fintech companies who are challenging the historical stronghold and profit margins that traditional financial services have enjoyed (Cabot-Alletzhauser, 2016; Market Line, 2017). As a result, financial services providers are not only having to defend their market share, but are required to compete in order to grow it.

Due to the relentless pace of change, conventional sources of competitive advantage such as economies of scale and large advertising budgets are no longer sufficient in driving a firm's above-average returns (Ireland, et al., 2008) more so when competing in the low income markets. Prahalad and Hart (2002) affirm that an entirely new perspective is required in creating and sustaining economic profits from the low income market and this will require creativity to engineer a market infrastructure out of an unorganised sector. This view is further supported and demonstrated through the unsuccessful attempts of most multinationals who have failed to generate innovation for this market and merely transplanted existing offerings originally developed for traditional markets whereas innovating within this market requires a non-traditional approach that takes into account various constraints specific to this market (Chipp, et al., 2012; Da Costa Nogami & Veloso, 2017).

Evident in the competitive environment of the BOP market and relevant to this study, are the gaps in the value chain including gaps in the economic infrastructure such as financing (Rivera-Santos & Rufín, 2010; Bharti, et al., 2014). These gaps therefore necessitate that firms operating in these environments, adapt their structures and strategies to fill these institutional gaps (Rivera-Santos & Rufín, 2010; Dhanaraj & Khanna, 2011).

1.2 PURPOSE

Pels and Sheth (2017: p374) articulate that *"inadequate attention has been given to the specific strategies and business models for effectively engaging the bottom of the pyramid".*

The purpose of this study was to explore new insights into an area of study where little research has been conducted. Facing an increasingly dynamic and constantly evolving competitive environment, this research study aimed to establish the antecedents of sustained competitive advantage of financial service providers operating within the low income markets. As such, the study sought to gain an understanding of how the resource-based view as well as dynamic capabilities framework can contribute to sustained competitive advantage. It was the aim of this study to provide a view of how the different mechanisms offered by the resource-based view as well as the dynamic capabilities contribute to organisational competitiveness when used either individually or when combined. Furthermore, the research aimed at ascertaining what differences and / or similarities exist among traditional and non-traditional FSPs in the pursuit of sustained competitive advantage in low income markets.

This was achieved by answering the stated research questions and interpreting the findings into meaningful recommendations which managers whose organisations compete within the low income market are able to utilise in gaining sustained competitive advantage. The research questions are exploratory in nature such that a greater understand of the concept is obtained.

1.3 RESEARCH PROBLEM

When competing in a marketplace, one of the main objectives that an organisation seeks to attain is that of achieving and sustaining competitive advantage relative to all other competition in the market (Ismail, Rose, Uli & Abdullah, 2012). Beaudreau (2016: p6) offers a definition to competitive advantage, that being *"the ability gained through attributes and resources to perform at a higher level than others in the same industry or market".* Supporting and adding to this view is Guimarães, Severo and Vasconcelos (2017) who argue that modern day organisations configure their resources in order to gain a competitive advantage. Tashman and Marano (2009) uphold that a number of businesses that have succeeded in competing within the BOP market and achieved growth in profits, have embraced strategies that are specifically aimed at engaging with and developing this market. This has been achieved through the deployment of a combination of various competency-building capabilities including the creation of new organisational competencies and value chain efficiencies (Tashman & Marano, 2009).

Collins and Porter (2010) suggests that there are many sources from which competitive advantage emanates however one of the sources proposed by strategy literature is as a result of a organisations endogenous forces namely, a firms resources and capabilities (Huang, et al., 2015). Braganza, et al., (2017) propose that internal resources have a greater impact on the competitiveness of a firm than external factors. Thus, focused on the internal characteristics of the firm, the resource-based view (RBV) is a dominant framework in strategy that attempts to explain how different firms operating in the same industry can ultimately perform differently, gaining and sustaining competitive advantage based on the ownership and control of unique resources and capabilities that are deemed to be valuable, rare, imperfectly imitable and non-substitutable and the distinctiveness of these resources in earning above-average returns (Barney, 1991; Eisenhardt & Martin, 2000; Wu, 2010; Ismail, et al., 2012; Hinterhuber, 2013; Lin & Wu, 2014; Pearson, et al., 2015; Guimarães, et al., 2017).

Though the RBV theory has merit, it has been challenged by a number of scholars who argue that the RBV is rooted in a view that assumes that a firm operates in an environment of constant and consistent stability and presumes persistent equilibrium and stability of competitive positions (Hinterhuber, 2013). This view is however compromised given the changing context of the external environment of the firm which is characterised by hyper competition, uncertainty, shocks, globalisation, rapid changes in technology and fluidity in market demand (Lin & Wu, 2014; Huang et al., 2015; Zapata-Cantu, Delgado & Gonzalez, 2015) changes which oftentimes render most resources belonging to a firm, obsolete in a shifting market (Kozlenkova, Samaha, & Palmatier, 2014) because *"firms are not only competing in their ability to configure and exploit existing resources, but also in their ability to renew and develop these resources"* (Osisioma, Nzewi & Mgbemena, 2016: p100).

Thus in environments characterised radical changes, what is required are capabilities that enable managers to acquire, shed, integrate and recombine resources in order to generate new value-creating strategies that drive competitive advantage (Eisenhardt & Martin, 2000) amidst the changes. As a result, Teece, Pisano and Shuen (1997: p516) propose the development and use of dynamic capabilities which they define as *"the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments…[they] reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies* *and market positions".* The challenge with these dynamic capabilities however, is that they cannot be easily bought but are rather built over time thereby requiring a long-term commitment to their unique development, thus making them difficult for competitors to imitate (Teece, et al., 1997; Zapata-Cantu, et al., 2015; Bodea, 2016). Based on these theoretical underpinnings of competitive advantage, strategy therefore is about *"using available [internal] resources in a way that maximises organisational performance"* (Pablo, et al., 2007: p688).

Sources of competitive advantage are according to Barney (1991), only sustained and valuable to the organisation in so far as they remain relevant to the environment, industry and context within which they operate. With the focal point of the research being on low income markets, Rivera-Santos and Rufín (2010) and Da Costa Nogami and Veloso (2017) assert that the BOP market finds itself in a vastly different environment to that of developed markets, thus decision makers within the financial services sector must explore various strategies in order to achieve a sustainable competitive advantage such that according to Pablo, Reay, Dewald & Casebeer (2007), they are able to maximise organisational performance.

Under conditions of exceptional pressure from the external environment, because the firm's internal resources have been identified as significant strategic levers in driving performance, they form an important aspect of the firm's strategic approach (Eisenhardt & Martin, 2000). However, to fully leverage the potential of converting the low income market into active participants in the economy and to exploit the opportunity therein, businesses will require a complete change in mindset and perceptions, radical innovations in technology, business models and management processes including innovation in product and service offerings, distribution networks and a general rethinking of the approaches used when competing within this market (Prahalad & Hart, 2002; Prahalad, 2009; Dhanaraj & Khanna, 2011; Chipp, et al., 2012; Bharti, et al., 2014).

Pels and Sheth (2017: p374) articulate that *"inadequate attention has been given to the specific strategies and business models for effectively engaging the bottom of the pyramid".* As such, through the lens of both the resource-based view and dynamic capabilities framework, this study sought to gain a deeper understanding of the various approaches adopted by both the traditional and non-traditional South African financial service providers in their quest for competitiveness within the low income market alongside the effective and efficient utilisation of resources and capabilities in order to achieve this. Furthermore the research aimed at determining the accelerators and decelerators of sustained competitive advantage as well as any resultant differences and / or similarities that exist among traditional and non-traditional financial service providers in the pursuit of sustained competitive advantage within the low income markets. Lastly the study intended on providing financial service providers with recommendations on effectively utilising the concepts of the theories alongside the empirical evidence discovered through this research, in order to maximise organisational competitiveness.

1.4 RESEARCH OBJECTIVES

The objectives of this study were to demonstrate how the resource-based view (RBV) of the firm as well as the dynamic capabilities (DC) framework, can contribute to organisational competitiveness in low income markets. It was the aim of this research to illustrate how the different mechanisms offered by both RBV and DC can either individually or collectively contribute to organisations gaining and sustaining competitive advantage. The research aimed to discover how FSPs gain and sustain competitive advantage in low income market by:

- Establishing if there was an understanding of low income markets by financial services providers (FSPs)
- Investigating the accelerators and decelerators of sustainable competitive advantage for financial service providers within low income markets
- Ascertaining if resources that are owned, controlled and unique to the FSP, are sufficient in sustaining competitive advantage
- Determining the reconfiguration made to resources in order to remain competitive

1.5 STRUCTURE OF RESEARCH PROPOSAL

The remainder of the research proposal is structured as follows: Chapter two provides a detailed literature review of the topic a discussion of the concept of competitive advantage extended to sustained competitive advantage, the theoretical underpinnings of this research study namely resource-based view theory as well as the dynamic capabilities framework and an overview of low income markets. Chapter three sets out the research questions surrounding low income markets and sustained competitive advantage based on ownership of resources and dynamic capabilities a firm possess. Chapter four presents the research methodology and design used and provides the rationale for the selection of qualitative research. Chapter five presents the sample, analysis and results of the research while Chapter six is a discussion of the results and the findings based on insights gained. Chapter seven concludes with the highlights of the main findings while providing recommendations to stakeholders as well as for future research.

CHAPTER 2: LITERATURE REVIEW

2.1 INTRODUCTION

This chapter seeks to provide an overview of the applicable literature relating to the research problem as highlighted in Chapter 1. Based on current, relevant and seminal academic literature, this chapter aims to build an argument that demonstrates the need for the research. The literature review will commence with an overview of the concept of competitive advantage extending to sustained competitive advantage as well as the distinguishing of sources of competitive advantage. This is followed by a review of the theoretical underpinnings of this research study, namely the resource-based view theory as well as the dynamic capabilities framework. A perspective of low income markets as the focal market segment for this research will be provided together with its key characteristics which guide interactions with this market. Lastly the section will present according to the literature, considerations to be made in order to gain sustainable competitive advantage within the low income market.

2.2 THEORY OF COMPETITIVE ADVANTAGE

2.2.1 INTRODUCTION TO COMPETITIVE ADVANTAGE

When competing in a marketplace, one of the main objectives that an organisation seeks to attain is that of achieving and sustaining competitive advantage relative to all other competition in the market (Ismail, Rose, Uli & Abdullah, 2012). Huang, Dyerson, Wu and Harindranath (2015) argue that the definition for competitive advantage is not as clearly set out in literature and is open to many interpretations. This is evidenced through the number of varying explanations offered by numerous authors on the subject (Huang, et al., 2015). Beaudreau (2016) maintains that competitive advantage is founded on the organisations varying abilities of producing products and services, gaining efficiencies in their value chains and reducing overall costs. Wiggins and Ruefli (2002: p84) offer a description to competitive advantage as defined by Ansoff (1965) to be *“[isolating] characteristics of unique opportunities within the field defined by the product-market scope and the growth vector. This is the competitive advantage. It seeks to identify particular properties of individual product markets which will give the firm a strong competitive position*”. Beaudreau (2016: p6) offers a different definition to competitive advantage, that being *“the ability gained through attributes and resources to perform at a higher level than others in the same industry or market”.* Supporting and adding to this view is Guimarães, Severo and Vasconcelos (2017) who argue that modern day organisations configure their resources in order to gain a competitive advantage. Wiggins & Ruefli, (2002: p84) views competitive advantage as *“[the] philosophy of choosing only those competitive arenas where victories are clearly achievable”* and a *“firm outperforming its industry”.*

Wiggins and Ruefli (2002) describe competitive advantage as having extended from only being a cost advantage or a differentiation advantage that a firm possesses, to including a wider range of competitive advantages such as physical capital, human capital, technological opportunities and learning, organisational capital and institutional context. Due to the pace and rate of change which is ever-increasing, the nature of competition in many industries is changing including the boundaries that determine an industry (Ireland, Hoskisson & Hitt, 2008). Due to this relentless pace of change, conventional sources of competitive advantage such as economies of scale and large advertising budgets are no longer sufficient in driving a firm’s above-average returns (Ireland, et al., 2008).

Competitive advantage is said to be realised through an initial understanding and subsequent exploitation of the organisations internal strengths, avoidance of the weaknesses, neutralising of the external threats and responding to the opportunities presented by the changing environment (Barney, 1991; Ismail, et al., 2012). However, once attained, competitive advantage has the potential of attracting other competitors into the market due to the high profits realised as a result of that advantage and thus limits the duration in which this competitive advantage can be sustained (Mahdi & Almsafir, 2014).

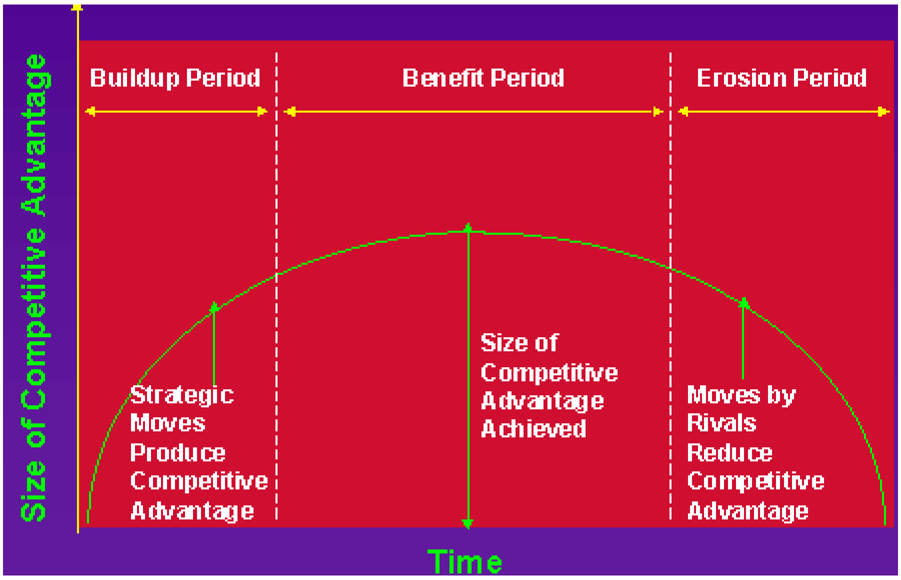
2.2.2 SUSTAINED COMPETITIVE ADVANTAGE

Earlier definitions of competitive advantage were viewed to be static and restrictive as they were only focused on the advantage a firm had at a specific point in time however this view evolved with the focus being on sustainability and the firm’s ability to dominate and remain competitive over time (Beaudreau, 2016). Seminal author on the topic, Barney (1991: p102) articulates the possession of a sustained competitive advantage as an organisations ability to implement a *“value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy”*. Wiggins and Ruefli (2002), add that sustained competitive advantage occurs when some forms of competitive advantage become difficult to imitate thereby leading to persistent economic performance.

Although some authors restrict the concept of sustained competitive advantage to being time-based in that it persists over a long period of calendar time thus yielding sustained superior performance (Wiggins & Ruefli, 2002), Barney (1991) argues against this time-based view and suggests that competitive advantage is sustained when the ability of the competition to imitate, replicate or duplicate the organisations strategy is eliminated and the advantage held continues to exist post the seizing of all competitor duplication efforts. Guimarães, et al., (2017) further explain that a sustainable competitive advantage is brought about by factors that prevent competitors from implementing strategies that would diminish high performance efforts of a particular firm such as continuous innovation and the constant evolution of an organisation. Figure 1 below demonstrates the building and eroding of competitive advantage over time. According to Collins and Porter (2010), the length of the process from the build-up period until competitive advantage is eroded depends on the industry's competitive characteristics. As competitors respond to the advantage, the erosion period begins (Collins & Porter, 2010).

Figure 1: The building and eroding of competitive advantage

Source: Collins and Porter (2010)



Ireland, et al., (2008) provide an alternative view to the concept of sustained competitive advantage in that it is not attainable at all due to the fact that even if firm's were to develop and manage their resources in ways that create competitive advantage, competitors would ultimately learn how to replicate the firm's value creating strategies thereby inferring that all competitive advantages have a limited shelf life and thus not sustainable. Huang, et al., (2015) do however propose that firms that manage to secure a sustained competitive advantage are likely to be those who have achieved a series of temporary competitive advantages over a period of time.

2.2.3 SOURCES OF COMPETITIVE ADVANTAGE: RESOURCES AND CAPABILITIES

Collins and Porter (2010) propose that there are many sources from which competitive advantage emanates whilst Huang, et al., (2015) categorise competitive advantage into two major groupings namely endogenous forces, from a firms resources and capabilities as well as exogenous forces, from the firms privileged position in the market known as the "*industry position*" (Guimarães, et al., 2017: p355). Ishmail, et al., (2012) propose that the organisations overall competitive position is improved when the organisational resources, capabilities and systems are engaged in guiding business decisions. This research will mainly focus on the endogenous forces as they relate to a firms resources and capabilities.

Sources of competitive advantage are according to Barney (1991), only sustained and valuable to the organisation in so far as they remain relevant to the environment, industry and context within which they operate. Ireland, et al., (2008) supports this notion in stipulating that the sustainability of a competitive advantage is a function of three factors namely (a) the rate at which the firm's core competencies become obsolete due to environmental changes, (b) the availability of substitutes for the core competences and lastly (c) the imitability of the core competence.

Teece, Pisano and Shuen (1997) state the importance of determining and distinguishing an organisation's actual and potential strengths and weaknesses because what a firm is able to deliver on is a function of not only the opportunities it is presented with but also the resources the organisation can assemble. Teece, et al., (1997: p513) further propose that *"the real key to a company's success or even to its future development lies in its ability to find or create a competence that is truly distinctive".* According to Grant (1991), this point of distinction comes from a firm's ownership of resources and capabilities and further articulates the differences between resources and capabilities in stating that *"while resources are the source of a firm's capabilities, capabilities are the main source of competitive advantage"* (p119).

Various authors have provided their definitions pertaining to the distinction between resources and capabilities with Wernerfelt (1984: p172) formally defining resources as *"those tangible and intangible assets which are tied semi permanently to the firm",* are the basic inputs into the production process and form the intricate link between the activities of a firm and the advantage it gains over its competitors (Grant, 1991; Pearson, Pitfield & Ryley, 2015). Guimarães, et al., (2017: p353) suggest that resources are *"elements which are inherent to the company and generate value to the organisation, which can only be transferred with costs and with which the organisation is able to develop strategies to maintain or obtain a particular competitive advantage"*.

The term 'firm resources' was further expanded and used to describe a collective of all strengths, assets, capabilities, competencies, collective learning, skills, systems, information and knowledge including organisational processes, procedures and attributes that are all controlled by a firm, thus enabling the firm to conceive of and implement strategies that are intended to improve its effectiveness and gain efficiencies (Barney, 1991; Eisenhardt & Martin, 2000; Ismail, et al., 2012). These resources span across physical capital, human capital and organisational capital resources that can be used to implement strategies that are deemed to create value (Barney, 1991; Eisenhardt & Martin, 2000). Grant (1991) further classifies resources according to six categories namely, financial resources, physical resources, human resources such as employee knowledge and skills, technological resources, reputation as a resource including brand names and patents and organisational resources.

Barney (1991) proposes that in order for a firm to hold the potential of sustained competitive advantage, the firm's resources need to possess four key attributes. Firstly the resources must be valuable as they enable the firm to develop and implement strategies that improve the firm's efficiency and effectiveness, thereby exploiting opportunities and neutralising threats presented in the environment. Secondly, among both existing and potential competition to the firm, the resources must be deemed to be rare and not common to or possessed by a large number of competitors. These first two attributes are according to Braganza, Brooks, Nepelski, Ali and Moro, (2017) the ones that confer competitive advantage. The third attribute that Barney (1991) notes is the need for resources to be imperfectly imitable and unattainable by the competition and lastly there cannot be strategically equivalent substitutes for the resources that can be said to be valuable, rare or imperfectly imitable. In combination with the first two, the last two attributes confer sustainability (Braganza, et al., 2017).

Scholars have since coined the acronym 'VRIN' in describing the combination of resource attributes described above. VRIN stands for valuable, rare, imperfectly imitable and non-substitutable. Thus according to Wu (2010), when a firm possess VRIN resources, it is in a better position to develop and implement strategies that create value thereby achieving sustainable competitive advantage for the firm.

Hinterhuber (2013) however argues that the ownership of resources is not an essential condition for competitive advantage but rather suggests that organisations create and capture value by appropriating relational and inbound spill over rents from participating in alliances thus making resources accessed through partnerships and relationship networks sources of competitive advantage. Furthermore, some firm controlled resources may have no impact on a firm's strategizing processes and can even prevent a firm from conceiving and implementing valuable strategies as they are not strategically relevant (Barney, 1991). As a response to this, Grant (1991) purports that in order for resources to produce productive activity, they cannot be activated in isolation but need to be coordinated and integrated into *"teams of resources"* (p119).

The assumption that organisations operating within the same industry possess and control identical strategically relevant resources thus pursuing similar strategies is being challenged by the notion that organisations operating within the same industry possess some degree of heterogeneity of strategic resources which are not mobile nor are they evenly distributed across competing firms thus gaining an advantage over the competition (Barney, 1991). Ireland, et al., (2008) suggest that resources have a greater likelihood of providing a firm with a competitive advantage when these resources are converted into a capability which is described as the capacity for a set of resources to carry out a task in a coordinated and integrated manner.

According to Barrick, Thurgood, Smith, and Courtright (2015), firms operating in similar environments and that have the same set of resources; can have vastly differing performance outcomes depending on the manner in which each of their resources are *"evaluated, manipulated and deployed".* To this end, Grant (1991: p119) defines capabilities as *"the capacity for a team of resources to perform some task or activity"* whilst Barrick et al. (2015: p114) describes the process of building new capabilities or altering existing ones as *"[the] bundling of resources… with the purpose of creating and maintaining value for customers and owners".* Furthermore, Bridoux, Coeurderoy and Durand, (2017: p1757) advise that capabilities are *"distinct, patterned and practised organisational activities"*.

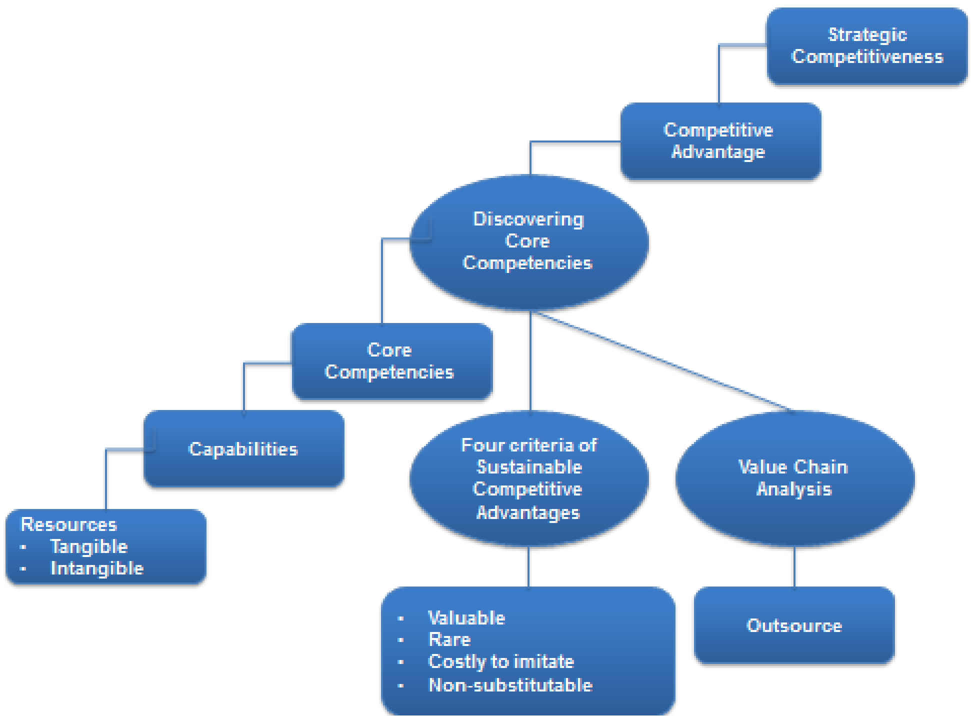
Qureshi, Aziz, and Mian (2017) extend this view by proposing that capabilities are developed through the integration and coordination of both tangible and intangible knowledge-based resources. Furthermore this coordination creates a pattern which when applied consistently whilst remaining dynamic and flexible according to the changing needs of the firm, is able to deliver value to the firm (Qureshi, et al., 2017).

A key feature in the development of capabilities is in the frequent and repetitive application thereof in order to prove that it works thus affording the firm the ability to gain competitive advantage (Qureshi, et al., 2017; Bridoux et al., 2017). Capabilities are thus developed based on a concerted and collective learning effort made by members of a firm who interact with one another with the sole aim of improving the firm's processes and practices and constantly seeking new ways to solve problems (Bridoux et al., 2017).

Figure 2 illustrates the components and relationships of a firm's internal resources and demonstrates how their integrated use can lead to strategic competitiveness for the firm.

Figure 2: Components of an internal firm resource analysis

Source: Ireland, Hoskisson and Hitt (2008)



Huang et al., (2015) does however caution that a competitive advantage gained as a result of a firm's resources and capabilities, may change if the environmental factors change thereby disrupting any status quo generated by that advantage. These changes may be due to the acceleration in technological change, globalisation, industry convergence, aggressive competitive behaviour, deregulation and a number of other externalities (Huang et al., 2015).

2.2.4 ACCELERATORS OF COMPETITIVE ADVANTAGE

Tangible resources such as physical plant, equipment and production technology contribute to a firm's competitive advantage and often times lead to the superior performance of that firm (Ismail, et al., 2012). These resources tend to have a fixed long-term capacity and in a competitive set, are relatively easy to measure (Pearson, et al., 2015), however tangible resources are not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors (Pearson, et al., 2015).

Similarly, intangible resources such as a firm's brand, culture, reputation, knowledge, customer relationships, information technology and the ability to innovate also account for the organisational competitive advantage and superior performance (Ismail, et al., 2012; Pearson, et al., 2015). In a study conducted within the Asian Airlines industry to ascertain the most important intangible resources in gaining and sustaining competitive advantage, the most emphasised intangible resources were "*brand, product and service reputation, managerial competence and experience, strategy and strategic goals and planning, marketing and promotional activities and strategies, and bilateral agreements"* (Pearson, et al., 2015: p12). These intangible resources are deemed to be the most important in gaining and sustaining competitive advantage due to being less replicable than tangible resources (Pearson, et al., 2015; Bhaya & Jassmy, 2017).

2.2.4.1 Brand Equity

Brunello (2013) identifies brand equity as a source of competitive advantage. Bhaya and Jassmy (2017) further emphasise the role and impact that a brand has on the competitive advantage of an organisation although the impact thereof cannot be accurately quantified as Christodoulides and De Chernatony (2010: p5) state that *"perhaps the only thing that has not been reached with regard to brand equity is a conclusion"*. What is however known is that investing in and building equity in a brand, helps to raise competitive barriers in the market as a firm's customers create favourable associations with the brand which ultimately increase the consumer preference for, purchase and / or usage of the brand thus giving the firm a competitive advantage (Christodoulides & De Chernatony, 2010; Pearson, et al., 2015). There is no unified definition on the concept of brand equity however throughout literature there is common understanding that 'brand equity' refers to the value that is bestowed upon an organisations products by the brand and Christodoulides and De Chernatony (2010: p6) offer a definition of brand equity as according to Aaker to be *"a set of assets and* *liabilities linked to a brand, its name and symbol, that add to or subtract from the value provided by a product or service to a firm and / or firm's customers".*

2.2.4.2 Human Capital

In a category of resources, Ismail, et al. (2012) identified human resources as one of the critical resources required in attaining a competitive advantage due to its *"hard-to-copy"* (p154) nature. In support of this assertion, a quantitative research study conducted with the aim of unearthing associations between strategic leadership and competitive advantage, Mahdi and Almsafir (2014) demonstrate that strategic leadership is a capability that drives and improves a firm's competitive advantage. According to Mahdi and Almsafir (2014) this is the kind of leadership that has the ability to focus on, manage and gain access to key resources such as building partnerships and collaborating with other firms, referred to as *"social capital"* (p290) whilst building great internal teams referred to as *"human capital"* (p290).

Ismail, Domil, and Isa (2014) extend this notion to managerial competence and skill whereby firms that possessed this capability, were proven to perform better than those that didn't. Managerial competence is often described on a continuum of two extremes, the first of which is comprised of the knowledge and skills of specific managers unique to an individual firm (Ismail, et al., 2014). However due to the uniqueness of the competence to the individual firm, value and competitive advantage can easily be lost if the manager moves firms as this capability is not always easily transferred (Ismail, et al., 2014). The other extreme refers to generic knowledge and skills that managers possess that can be applied regardless of the context and not specific to a particular firm (Ismail, et al., 2014). Mahdi and Almsafir (2014: p294) further note that the *"combination of organisational resources, capabilities and deployed knowledge needs to be developed and protected in order to enhance sustainable competitive advantage".*

2.2.4.3 Organisational Strategy

Ismail, et al., (2012) argue that a well-executed strategy is a key driver to gaining competitive advantage. In citing Porter, strategy has been defined by Grant (1991: p114) as *"the match an organisation makes between its internal resources and skills … and the opportunities and risks created by its external environment"*. According to Collins and Porter (2010: p103), *"competitive strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers, withstand competitive pressures, and improve its market position"*. Priyanto, Aslichati and Kuncoro (2012) further reiterate the fact that in order for any business to survive, gain and sustain a competitive advantage, it requires a strong, focused, accurate and custom made strategy. This could be achieved in the form of a new approach to market segmentation by way of focusing on and attracting niche markets, the introduction of and focus on innovation or obtaining distinction from competitors in terms of products and services offered (Priyanto, et al., 2012). Further to this, Ciocanel and Pavelescu (2015: p730) propose that *"competitive advantages are based on a strategic model that works simultaneously with the innovation process that has to be encouraged, maintained and developed through various business strategies"*.

2.2.4.4 Customer centricity

Lamberti (2013) states that service orientated companies and industries such as airlines and computer software, have identified customer centricity as a key cog in their pursuit of organisational competitive advantage in response to the dynamic environment in which they operate. Due to the nature of financial services, the industry is often characterised by complex, long-term, high-contact and oftentimes perceived to be grudge purchases, thereby necessitating the building of positive relationships with customers for service delivery (O'Loughlin & Szmigin, 2006). This deliberate focus on building of relationships with customers is often referred to as customer centricity, which Spottke, Wulf, and Brenner (2015: p2) explain to be *"a set of transformational activities… or as organisational objectives"* such as gaining a deep understanding of the customer needs and strengthening relationships with the customer. Organisations that have adopted customer-centric approaches, are not extractive but rather place the customer and their needs at the centre of any product or service development efforts made and desire to build long-term and mutually beneficial relationships with their customers (Osborne & Ballantyne, 2012; Lamberti, 2013; Spottke, Wulf & Brenner, 2015).

In a study conducted within the Irish financial services sector to ascertain the role and importance of the relationship that customers have with their financial service providers, a process of moving from *"transaction-orientated"* to a *"value-enhancing relationship"* (O'Loughlin & Szmigin, 2006: p268) was recommended in order to gain competitive advantage within the sector. This would be achieved through the adoption of relationship marketing which according to O'Loughlin and Szmigin (2006: p268) is *"the process of attracting, maintaining and enhancing [long-term] customer relationships".* Trust, built upon *"shared values, associated behavioural norms, through social bonds between partners as well as successful past interactions"* (p6) is a key component in the building and sustaining of these relationships (Spottke, Wulf, & Brenner, 2015).

Alongside building of customer relationships, is the capability the firm has to translate customer data into value by generating customer insights (Smith, Wilson & Clark, 2006). Although not well defined throughout literature, Smith, Wilson and Clark (2006) propose that customer insights are gained through the applying of organisational resources on customer knowledge in order to generate value and subsequently recommend the definition of customer insights to be *"knowledge about customers which meets the criteria of an organisational strength; that is valuable, rare, difficult to imitate and which the organisation is aligned to make use of"*. The unearthing of these deep customer insights that allow for the adjustment of product offerings according to the customers changing needs will, according Appelbaum, Calla, Desautels and Hasan (2017), require a level of flexibility from the firm in terms of structures, processes and methods where the traditional hierarchies will not be a hindrance.

Lamberti (2013) does however caution against a strictly customer-focused view and rather suggests that this be balanced with an equal focus on the organisational resources. This view is supported by Osborne and Ballantyne (2012) who purport for the dual focus on the firmly entrenched firm-centric view of extracting value, which is a part of the existing marketing theory paradigm, alongside the customer centric ideology.

2.2.4.5 Competitor imitation

Posen, Lee and Yi (2013), suggest that imitation is a strategy used by follower or laggard brands as an attempt to compete with the leader in the category by not only catching up to them but at times leapfrogging and surpassing the leader as well as differentiating itself from other competition. These imitators enter the market after the market leader together with early followers have established and entrenched their brands, products and services and reached market saturation (Krzakiewicz & Cyfert, 2016). Posen, et al., (2013: p151), provides a definition of imitation to being a *"search process in which a firm attempts to replace a subset of its attributes with those of a high performing firm"* whilst Jenkins (2014) simply notes imitation as the direct copying and replicating of a competitor strategy. Although Krzakiewicz and Cyfert (2016) challenge the concept of imitation as an authentic source of competitive advantage and describe it as a *"spontaneous process without any clear goal which innovators can easily defend themselves against by erecting high barriers of entry and expanding the* *scale of their operations",* they advocate for its use when activated alongside innovation efforts and innovative capabilities. Jenkins (2014) concurs with the view that imitation is always intertwined with a level of innovation.

Though little is evidenced through literature about the antecedents of imitation as a business strategy, it has proven to be successful in terms of business growth and profits (Posen, et al., 2013; Jenkins, 2014; Krzakiewicz & Cyfert, 2016) but it also oftentimes leads to price wars and the erosion of market share as well as the differentiation advantage gained by the leader (Posen, et al., 2013; Giachetti & Lanzolla, 2016) due to imitator products being offered at a much cheaper price (Krzakiewicz & Cyfert, 2016). According to Posen, et al., (2013), it is argued that for the imitation of a competitor strategy to succeed, there needs to be *"intra-industry heterogeneity"* (p150) among a strategic group of firms that compete against each other on the basis of having similar combinations of strategic resources (Giachetti & Lanzolla, 2016). Heterogeneity is deemed crucial as there is no benefit to imitating a homogenous firm (Jenkins, 2014). Imitation thus leverages off the diversity of views, knowledge and wisdom possessed by other firms and applied to the imitating firm (Posen, et al., 2013). The caveat however is that *"although imitation benefits from heterogeneity, it also serves to diminish it"* (p150) as the heterogeneity can quickly disappear if all firms are imitating the same market leader on the same combination of attributes (Posen, et al., 2013) thus the imitation needs to be limited based on the market leaders past successes combined with existing attributes of the laggard firm.

According to empirical studies conducted, imitation of competitor strategies does not happen as rapidly or easily as some would assume but it is a rather slow, complex and iterative process over time as firms seek for a better combination of their own resource attributes in attempting to imitate firms in their industry (Posen, et al., 2013). This view is supported by Krzakiewicz and Cyfert (2016) who advocate for the selective usage of imitation as part of the firms strategy whilst taking into account the context in which the organisation operates as well as the capabilities that the firm has. Giachetti and Lanzolla (2016) offer an alternative explanation in that at the initial establishment of an industry, uncertainty among the industry players is high thus firms will focus more internally on their own resource experimentation as opposed to taking on the risk of imitating competitors, resulting in longer lead times for competitor imitation. Similarly, as the industry develops and competitor products and services get entrenched in the market, the levels of risk in imitating the existing competitors are reduced and thus the speed to imitation is more rapid (Giachetti & Lanzolla, 2016). Teece, Peteraf and Leih

(2016) hold a view that knowledge and capabilities are difficult to imitate in that they either need to be bought but ideally they are built over time.

2.2.4.6 Organisational agility and flexibility

In a constantly changing and unpredictable environment, one that is characterised by market turbulence, agility of the organisation which is defined as *"the ability of organisations [to offer a] quick and effective response to unexpected variations in market demand"* (p241), offers a sustainable source of competitive advantage as it seeks to satisfy varying customer needs whilst obtaining an increase in market share (Nejatian & Zarei, 2013). Teece, Peteraf and Leih (2016: p17) describe agility as *"the capacity to continuously adjust and adapt strategic direction in a core business… [as well as] efficiently and effectively redeploy / redirect its resources to value creating and value protecting (and capturing) higher-yield activities as internal and external circumstances warrant…".* Furthermore, Appelbaum, et al., (2017: p7) offer a definition for agility to being *"the ability to function and compete within a state of dynamic, continuous and often unanticipated change"*. All these definitions allude to the use of agility interchangeably with flexibility and adaptability which also form the characteristics of agility (Nejatian & Zarei, 2013; Teece, et al., 2016).

Appelbaum, et al., (2017) propose that in order to remain competitive in an environment that is changing, there are demands placed on the organisation to be continuously reinventing itself in order to survive and maintain its market share. Teece, et al., (2016) however contend with the notion that firms should constantly and continuously be seeking agility as this is an expensive exercise that comes at the cost of efficiency and due to it not being a standardised solution, these costs vary according to the prevailing systems and structures.

2.2.4.6.1 Hindrance to agility: Legacy drawbacks

An organisation's agility is determined by among others, the flexibility of its structures and organisational processes and how rapidly these can be altered thus, in established and traditional firms, transformation may prove to be difficult (Teece, et al., 2016; Appelbaum, et al., 2017) as these organisations are typically built off the back of long-standing and difficult to alter legacy systems, processes and practices (Wu, Lawless, Bisbal, Grimson, Wade, O'Sullivan & Richardson, 1997). Alderson and Shah (1999: p115) define a legacy system as *"an operational system that was written using hardware and / or software which is no longer seen as part of the organisation's current strategy".* They are systems and practices that, although uphold the core functioning of the business (Alderson & Shah, 1999) and have over time contributed to the competitiveness of traditional firms (Gust, Flath, Brandt, Ströhle & Neumann, 2017), these systems, processes and practices are seen not to be supporting the changing needs of the business and to a certain degree hamper business productivity and performance (Davenport, 1998; Alderson & Shah, 1999).

Legacy systems and processes pose a number of challenges for the organisation including (1) the obsolescence of these systems as a result of no longer being fit-for-purpose (Wu, et al., 1997), (2) these systems are usually costly, risky and time consuming to maintain and replace due to being so deeply entrenched in the core structures of the business (Wu, et al., 1997; Matei, 2012) and (3) it is often difficult to integrate legacy systems with new technological functionalities that an organisation requires due to their inflexible nature (Wu, et al., 1997; Alderson & Shah, 1999). As a result, these legacy systems, processes and practices, restrict the organisation's ability to respond to changes taking place in the environment, limit the ability of a firm to adapt its existing strategies accordingly and further hamper organisations in their attempt to create new strategies (Alderson & Shah, 1999).

However there is tremendous pressure from not only competitors who are adopting new open system architectures that enable them to do business faster, but there are developments in the technology itself that coerce and necessitate the change (Matei, 2012).

2.2.5 SUSTAINABLE COMPETITIVE ADVANTAGE AND ORGANISATIONAL PERFORMANCE

According to Guimarães, et al., (2017) a sustained competitive advantage has a positive influence on the organisations overall performance and define a firms performance to be *"the process of quantifying an action, in which the measurement is equated with quantification, and the action is understood as that which leads to performance"* (p355). The organisational performance is measured by economic value and greater profitability that the firm is able to generate relative to its competitors (Mahdi & Almsafir, 2014; Pearson, et al., 2015). Market share growth, resulting in increased profits is oftentimes the measure used for competitive advantage gains (Rahman, Azad & Mostari, 2015). As a result, the position of market leader is usually attributed to the firm with the largest market share among the competitive set (Giachetti & Lanzolla, 2016). This identification of a market leader is supported by Krishnan and Jha (2011) who affirm that a market leader is identified by either being among a repertoire of the top three companies in a specific segment within the industry it competes or as recognised by its competitive peers.

Simultaneously, apparent in the literature with regards to the measurement of performance as it pertains to the competitiveness of a firm, is the move away from the sole reliance on financial-based indicators (Guimarães, et al., 2017) such as a firm's liquidity as well as access to capital (Ismail, et al., 2012) but to also include non-financial indicators (Guimarães, et al., 2017). These include the knowledge that has been created about a brand in the minds of consumers by way of their experience and interactions with the brand over time thereby resulting in favourable associations (Brunello, 2013; Pearson, et al., 2015). Brand equity thus helps the brand gain a distinctive position among its competitors thereby creating an advantage, furthermore (Brunello, 2013: p11) posits that brand equity *"[prevents] market share erosion during price and promotional wars… [and allows] a firm time to respond to competitive threats".*

2.3 THE RESOURCE-BASED VIEW OF THE ORGANISATION

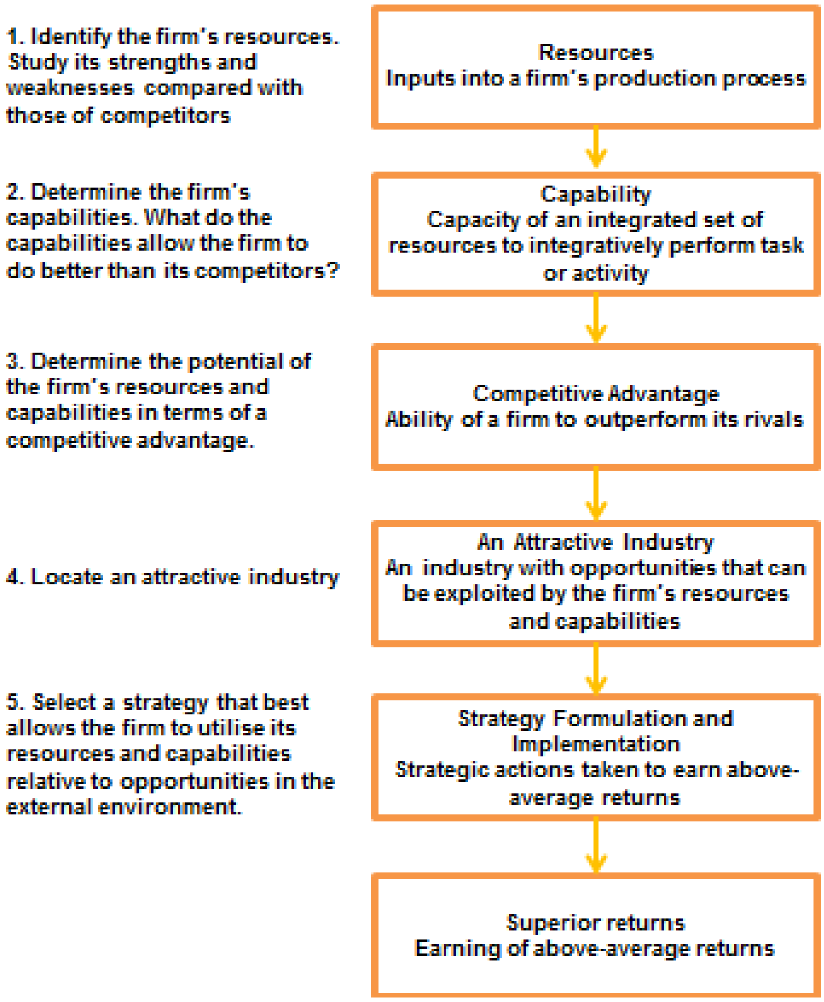
2.3.1 INTRODUCTION TO THE RESOURCE-BASED VIEW (RBV)

Wernerfelt (1984: p173) expresses that *"what a firm wants is to create a situation where its own resource position directly or indirectly makes it more difficult for others to catch up".* This resource position denotes the advantage and effect that the one who holds the resource has over the costs and / or revenues of later acquirers of that same resource thereby creating a resource position barrier which differentiates one firm from another thus resulting in a sustained competitive advantage (Wernerfelt, 1984; Wu, 2010; Guimarães, et al., 2017). Braganza, et al., (2017) propose that internal resources have a greater impact on the competitiveness of a firm than external factors. Thus, focused on the internal characteristics of the firm, the resource-based view (RBV) is a dominant framework in strategy that attempts to explain how different firms operating in the same industry can ultimately perform differently, gaining and sustaining competitive advantage (Eisenhardt & Martin, 2000; Wu, 2010; Lin & Wu, 2014; Pearson, et al., 2015; Guimarães, et al., 2017). Furthermore, Zapata-Cantu, Delgado and Gonzalez (2015) expand that the variations in performances of companies' are a result of the differences in efficiencies gained from their resources and not necessarily differences in their market power.

According to Ireland et al., (2008), the resource-based view assumes that each organisation is a collection of unique resources and capabilities and the distinctiveness of these resources is the basis of the organisation's strategy and ability to earn above-average returns rather than the industry's structural characteristics. Pearson, et al., (2015) however argue that the mere collection of bundles of resources that have potential is not sufficient in generating rents but rather propose the effective utilisation of these resources. Pearson, et al., (2015: p4) further note that what is required is *"management leadership that is creative, imaginative, entrepreneurial, and with a long-term investment in resources"* that will be able to identify and nurture resources in order to gain and sustain competitive advantage for the firm. This resource-based view of superior returns is demonstrated in Figure 3 which suggests that the firm's chosen resource strategy should enable it to use its competitive advantages in an attractive industry.

Figure 3: The Resource-Based Model above average returns

Source: Ireland, Hoskisson and Hitt (2008)



2.3.2 OWNERSHIP, POSSESSION AND CONTROL OF RESOURCES

The resourced-based view (RBV) of the firm purports that sources of sustained competitive advantage that afford an organisation superior performance in the market, stems from certain types of resources that are owned and controlled by the firm and are deemed to be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991; Eisenhardt & Martin, 2000; Ismail, et al., 2012; Hinterhuber, 2013; Lin & Wu, 2014; Huang et al., 2015; Pearson, et al., 2015; Guimarães, et al., 2017). These collectively referred to VRIN attributes, give firms the ability to implement renewed strategies that create value for the firm which is not easily replicated by competing firms (Eisenhardt & Martin, 2000, Wu 2010; Pearson, et al., 2015).

Zapata-Cantu, Delgado and Gonzalez (2015) also caution against the notion that it is only the range of unique resources or capabilities which the firm holds that creates a competitive advantage but rather reasons that it is the versatility and flexibility in which the internal resources are combined to provide different types of service that the firm can leverage off of. Firms do however need to continually invest in those resources that enable them to sustain a resource position barrier that no other firm in the market holds (Wernerfelt, 1984; Pearson, et al., 2015). Furthermore Wernerfelt (1984) asserts that in order to achieve optimal growth, the firm needs to balance between the optimisation of existing resources and the development of new ones whilst Wernerfelt (1995) later cautions that because firms have different resource endowments, it takes time and money to alter these endowments.

Following a number of observations that suggest that the possession of resources alone is not a sufficient condition to attaining competitive advantage and that resources need to be deployed in order to generate rents, the VRIN attributes were later amended (Hinterhuber, 2013). This amendment entailed acknowledging that *"sustained competitive advantage derives from resources that are valuable, rare, difficult to imitate ("non-substitutable" is subsumed under "difficult to imitate"), and that a company must be organised to exploit and deploy them (criteria abbreviated as VRIO)"* (Hinterhuber, 2013: p797). Teece, et al., (1997) confirm this amendment in stating that the resource-based view focuses on the competitive advantage and subsequent profit gained by controlling scarce firm-specific and difficult to replicate resources as opposed to product market positioning.

2.3.3 CRITIQUING THE RESOURCE-BASED VIEW

2.3.3.1 Lack of future orientation

Hinterhuber (2013) further challenges the ability of the resource-based view in providing a reasonable explanation or prediction of competitive advantage as this advantage can only be identified once it has been achieved. The RBV lacks future orientation and according to Hinterhuber (2013), lacks meaningful and useful prescriptions regarding competitive advantage that practitioners can implement to advance their firms in gaining superior performance in other words, it's unable to sufficiently explain how resources are developed and organised in order to gain competitive advantage (Qureshi, et al., 2017).

2.3.3.2 Heterogeneity and imperfect mobility of resources is questioned

As earlier articulated through the resource-based view, in order for a firm to hold the potential of sustained competitive advantage, the firm's resources need to possess key attributes noted as being valuable, rare and imperfectly imitability (Barney, 1991) and according to Huang et al. (2015), these attributes by their very nature presuppose that firms are heterogeneous and that resources are imperfectly mobile among firms. Huang et al. (2015) however advances that in an era of globalisation, the supposition that resources are imperfectly mobile is nullified given the progress of cross boarder communications and transportation that enable internationalisation as well as the movement of capital and highly skilled labour to move across boarders at reduced costs.

2.3.3.3 The impact of a dynamic environment on the ownership and control of resources

Stemming from this, various scholars have also challenged and criticised the resource-based view of the firm as a source of sustained competitive advantage. Wu (2010) asserts that the resource-based view of the firm ignores environmental contexts which are constantly changing and highly volatile in nature. Huang et al. (2015) and Hinterhuber (2013) argue that the RBV is rooted in a view that assumes that a firm operates in an environment of constant and consistent stability presuming persistent equilibrium, path dependencies and stability of competitive positions. This view is proving to be archaic given the changing context of the external environment of the firm which is characterised by hyper competition, uncertainty, shocks, globalisation, rapid changes in technology and fluidity in market demand (Lin & Wu, 2014; Huang et al., 2015; Zapata-Cantu, Delgado & Gonzalez, 2015).

In hypercompetitive environments, content can rapidly become obsolete thereby leading to inappropriate and ineffective behaviour by the firm that maintains a singular view and strategy regarding competitive advantage (Lin & Wu, 2014). Hinterhuber (2013: p798) states that *"in hypercompetitive environments, success is based on a series of rapid and anticipatory actions that move the industry to the next round of competition… [Therefore] companies must continuously destroy their own competitive advantages and invest in new ones".* This therefore suggests that superior firm performance generated by the competitive advantage of owned and controlled firm resources may only be temporary and not sustainable once the environment changes and the market is dynamic (Eisenhardt & Martin, 2000; Huang et al., 2015).

2.3.3.4 Inability of the RBV to use external changes as a driver for competitive advantage

Research has proven that a firm's behaviour is impacted by the environment in which it operates (Qureshi, et al., 2017). In an environment that is fast-changing and characterised by hyper competition, competitive advantage is easily eroded with the entry of new competitors, imitation by existing competitors or substitute products in the category (Huang, et al., 2015; Hitt, Carnes & Xu, 2016).The constant changes in the environment which oftentimes are deemed to be threats, do however provide organisations with countless opportunities. Those organisations that will effectively leverage these opportunities are ones intent on differentiating themselves from the competition by creating competitive advantage through strengthening their adaptive capabilities or constantly innovating (Zapata-Cantu, Delgado & Gonzalez, 2015).

Bodea (2016) argues that companies that have proven to ascend rapidly have the capabilities to develop products and services as the market changes. Ambrosini and Bowman (2009: p30) articulate the inability of RBV to substantiate how some successful firms were able to establish *"timely responsiveness and rapid and flexible product innovation, along with the management capability to effectively coordinate and redeploy internal and external competences".* This further demonstrates a flaw of the RBV in its inability to advise on how the current VRIN resources could be renewed to be fit for the current environment and similarly how future valuable resources could be created such that they are future-fit (Ambrosini & Bowman, 2009). There is therefore a need to adopt a more dynamic view of resources, one that accommodates the fluidity in the environment in which the firm operates such that it is in a better position to shape the ecosystems and ultimately gain and sustain competitive advantage (Ambrosini & Bowman, 2009; Wu, 2010).

2.4 DYNAMIC CAPABILITIES OF THE FIRM

2.4.1 INTRODUCTION TO DYNAMIC CAPABILITIES

Given the challenges presented by the resource-based view, including the rapidly changing industry and unpredictable environment which has altered competitive foundations (Eisenhardt & Martin, 2000; Lin & Wu, 2014; Guimarães, et al., 2017), Teece, et al., (1997: p516) define dynamic capabilities as *"the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments…[they] reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions".* Eisenhardt and Martin (2000: p1107) further build on this by proposing that competitive advantage is enabled by a set of dynamic capabilities which are defined as *"…the firm's processes that use resources – specifically the process to integrate, reconfigure, gain and release resources – to match and even create market change. Dynamic capabilities thus are the organisational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die".*

Noteworthy is the fact that the dynamic capability view shares similar assumptions to the resource-based view and is considered by most scholars to be an extension of the RBV theory (Ambrosini & Bowman, 2009) however the key difference is that dynamic capabilities are essential in gaining and sustaining competitive advantage in environments characterised by dynamic change and volatility thus requiring organisations to be more flexible in reacting to environmental changes (Wu, 2010; Bodea, 2016; Guimarães, et al., 2017). This is due to the fact that rapid changes in the environment render most resources belonging to a firm, obsolete in a shifting market (Kozlenkova, Samaha, & Palmatier, 2014).

2.4.2 RECONFIGURATION OF RESOURCES ACCORDING TO THE MARKET ENVIRONMENT IN GAINING COMPETITIVE ADVANTAGE

Lin and Wu (2014) affirm that dynamic capabilities have the capacity to convert the firm's resources into improved performance. This is due to the fact that while the resource-based view argues that the ownership and control of unique resources forms the basis of unique value-creating strategies, the dynamic capabilities approach enables managers to acquire, shed, integrate and recombine resources in order to generate new value-creating strategies that drive competitive advantage (Eisenhardt & Martin, 2000). Bodea (2016: p479) argues that a firm is only able to defend its competitive position when it has *"distinctive and difficult to copy resources"* that are developed over time and ones which enable the firm to adapt to change. The dynamic capabilities approach consequently asserts that opportunities for business lie in the intersection between a focus on the firms internal processes as well as an outward focus of the market environment in so far as how these internal processes are deployed and will evolve (Teece, et al., 1997). Dynamic capabilities cannot however, be easily bought but are rather built over time thereby requiring a long-term commitment to their unique development, thus making it difficult for competitors to imitate (Teece, et al., 1997; Zapata-Cantu, et al., 2015; Bodea, 2016). Braganza, et al., (2017) however proposes that there are several organisational characteristics and internal factors that limit the extent to which the firm can develop dynamic capabilities. This is attributed to the fact that the capacity to transform and configure resources into effective capabilities requires an ability to sense the changes that are taking place in the market including technological advancements and an organisations willingness to change through the adoption of best practices (Braganza, et al., (2017).

In a study conducted by Wu (2010) among CEO's and scholars, the findings revealed that a correlation between ignoring the market environment of the firm, resources and competitive advantage in that resources significantly affect competitive advantages of low to medium volatility environments and highly volatile environments weaken the positive relationship between resources and competitive advantage. Furthermore the study demonstrated that when the environmental volatility is not considered, there is a significant relationship between dynamic capabilities and competitive advantage in that the dynamic capabilities enhance a firm's competitive advantage. Thus the study validated that the accumulation of VRIN resources does indeed increase the firm's competitive advantage however this is highly dependent on the volatility of the environment in which the firm operates. The resource-based view proved to be more appropriate when the volatility of the environment is not taken into account even though this reduces the firm's effectiveness and competitive advantage.

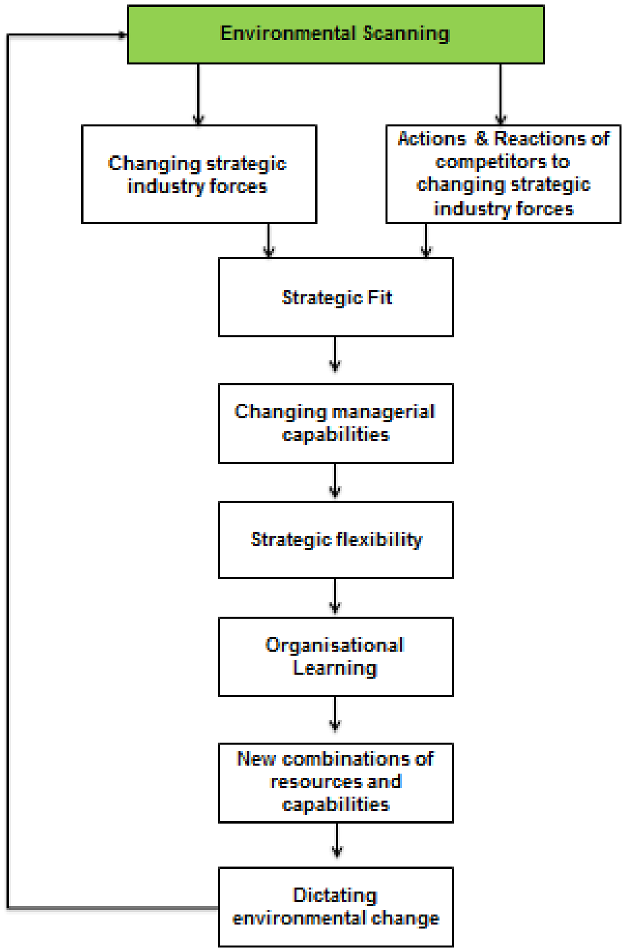
Furthermore, the study demonstrated that in highly volatile environments, characterised by *"non-linear and unpredictable change"* (p330) where existing knowledge becomes irrelevant and obsolete (Braganza, et al., (2017), the effects of the accumulated VRIN resources were considerably reduced. Subsequently, the study proved that firms that had the ability to rapidly integrate, learn and reconfigure their resources as a response to the changing external environment were in a better position to enhance or maintain competitive advantage (Wu, 2010). This view was further supported by Braganza, et al., (2017) in stating the growing dependence of organisation's on information that is made available in real-time, the breaking down of silos and encouraging cross-functionalities whilst adjusting organisational practices as new information becomes available.

2.4.3 THE PATH DEPENDENT PROCESS OF DYNAMIC CAPABILITIES DEVELOPMENT

According to various scholars, in order to achieve inimitable and sustainable competitive advantage in a constantly changing environment, both resources and capabilities are to be developed in a complex yet sequential path dependent process thereby intertwining them into the firm’s paradigm and difficult for the competitor to merely imitate or replicate without having to acquire the entire firm (Teece, et al., 1997; Ambrosini & Bowman, 2009; Pettus, 2013). Figure 4 below demonstrates a potential path for the development and deployment of dynamic capabilities through the scanning of the environment which according to Pettus (2013) is the means by which senior management perceive the external environment thereby informing the adaptation required by the firm. Scanning the environment is a crucial dynamic capability for firms to possess in order to identify the changing strategic industry factors as the external environment exerts pressure which the firm needs to adapt to (Pettus, 2013).

Figure 4: A dynamic capabilities view of firm growth

Source: Pettus (2013)



Evident in the above path diagram is that firms that, through dynamic capabilities, establish a strategic fit aligned to the changes in external industry factors as well as competitor reaction and adjustments to these changing industry forces, are most likely to have a competitive advantage over time (Pettus, 2013). However a prerequisite to obtaining this strategic fit is the alteration and / or acquisition of new managerial resources which in turn can be used to develop capabilities to drive firm growth and allow the firm to be strategically flexible in responding to the external environmental change (Pettus, 2013). Through this, organisational learning takes place allowing the firm to create, deploy, combine and recombine resources and capabilities, thereby setting the firm on a growth trajectory and making it difficult for competitors to imitate or replicate (Pettus, 2013). At this stage, firms with such dynamic capabilities have the opportunity of creating the desired change in the environment and creating new strategic industry forces because according to Pettus (2013, p15) *"the environment is not something [that is] fixed and immutable, but can itself be manipulated by the firm to serve its own purposes".*

2.4.4 DYNAMIC CAPABILITIES OF ORGANISATIONAL AND MANAGERIAL PROCESSES IN GAINING COMPETITIVE ADVANTAGE

Teece, et al., (1997) highlight that based on the dynamic capabilities view, the competitive advantage of firms lies within its effective organisational and managerial processes and routines, its position in so far as the firm assets and endowments are concerned and the various paths dependencies available to the firm by way of strategic alternatives. The firm's processes and position collectively comprise of its capabilities and competences while the path dependencies outline the notion that *"history matters… [and a firm's] historical repertoire of routines constrain its future behaviour*" (Teece, et al., 1997: p522).

Teece, et al., (1997) describe the organisational and managerial processes as having three key roles namely (1) coordination and integration which operate from a static perspective and Braganza, et al., (2017) extend that these processes are applicable both internally as well as externally to the firm, (2) learning which operates from a dynamic perspective and (3) reconfiguration which operates from a transformational perspective.

Ambrosini and Bowman (2009) support that dynamic capabilities are shaped by variables that are both within and outside of the firm and these variables can be inhibitors or enablers. Internal variables that have been cited as having an impact on organisations dynamic capabilities include the role of managers and their perceptions, leadership and trust (Ambrosini & Bowman, 2009). The enablers of dynamic capabilities from a leadership point of view extend to leaderships ability to make and break commitments, the risk appetite as well as the ability to engender a culture and climate conducive to learning which is then underpinned by the concept of trust (Ambrosini & Bowman, 2009).

Ambrosini and Bowman (2009) and Pettus (2013) emphasise the critical role played by senior management teams, their perceptions and associated beliefs in the development and deployment of dynamic capabilities and subsequently the ability of the firm to adapt to new circumstances. In terms of the development of dynamic resources, it is the manager's priority to be constantly aware of and accurately ascertain the changes that occur in the external environment within which the firm operates (Ambrosini & Bowman, 2009). These changes extend to the political, social, economic, technological, legal and regulatory environment. Furthermore, once the environmental changes have been identified, managers need to seize and leverage the opportunities presented by the environment as well as minimise the threats posed.

Ambrosini and Bowman (2009), argue that this can be done by reconfiguring the firm's resources in order to meet the new challenges and opportunities presented by the environment.

Previously held perceptions by the managers with regards to their interpretation of uncertainty and complexity of the environment in which they operate extends to their history, past experiences, expectations and probabilistic judgements, all of which will impact on the decisions and actions taken by the managers in developing and deploying dynamic capabilities (Ambrosini & Bowman, 2009; Pettus, 2013). This is due to the fact that depending on how managers perceive the uncertainty and complexity within their business environment, will determine whether they deploy dynamic capabilities or not, and if they do, how and where to deploy them will be under review (Ambrosini & Bowman, 2009).

However, Teece, et al., (1997) offer an alternative view, that the manager's role and ability to deploy dynamic capabilities is heavily reliant on the organisations processes, systems and structures that have historically managed the business. Teece, et al., (1997) propose that dynamic capabilities are about the internal processes of the firm and moreover how these are deployed and evolve over time. Teece, et al., (1997: p529) fittingly state that *"competitive advantage is not just a function of how one plays the game; it is also a function of the 'assets' one has to play with and how these assets can be deployed and redeployed in a changing market"*.

2.4.5 DYNAMIC CAPABILITIES STEMMING FROM ORGANISATIONAL LEARNING IN GAINING COMPETITIVE ADVANTAGE

Smith, Wilson and Clark (2006: p135) articulate that *"the ability to learn is an organisations only sustainable source of competitive advantage"*. Wu (2010) proposes that dynamic capability is a learned organisational pattern of behaviour whereby the firm modifies its operating routines and adopts new patterns in order to become more effective in a changing environment. This ultimately means that dynamic capabilities engender new thinking throughout the organisation by way of challenging an existing set of beliefs and approach the future in a different manner (Braganza, et al., 2017). Teece, et al., (1997: p520) describe learning as a *"process by which repetition and experimentation enable tasks to be performed better and quicker…[and] enables new production opportunities to be identified".*

This concept of organisational learning not only involves the coordination of complex patterns of resources and capabilities but extends beyond the internal functionalities of the firm and embraces inter-organizational learning whereby collaborations and partnerships formed with other firms can reveal internal dysfunctional routines that are not optimal thereby causing strategic blind spots (Teece, et al., 1997; Zapata-Cantu, et al., 2015; Braganza, et al., 2017). As a coordinative management process, dynamic capabilities unearth the potential of inter-organisational learning (Teece, et al., 1997). According to Pettus (2013) through the dynamic capability of organisational learning, the firm is able to adapt and change over time in order to meet the changing demands of the environment. To this end, dynamic capabilities can only be a source of competitive advantage to firms if they are applied *"faster, more cleverly or fortuitously than the competition"* which can only be achieved through a firm's ability to continuously evolve (Zapata-Cantu, et al., 2015: p850).

2.5 THE LOW INCOME MARKET

2.5.1 LOW INCOME MARKET DEFINED

Considering that this research is centred on gaining and sustaining competitive advantage within the low income market, it is imperative to provide a view, founded on the literature, on the definition and the characteristics of the low income market as well as the value in competing within this market. Based on the views of several authors, Nyanga (2014) asserts that the naming convention among the terms bottom of the pyramid (BOP), base of the pyramid, low income markets, emerging markets and subsistence markets can and have been used interchangeably throughout literature. Consequently although the chosen term low income markets will be used to describe the focal market of this research study, it is deemed to be interchangeable and synonymous with the above list of terms.

There has in recent times been a global shift in focus from the economic activities of developed economies to that of developing and emerging markets based not only on the size of these markets but in some cases, the gross domestic products of these economies surpass those of developed economies (Dhanaraj & Khanna, 2011; Sheth, 2011; Pels & Sheth, 2017). Furthermore, a large portion of the world's population living in these developing economies such as Africa, Eastern Europe, parts of Asia as well as Latin America are said to form the low income market based on their lower income levels as potential consumers (Rahman, Hasan & Floyd, 2013; Da Costa Nogami & Veloso, 2017). Although these consumers are oftentimes ignored by multinational corporations as well as large local companies based on perceptions of a higher cost to serve for a lesser financial return due to their limited purchasing power (Rahman, et al., 2013), Wentzel, Yadavalli, and Sundar (2013) argue that the opportunity of lifting millions of people out of poverty and desperation is immense when focus is placed on this market. The BOP is estimated to house 82 percent, or two-thirds of the world's population (Portocarrero & Delgado, 2010; Bharti, Sharma, Agrawal & Sengar, 2014) and accounts for between 40 – 60 percent of all economic activity in developing countries due to the surge of the informal economy in these countries (Prahalad & Hart, 2002).

Growth of these emerging markets can be attributed to several factors including economic reforms in the BRIC countries of Brazil, Russia, India and China (Dhanaraj & Khanna 2011; Sheth, 2011; Sinha & Sheth, 2017). These markets were once closed off due to ideology and socialism but with economic reforms came the creation of new markets for branded goods accompanied by trade agreements, regional integration and a general openness to trade with the world (Sheth, 2011). Secondly, developed markets are plagued by the curse of a rapidly aging population with the implication of a slow to stagnating domestic market therefore there is a need to look to emerging markets for future growth (Sinha & Sheth, 2017).

Prahalad and Hart (2002) and Prahalad (2009) describe the Bottom of the Pyramid (BOP) market as the 4 billion people worldwide who are situated at the bottom of the economic pyramid. This pyramid is used to demonstrate the capacity to generate income as well as wealth distribution (Prahalad, 2009). Prahalad and Hart (2002) characterise this market's annual per capita income based on purchasing power parity (in US dollars) to being less than $1500. Chipp, Corder, and Kapelianis (2012) further state that this market represents the largest but poorest socio-economic group with earnings of less than $2 a day. Garcia-DeLeone and Taj (2015) do however suggest that the size of the BOP market as well as their daily spend has been exaggerated when stated at the $2 point but suggest that it is closest to being at the $1.25 per day mark with Bharti, et al., (2014) offering an income range for the bottom of the pyramid of between $1, $2, $6 and $8 per day. In light of this income per day demarcation, Sinha and Sheth (2017) further describe consumers at the bottom of the pyramid as having no access to seemingly basic amenities such as electricity, running water, banking facilities and services and the like.

Through a range of authors reviewed, the lack of consistency and agreement in the formal definition of the low income markets is evident (Portocarrero & Delgado, 2010; Bharti et al., 2014; Pels & Sheth, 2017). This lack of consistency can be attributed to the heterogeneity of this market across global regions and further reaching to within-countries (Portocarrero & Delgado, 2010; Sinha & Sheth, 2017) as well as a failure in being able to account for the actual numbers of people residing at the bottom of the economic pyramid (Bharti, et al., 2013).

2.5.2 CHARACTERISTICS OF LOW INCOME AND BOP MARKETS

In the absence of a formal definition for describing the low income market, several authors have offered guidelines of characteristics that are unique to this market that seek to serve as identifiers. Evident in the varying characteristics presented, is the highly diverse nature of this market from an economic, cultural, social, geographical and historical perspective (Sinha & Sheth, 2017), however there are thematic commonalities that cannot be ignored.

Pels and Sheth (2017) offer four key variables by which to characterise low income markets and this is done through a comparison against the more stable and formalised developed markets. These variables are namely; (1) a lack of or low income levels (Bharti, et al., 2014) including reduced access to financial products and services as well as a need for small, out-of-pocket demands, (2) a general lack of knowledge and skills which is evidenced through low literacy levels and high rates of school drop outs, (3) informal housing settlements characterised by poor conditions and geographical dispersion (Bharti, et al., 2014) as well as (4) high social embeddedness within the community (Pels & Sheth, 2017).

Similarly, a number of authors collectively propose five defining characteristics of the low income markets that differentiate them from other mature markets namely (1) high level of diversity and market heterogeneity that is largely driven by *"resource constraints, such as wide range of haves and have-nots with respect to both income and net-worth"* (Sheth, 2011: p168), (2) socio-political governance in the form of faith-based institutions (Bharti, et al., 2014), clan cultures and the local community being highly influential on the market, (3) unbranded competition with a bias towards local or regionally produced products, (4) chronic resource shortages in the form of low disposable incomes, a shortage and lack of skilled labour, broken supply chains and (5) inadequate infrastructure with a majority of the market residing in underdeveloped or rural areas characterised by poor transportation, communication and media (Sheth, 2011; Bharti, et al., 2014; Bahadir, Bharadwaj & Srivastava, 2015; Sinha & Sheth, 2017). Furthermore, this market is marred by social ills such as high levels of illiteracy, poor health, unemployment and ultimately poverty (Bharti, et al., 2014).

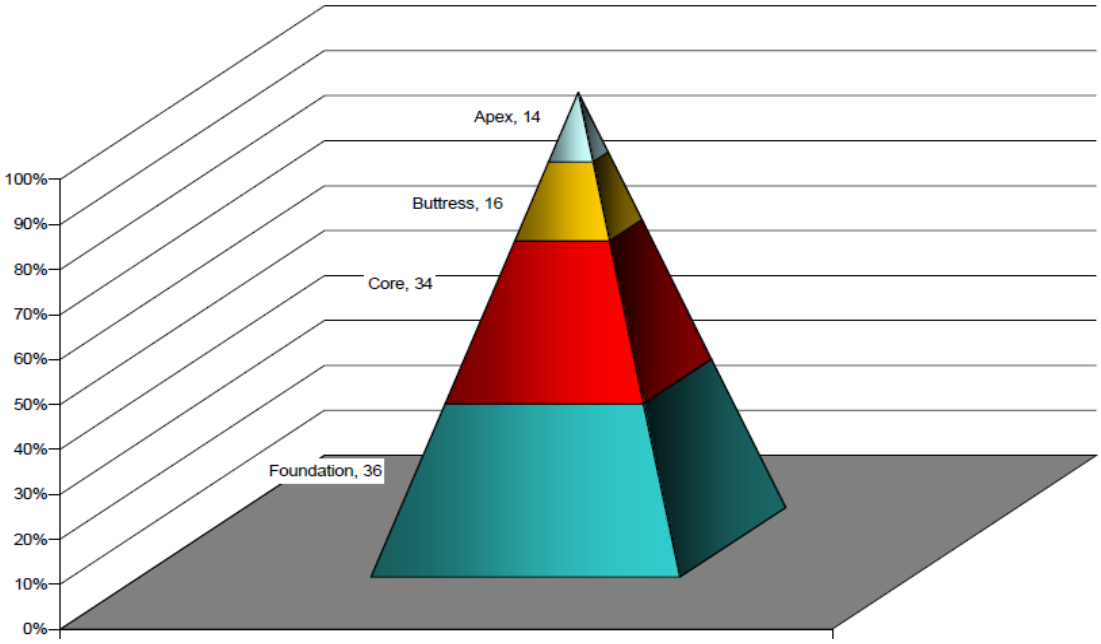
Several authors have affirmed the above characteristics but further noted that beyond the economic aspect, low income markets can be identified and characterised more broadly thereby impacting business strategies when competing in this market. The BOP market is geographically dispersed and tends to live in densely populated areas with most people living in rural villages, urban slums or shanty towns (Prahalad & Hart, 2002; Riviera-Santos & Rufín, 2010; Sheth, 2011; Bharti, et al., 2014; Sinha & Sheth, 2017). Similarly, Rivera-Santos and Rufín (2010) suggest that this market is relatively isolated thereby leading to the formation of strong local cultures and have less contact with national or international consumer habits.

The implication for business is that the BOP is difficult to reach through conventional distribution, credit and communication methods (Prahalad & Hart, 2002). This view is supported by Wentzel, et al., (2013) who confirm that due to weak supply chains and a lack of competition, low income markets tend to pay higher prices for goods than do middle-income consumers. Portocarrero and Delgado (2010: p3) aptly refer to this as the *"poverty penalty… [whereby] usually the poor are underpaid as workers and overpay as consumers, as they do not have the benefit of multiple and competing bidders"*. The geographical dispersion of the BOP therefore necessitates designing of distribution networks that cater for difficult to reach areas and are also strongly adapted to the local specifications of that market in response to the cultural isolation (Rivera-Santos & Rufín, 2010).

With specific reference to the South African market, in a cluster analysis study conducted by Chipp, et al., (2012), using the Living Standard Measure (LSM), a tool aimed at segmenting the market according to the living standards of the population, the South African total market including representation of the bottom of the pyramid market and associated average incomes is demonstrated by Figure 5 below.

Figure 5: The South African Population Pyramid

Source: Chipp, Corder, and Kapelianis (2012)



Demonstrated in the above Figure 5, four clusters representing the South African pyramid were identified with the 'foundation' forming the base and ultimately South Africa's BOP. This cluster is comprised of 35.8 percent of the South African adult population thereby making up one-third of the total population (Chipp, et al., 2012). Using the same tool, Wentzel, et al., (2013) classified South Africa's BOP to be between LSM 1 - 4.

Characteristic to this market is not only the extremely low levels of income but the irregularity thereof, as people in this market cannot accurately predict their revenue stream with some having part-time jobs to supplement their income (Rivera-Santos and Rufín, 2010; Da Costa Nogami & Veloso, 2017). Over and above this instability, is *"long-term financial planning and financial security"* (Da Costa Nogami & Veloso, 2017: p163). Although the BOP market is brand conscious with the aspiration of attaining a new and better quality of life (Prahalad, 2009), based on the financial constraint experienced by this market, when evaluating a proposition, the price-performance trade-off is most likely to occur more so than would be evident in higher tiered clusters. Sheth (2011) together with Sinha and Sheth (2017), propose that affordability and accessibility may prove to be more valuable to these markets than a superior yet expensive product with limited access. Ultimately due to the cost, complexity and unfamiliarity presented by the formal economy, this market primarily transacts in an informal market economy (Antúnez-de-Mayolo, 2012).

2.5.3 THE POTENTIAL OF LOW INCOME MARKETS

Despite the levels of poverty within this market, a strong case can be argued for the BOP market as it presents an untapped opportunity and *"unchartered territory" (*Portocarrero & Delgado, 2010: p7) for business to do well from a profit making and growth point of view, gaining of operational efficiencies and uncovering new sources of innovation, while presenting attractive long-term prospects due to low levels of current market penetration (Prahalad & Hart, 2002; Rivera-Santos & Rufín, 2010; Portocarrero & Delgado, 2010; Chipp, et al., 2012; Ahmed & Kumar, 2015; Gutiérrez & Vernis, 2016; Sinha & Sheth, 2017). Prahalad and Hart (2002) had initially predicted growth of the market in terms of population size to more than 6 billion people within a 40 year timeframe thereby representing a multi-trillion market. This view has been confirmed by Sinha and Sheth (2017) who propose that this market currently represents 36 percent of the global GDP and is expected to grow into a USD 30 trillion market by 2025.

However, challenging this growth potential, Chipp, et al., (2012) argue that due to the low income levels, geographical dispersion as well as the heterogeneity of the BOP market, opportunities for gaining economies of scale are reduced, the likelihood of individual transactions of low value is high and this market is extremely price sensitive thereby challenging the ability of firms to serve the BOP profitably. Further to that Dhanaraj & Khanna (2011) argue that although they recognise the potential of the market, multinational corporations *"agonise over the ambiguity and lack of transparency pervasive in many of these markets"* (p685)*.* This is supported by Bharti, et al., (2014: p172) in that the BOP market is *"…seen as support led and support seeking over resource generating".* These views are however countered by Wentzel, et al., (2013) who purport that companies with economies of scale capabilities together with supply chains that are effective and efficient, have the opportunity of gaining market share and creating new markets within the bottom of the pyramid.

Rivera-Santos and Rufín (2010) alongside Chipp, et al., (2012) seek to reconcile these opposing views in that although the personal incomes of the BOP is indeed very low, the market yields control over its spending power which is greater than their low personal incomes would imply. Their spending power is further increased by their access to micro-financing (micro-loans) which has the potential to grow when used to finance productive capacity. Furthermore Rivera-Santos and Rufín (2010) and Prahalad (2009) assert that due to the fact that the BOP is experiencing significantly higher demographic and overall income growth than populations at the top of the pyramid, as a consequence, market growth rates can be expected to be higher over time allowing for significant latent purchasing power to be unlocked. Consumers at the BOP pay much higher prices for most goods than middle-class consumers thereby presenting an opportunity for business to capture market share by offering higher quality goods at lower prices while maintaining attractive margins (Portocarrero & Delgado, 2010; Wentzel, et al., 2013; Ahmed & Kumar, 2015).

Evidenced through the various authors attempts at estimating the size of the bottom of the pyramid market, is the inability to accurately quantify the size of the market (Landrum, 2007). But being that as it may Ahmed and Kumar (2015: p15 and p21) still affirms that *"[the] BOP market is the market of the future…is too formidable to ignore…[and] is a lively population with a great appetite"*.

2.6 SUSTAINABLE COMPETITIVE ADVANTAGE IN LOW INCOME MARKETS

To fully leverage the potential of converting the low income market into active participants in the economy and to exploit the opportunity therein, businesses will require a complete change in mindset and perceptions, radical innovations in technology, business models and management processes including innovation in product and service offerings, distribution networks and a general rethinking of the approaches used when competing within this market (Prahalad & Hart, 2002; Prahalad, 2009; Dhanaraj & Khanna, 2011; Chipp, et al., 2012; Bharti, et al., 2014). As Pels and Sheth (2017: p374) state, "*inclusive businesses…face the challenge of designing business models that provide truly beneficial products and services to the poor at prices they can afford".*

This need for a different approach is according to Rivera-Santos and Rufín (2010) and Da Costa Nogami and Veloso (2017) due to the fundamentally different condition of the environment within which the BOP market finds itself. Reynoso, Valdés and Cabrera (2015) advise that in order to succeed in these markets, businesses need to adopt the approach of having a deep understanding of the consumers' psychology.

Prahalad and Hart (2002) affirm that an entirely new perspective is required in creating and sustaining economic profits from this market and this will require creativity to engineer a market infrastructure out of an unorganised sector. This view is further supported and demonstrated through the unsuccessful attempts of most multinationals who have failed to generate innovation for this market and merely transplanted existing offerings originally developed for traditional markets whereas innovating within this market requires a non-traditional approach that takes into account various constraints specific to this market (Chipp, et al., 2012; Da Costa Nogami & Veloso, 2017). Pels and Sheth (2017: p374) articulate that *"inadequate attention has been given to the specific strategies and business models for effectively engaging the bottom of the pyramid".* Evident in the competitive environment of the BOP market and relevant to this study, are the gaps in the value chain including gaps in the economic infrastructure such as financing (Rivera-Santos & Rufín, 2010; Bharti, et al., 2014). These gaps therefore necessitate that firms operating in these environments, adapt their structures and strategies to fill these institutional gaps (Rivera-Santos & Rufín, 2010; Dhanaraj & Khanna, 2011).

Rivera-Santos and Rufín (2010) propose that local firms play an important role within this market when they are embedded in the informal environment, linked to the local powers and establish alliances with non-market actors. A benefit of this is access to resources and knowledge which a business cannot or may not wish to develop internally. This supposes that transactions within the bottom of the pyramid (BOP) market are governed by relationships founded on trust, pre-existing social structures of the community and networks rather than contracts and formal institutions (Rivera-Santos & Rufín, 2010; Dhanaraj & Khanna, 2011; Bharti, et al., 2014).

Tashman and Marano (2009) uphold that a number of businesses that have succeeded in competing within the BOP market and achieved growth in profits, have embraced strategies that are specifically aimed at engaging with and developing this market. This has been achieved through the deployment of a combination of various competency-building capabilities including the creation of new organisational competencies and value chain efficiencies (Tashman & Marano, 2009). These strategies have been articulated through products and services designed specifically to meet the needs of the BOP market, decreasing of prices to accommodate the financial constraints of the market, leveraging the informal traditional logistical networks in order to build scale and engaging in strategic alliances (Tashman & Marano, 2009; Dhanaraj & Khanna, 2011; Bharti, et al., 2014). Bharti, et al., (2014) emphasise the dependency of these strategies on the non-traditional, nonlinear and revolutionary capabilities of the firm. Tashman and Marano (2009) do however caution that the value of business resources and capabilities can be suppressed when operating in low income markets because the business environment is oftentimes impoverished.

Porter (1990) argues that innovation in the form of new technologies as well as new ways of doing things including new ways of competing is an antecedent to competitive advantage especially when competitors are slow in responding to the innovations.

Disruptive technology innovation is specifically intended for low income markets in order to meet the needs of a consumers that is deemed to be less demanding (Da Costa Nogami & Veloso, 2017) and is defined by as *"products, services and business models that offer different solutions and alternatives to the market, and are mainly directed at non-traditional consumers"* (p163). This type of technology innovation is generally more convenient to use, costs less, simplified and is user-friendly (Da Costa Nogami & Veloso, 2017).

2.7 FINANCIAL SERVICE PROVIDERS (FSPS)

The financial services sector contributes an extensive portion to the global economy whilst providing a large portion of the population with access to basic financial services (Hong, Cheong & Rizal, 2016). Since the financial crisis of 2007 – 2009, there has been increasing pressure on the financial sector for profitability whilst ensuring sustainability (Hong, et al., 2016). According to Hong, et al., (2016: p53), *"sustainability is the only way for banks to guarantee a place in future"*.

In South Africa, banks as well as insurance companies have traditionally been the primary financial services providers (Wentzel, et al., 2013). But as in other parts of the world, new players have entered the landscape in providing financial services specifically to low income markets. These include the Post Office as the primary financial service provider in the Middle-East and supermarkets all around the world (Wentzel, et al., 2013).

South Africa has one of the most developed financial systems in the world, however due to the legacy of its past as a result of the apartheid system, the country was left with a dual economy; characterised by highly sophisticated first-world financial markets with third-world social infrastructure thereby leaving parts of society, mainly low income markets, behind and outside the financial system (Porteous & Hazelhurst, 2004). The long-run sustainability and competitiveness of this system will nevertheless be dependent on its ability to broaden its reach to all sectors of the South African economy (Porteous & Hazelhurst, 2004) because as Porteous and Hazelhurst (2004, pvii) articulate, *"a financial system that does not serve the needs of all South Africans is a dysfunctional system. It is an anomaly that requires urgent address"*.

2.8 CONCLUSION

As evidenced, dynamic capabilities are moderated by both internal and external variables. A resource-based competitive advantage might prove to be temporary given the changes in the external environment however and simultaneously, the dynamic capabilities of the firm impact on the resource base of the firm thereby garnering competitive advantage, all of which is dependent on the dynamic nature of the environment (Ambrosini & Bowman, 2009). The above literature demonstrated that competitive advantage is sustained through a continuous series of temporary and short-lived advantages by consistently renewing and refreshing the resource base in a manner likened to *"[hitting] a moving target"* (Ambrosini & Bowman, 2009: p43). Therefore considering how dynamic capabilities are deployed, will guide whether or not there may be similarities and / or differences across firms in operating in the same industry and if there are any emerging trends.

This chapter was an examination of the literature surrounding the topic of sustained competitive advantage in so far as low income markets are concerned. This was underpinned by two theoretical bases namely the resource-based view as well as the dynamic capabilities framework. To this end, the study seeks to undertake a research design targeted at finding answers to the proposed questions which are articulated in the chapter that follows.

CHAPTER 3: RESEARCH QUESTIONS

3.1 INTRODUCTION

The previous chapter outlines literature from various authors on the relationship between an organisations resources and capabilities as primary drivers of sustained competitive advantage underpinned by the resource-based view theory and the dynamic capabilities framework together with a view of the low income market, sometimes referred to as the bottom of the pyramid. This chapter gives an overview of the five specific research questions emanating from reviewed literature.

The reviewed literature clearly demonstrated that when competing in a marketplace, one of the main objectives that an organisation seeks to attain is that of achieving and sustaining competitive advantage relative to all other competition in the market (Ismail, et al., 2012). Due to the pace and rate of change which is ever-increasing, the nature of competition in many industries is changing including the boundaries that determine an industry (Ireland, et al., 2008). Due to this relentless pace of change, conventional sources of competitive advantage such as economies of scale and large advertising budgets are no longer sufficient in driving a firm's above-average returns (Ireland, et al., 2008).

The resourced-based view (RBV) of the firm is a dominant framework in strategy that purports that sources of sustained competitive advantage that afford an organisation superior performance in the market, stems from certain types of resources that are owned and controlled by the firm and are deemed to be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991; Eisenhardt & Martin, 2000; Ismail, et al., 2012; Hinterhuber, 2013; Lin & Wu, 2014; Huang et al., 2015; Pearson, et al., 2015; Guimarães, et al., 2017). Thus by focusing on the internal characteristics of the firm, the resource-based view attempts to explain how different firms operating in the same industry can ultimately perform differently, gaining and sustaining competitive advantage (Eisenhardt & Martin, 2000; Wu, 2010; Lin & Wu, 2014; Pearson, et al., 2015; Guimarães, et al., 2017).

Sources of competitive advantage are according to Barney (1991), only sustained and valuable to the organisation in so far as they remain relevant to the environment, industry and context within which they operate. To this end, scholars propose that competitive advantage is enabled by a set of dynamic capabilities which are best activated in environments characterised by dynamic change and volatility thus requiring organisations to be more flexible in reacting to environmental changes (Eisenhardt & Martin, 2000; Wu, 2010; Bodea, 2016; Guimarães, et al., 2017). Teece, et al., (1997: p516) defines dynamic capabilities as *"the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments…[they] reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions".*

According to Barrick, Thurgood, Smith, and Courtright (2015), firms operating in similar environments and that have the same set of resources; can have vastly differing performance outcomes depending on the manner in which each of their resources are *"evaluated, manipulated and deployed".* The assumption that organisations operating within the same industry possess and control identical strategically relevant resources thus pursuing similar strategies is being challenged by the notion that organisations operating within the same industry possess some degree of heterogeneity of strategic resources which are not mobile nor are they evenly distributed across competing firms thus gaining an advantage over the competition (Barney, 1991).

With the focal point of the research being on low income markets, Rivera-Santos and Rufín (2010) and Da Costa Nogami and Veloso (2017) assert that the BOP market finds itself in a vastly different environment to that of developed markets. Reynoso, Valdés and Cabrera (2015) advise that in order to succeed in these markets, businesses need to adopt the approach of having a deep understanding of the consumers' psychology.

This research study seeks to provide an understanding of how the resource-based view as well as dynamic capabilities framework can contribute to sustained competitive advantage of financial services providers that compete in low income markets. This will be achieved by answering the below stated research questions and interpreting the findings into meaningful recommendations which managers whose organisations compete within the low income market are able to utilise in gaining sustained competitive advantage. The research questions are exploratory in nature such that a greater understand of the concept is obtained.

3.2 RESEARCH QUESTIONS

Research Question 1: *What understanding do financial service providers (FSPs) have about low income markets and the competitive positions occupied?*

The main objective of this research question is to probe participants to draw on recent experiences in establishing the commonality or variability of understanding of low income markets, with the aim of gathering conclusions on the key parameters for competitiveness in that market. Furthermore, this research question seeks to gain insights on the competitive positions occupied by the various financial services providers within the low income market in South Africa.

Research Question 2: *What are the accelerators and decelerators of sustainable competitive advantage for FSPs within low income markets?*

The aim of research question 2 is to firstly obtain a common understanding of competitive advantage and its extension of sustained competitive advantage. Furthermore, it seeks to understand the key determinants for the gains and losses of sustained competitive advantage within the low income market. Lastly this question aims to establish the ease and speed with which financial service providers' gain or lose sustained competitive advantage.

Research Question 3: *Are resources that are owned, controlled and unique to the FSPs sufficient in gaining sustained competitive advantage when competing in low income markets?*

The aim of research question 3 is to ascertain whether competitive advantage emanating from the resources that are owned and controlled by the firm can be sustained and if these resources are fully optimised. This question will also attempt to establish the impact on the sustainability of competitive advantage given the unique nature (or lack thereof) of the resources and thus the ability of competitors to easily and effectively replicate them.

Research Question 4: *Do FSPs have to reconfigure or implement any changes to their internal resources and capabilities in order to ensure sustained competitiveness in the rapidly changing low income market?*

Research question 4 was aims at gaining an understanding of how (if at all) the FSPs have had to reconfigure, integrate, gain or dispose of their resources and capabilities in order to accommodate and respond to the environmental changes specifically within the low income market. The impact of that adopted change on the resources is to be ascertained. Lastly this question seeks to establish whether or not these changes have contributed to the FSPs being more competitive within the low income market.

Research Question 5: *How do FSPs gain and sustain competitive advantage in low income markets?*

This research question seeks to firstly gain insights on the FSPs views on the optimisation of existing resources and capabilities versus the development of new resources and capabilities in the quest for sustainable competitive advantage within low income markets. Secondly, given a choice between owning and controlling resources and capabilities that are unique to the FSP or having the ability to reconfigure and change the organisations resources in response to changes in the environment, an outlook of the FSPs is sought in terms of the strategy to employ when seeking to gain sustained competitive advantage within low income markets.

3.3 CONCLUSION

This chapter presented the research questions that seek to understand how the resource-based view as well as dynamic capabilities framework can contribute to sustained competitive advantage of financial services providers that compete in low income markets. The following chapter will discuss the research methodology and design employed in answering the research questions posed in this chapter.

CHAPTER 4: RESEARCH METHODOLOGY AND DESIGN

4.1 INTRODUCTION

The previous chapter outlined the research questions to be answered by this research. This chapter discusses the research methodology and design applied in this study as well as the justification thereof.

4.2 OVERVIEW AND RATIONALE FOR CHOSEN METHOD OF RESEARCH

Various authors describe qualitative research as research that provides greater depth and richness of content and context about a specific problem that may be seemingly vague (Aaker, Kumar & Day, 2004; Saunders & Lewis, 2012*).* Golafshani (2003: p600) defines qualitative research as *"any kind of research that produces findings not arrived at by means of statistical procedures or other means of quantification"*. This study applied qualitative research because there is currently limited experience and knowledge on the topic (Zikmund, 2003); and the research questions required data that is more textural than numerical in nature (William, 2011) as the information sought could not be directly measured through numeric data (Aaker, et al., 2004). According to Saunders and Lewis (2012) there are three types of research namely; exploratory, descriptive and explanatory. Due to the nature of the research pertaining to this study, the research adopted was exploratory as this method ensured a greater understanding of the concept by demystifying ambiguity and providing further clarity to the problem (Zikmund, 2003; Mayer, 2015).

The purpose of this study was to explore new insights into an area of study where little research has been conducted. Facing an increasingly dynamic and constantly evolving competitive environment, this research study aimed to establish the antecedents of sustained competitive advantage of financial service providers operating within the low income markets. As such, the study sought to gain an understanding of how the resource-based view as well as dynamic capabilities framework can contribute to sustained competitive advantage. It was the aim of this study to provide a view of how the different mechanisms offered by the resource-based view as well as the dynamic capabilities contribute to organisational competitiveness when used either individually or when combined. Furthermore, the research aimed at ascertaining what differences and / or similarities exist among traditional and non-traditional FSPs in the pursuit of sustained competitive advantage in low income markets.

It was clear therefore that qualitative and explorative methods would have to be applied (Aaker, et al., 2004). This approach enabled the researcher to effectively explore and compare the antecedents of sustained competitive advantage in low income markets through the determination of unique resources controlled by the firm as described in the resource based view literature and the firm’s ability to adapt its resources as described in the dynamic capabilities framework. Competitive advantage will be determined by the firm’s superior performance within the low income market at a point in time.

The research philosophy applicable to this research was interpretivism. This philosophy was described by Saunders and Lewis (2012) as being appropriate for studies of social phenomena when they are within their own natural environments. Often combined with interpretivism is the philosophy of social constructivism. Social constructivism is of the notion that individuals are in constant search of meaning and understanding of the world in which they live and work (Creswell, 2003). With reference to this research study, the researcher relied on the participants’ views of the situation being studied as they were encouraged to give meaning to the situation (Creswell, 2003). Furthermore, this philosophy was considered applicable to this research study as it made reference to the understanding of organisational behaviour (Saunders & Lewis, 2012).

Due to the limited timeframes allocated for the completion of this study, a cross-sectional study was undertaken, thereby giving a ‘snapshot’ at a period in time (Saunders & Lewis, 2012).

4.3 RESEARCH METHODOLOGY AND DESIGN

Qualitative research was the recommended methodology for this study as it involves a process of discovery and interpretation of a phenomenon from the viewpoint of the participant (Williams, 2011). According to Williams (2011) and Mayer (2015), qualitative research focuses on studying things in their natural settings and environments, thereby enabling the researcher to develop a level of detail in attempting to understand the phenomena and meaning instilled in people. The application of a qualitative approach provided an in-depth understanding of how the resource-based view and dynamic capabilities contribute to financial service providers’ ability to develop, gain and sustain an advantage in low income markets. Furthermore, the use of qualitative research will provide an understanding of the differences and / or similarities that exist among traditional and non-traditional financial services providers in the pursuit of sustained competitive advantage in low income markets.

The exploratory nature of this research study sought to uncover general information and insights on a topic that is not clearly understood thereby allowing for the topic to be assessed in a new light (Saunders & Lewis, 2012). Zikmund (2003) asserts that this type of research is relevant when the problem is ambiguous thus necessitating research to gain a better understanding of the dimensions of the problem.

In research, there are two main approaches that can be applied; namely deductive and inductive studies. Deductive studies refer to a top-down approach involving the testing of a theoretical proposition through the use of an appropriate research strategy designed for testing (Saunders & Lewis, 2012). This form of reasoning aims at arriving at a conclusion about a specific topic based on a known premise or something known to be true (Zikmund, 2003). In contrast, inductive reasoning is the logical bottom-up approach of establishing a general proposition and developing a theory following observations and analysis of specific facts (Zikmund, 2003; Saunders & Lewis, 2012). In inductive reasoning, the emanating themes are inextricably linked to the data collected and may at times have no relationship to the specific questions that respondents were asked (Braun & Clarke, 2006).

Accordingly, the research study followed the inductive approach mainly due to the fact that there were no prior assumptions or propositions that had to be tested; and specific observations enabled the emergence of unique patterns that led to the formulation of a general theory (Williams, 2011; Saunders & Lewis, 2012; Graue, 2015). This approach was relevant for this study as it provided a way of gaining an understanding of the topic based on the meaning that respondents attached to the situation (Saunders & Lewis, 2012).

Primary data was collected through semi-structured interviews with senior management employees at both traditional and non-traditional financial services firms that compete in the low income market. The data collected was used to answer the research questions outlined in Chapter 3 of this study; and to ultimately understand how RBV and dynamic capabilities can contribute to the competitiveness of financial services firms in the low income market. Interviews were structured based on specific themes that emanated from reviewed literature. These themes formed the basis of pre-determined questions (Saunders & Lewis, 2012). The researcher encouraged openness and honesty in the dialogue by asking open-ended questions during the face-to-face interviews (Zikmund, 2003; Williams, 2011).

4.4 TARGET POPULATION

Target population is defined by Zikmund (2003) as the group of entities sharing common characteristics that are relevant to the respective research project. Accurately defining the target population assists the researcher in ensuring that data is collected from the most accurate source to sufficiently answer the research questions (Zikmund, 2003). In terms of this research study, the target population was identified as traditional and non-traditional South African financial service providers, actively competing in the low income markets. For purposes of this research, traditional financial services firms are identified as commercial banks and insurance companies whilst non-traditional financial services refer to 'formal and regulated' alternative financial services providers including telecommunication, retail and Fintech companies. The 'informal and unregulated' non-traditional financial service providers such as informal micro-lenders (loan sharks), stokvels, burial societies and peer lending schemes amongst others, have been deliberately excluded from the study because this population is not only too large to adequately cover within the allocated timelines of this study, but the complexity therein requires detailed research and analysis that is beyond the scope of the current study.

4.5 SAMPLING METHOD AND SIZE

4.5.1 Sample and sampling method

Saunders and Lewis (2012: p132) define a sample as a *"subset of the whole population from which data will be collected"*. Furthermore, a number of sampling techniques are made available to the researcher in drawing a specific sample from the whole population (Saunders & Lewis, 2012).

The sampling technique used in this study was non-probability sampling which included a combination of convenience sampling and purposive sampling. Non-probability was used because the complete list of the population was not easily accessible. Furthermore, the actual sample size was determined by the nature of the population. Convenience sampling was selected because of the researcher's opportune access to the potential respondents within the traditional financial services sector (Zikmund, 2003; Creswell 2003). Concurrently, purposive sampling was used based on the researcher's own judgement in actively identifying and selecting respondents deemed to be well positioned to respond to the interview questions based on their knowledge and experiences. The purposive sampling technique was beneficial for the research as it is primarily used when there is a need to understand what is happening, subsequently allowing the researcher to make logical generalisations (Saunders & Lewis, 2012).

The characteristics of individuals that were part of the sample were senior managers with extensive knowledge and experience in the establishment and implementation of competitive strategies targeted at the low income market in the traditional and non-traditional South African financial services companies. This sample was considered to be relevant as these senior managers are deemed to have access to key information as it pertains to the subject. They are also connected and exposed to the structures of the organisation where the information resides.

To ensure diversity in the sample, five types of industries representing both the traditional and non-traditional financial service providers were identified and included as part of the sample as outlined in Table 1 below. The size of the selected companies varied and no single industry dominated the sample (Wilden & Gudergan, 2015). A further prerequisite for the sample was that the participants had to be employed in an organisation that was already competing in the low income market. The traditional financial service providers identified were commercial banks and insurance companies whilst the non-traditional firms were represented by telecommunications, retail and Fintech companies that offer financial services. The researcher interviewed 10 participants with equal representation across the two financial service provider classification types.

Table 1: Interview distribution across industries

Source: Author's own construct

FSP Classification	Industry	Number of managers interviewed
Traditional Financial Service Provider (FSP)	Commercial Banks	3
	Insurance (Short-term)	2
Non-traditional Financial Service Provider (FSP)	Telecommunications	2
	Fintech	2
	Retailers	1

4.6 UNIT(S) OF ANALYSIS

The unit of analysis refers to the level of aggregation followed by the investigation in the data collection process (Zikmund, 2003). Given that the theoretical underpinnings for the study is the resource-based view and the dynamics capabilities framework both of which are organisational level theories, it was determined that the primary unit of analysis were the organisations i.e. the financial service providers, with the unit of observation being the interviewees' extensive knowledge, experience, views and thoughts on strategies used by financial service providers when competing in the low income markets.

4.6 DATA COLLECTION TOOLS

4.6.1 Measurement Instrument

Aaker, Kumar and Day (2004), suggest that one of the most effective methods to conduct qualitative exploratory research is through conducting in-depth semi-structured interviews. Therefore 10 face to face in-depth interviews were conducted with senior managers. This allowed the researcher to ask probing questions for the collection of both attitudinal and behavioural data (Hair, Bush & Ortinau, 2003). Asking open-ended questions assisted in collecting extensive data, with face-to-face engagements enabling appropriate feedback and ensuring a high participation rate (Zikmund, 2003; Williams, 2011). The open-ended structure of the interview ensured that unexpected detail and attitudes were easily pursued (Aaker, Kumar & Day, 2004). According to Hair et al. (2003), one of the benefits of collecting data through interviews is the ability of the researcher to encourage the respondent to further expand on a point for clarity thereby creating more opportunities for detailed discussion on the topic and detailed data collection. Hair et al. (2003) caution against interviewer bias that may limit the reliability of data collected.

According to Saunders and Lewis (2012), semi-structured interviews use a set of predetermined questions that have been grouped thematically. The key instrument used in carrying out data collection for this research was an interview guide which served as a means to stimulate discussion. The guide ensured that key themes were adequately covered and was used to prompt responses from the interviewees. The questions posed in the guide were based on the overarching research questions presented and literature review. These interview questions were altered as the interview progressed with some additions and omissions being made where necessary (Saunders & Lewis, 2012). The complete interview guide is presented in Appendix 2 whilst Table 2 demonstrates the mapping of research questions developed in Chapter 3 which were informed by the literature as articulated in Chapter 2, against the interview questions asked during the interview.

Table 2: Mapping of research questions with interview questions

Source: Author's own construct

Research Questions from Chapter 3	Interview Questions
Research Question 1: What understanding do financial service providers (FSPs) have about low income markets and the competitive positions occupied?	1. How does your organisation define the low income market? 2. What assumptions do you make about this market? 3. Based on your organisational view, how big is this market (volume and value)? 4. Who are the market leaders?
Research Question 2: What are the accelerators and decelerators of sustainable competitive advantage for FSPs within low income markets?	1. How does your organisation define and measure "sustainable competitive advantage"? 2. What internal / organisational factors would you attribute to the shifts in your market share? 3. What would you attribute to your organisations success or failure within this market? 4. How rapidly and easily have you and your competitors replicated each other's strategies in this market? 5. What would your organisation need to acquire or change in order to increase the rate of replicating a competitor strategy? 6. What competitive advantage do you think traditional and non-traditional FSPs have over each other?

Research Question 3: Are resources that are owned, controlled and unique to the FSPs sufficient in gaining sustained competitive advantage when competing in low income markets?	1. What unique resources and capabilities do you own and control that give you a competitive advantage within low income markets? 2. Does the organisation fully optimise these resources or capabilities? If so how?
Research Question 4: Do FSPs have to reconfigure or implement any changes to their internal resources and capabilities in order to ensure sustained competitiveness in the rapidly changing low income market?	1. How has your organisation had to change in response to the changes in the environment specifically within the low income market? 2. In terms of the organisational change, what was the impact on your resources and capabilities e.g. were resources reconfigured, integrated, gained or disposed of or other? 3. Have these organisational changes contributed to you being more competitive? Is the change sustainable?
Research Question 5: How do FSPs gain and sustain competitive advantage in low income markets?	1. What is your organisations view on optimising existing resources and capabilities vs developing new resources and capabilities? 2. What do you think gives you more of a sustained competitive advantage and why: a. Owning and controlling resources and capabilities that are unique to your organisation **OR** b. The ability to reconfigure and change the organisations resources in response to changes in the environment?

4.6.2 Pilot testing process

Prior to conducting the interviews, semi-structured interview questions were piloted to test for comprehension, reliability, verification of the content, clarity as well as ascertaining the possible duration of the interview (Saunders & Lewis, 2012; Wilden & Gudergan, 2015). The pilot testing process took place with a total of six individuals made up of four members of an experienced market research and insights team operating within one of the identified industries specifically at a commercial bank, one senior manager at an insurance company and one senior manager in a non-traditional financial services provider in the retail sector. The setting for the pilot testing was conducted in a formal office setting, simulating the setting of the actual interviews. The feedback from the pilot test necessitated a review of the interview guide as it was too lengthy and the questions were altered for clearer articulation. Both the research team and the senior managers were excluded from the final selected sample of the research.

4.7 DATA GATHERING PROCESS

Interviewees were initially contacted by way of an introductory phone call from the researcher inviting their participation to the research. This was followed up with a formal email request for interviews with the respective senior managers, including the consent letter and interview guide. The email communication gave an overview of the research topic, the purpose, the overarching research question to be answered as well as the expected duration of the interview.

At the commencement of the interview, respondents were requested to sign the letter of consent as demonstrated in Appendix 1, to ensure that data was collected in an ethical manner. The interviews were recorded with permission from the participants, using a voice recording device.

4.8 DATA ANALYSIS APPROACH

According to Graue (2015), qualitative data analysis is a process that involves describing, classifying and drawing connections about phenomena based on the face-to-face interviews and analysing emanating themes. Braun and Clarke (2006) describe thematic analysis as a process of identifying, organising, analysing and grouping data according to the common themes or patterns that are embedded in and emerge throughout the interviews. Furthermore a theme is defined as *"something important about the data in relation to the research question, and represents some level of patterned response or meaning within the data set"* (Braun & Clarke, 2006: p10).

In this research study, qualitative data accessed from the recorded interviews, was transcribed, themed and analysed using Microsoft Excel. Content analysis is defined as the technique adopted to capture categories and themes that emerged from the data collected (Graue, 2015). Table 3 below demonstrates the process that was applied during the analysis of the themes as described by Braun and Clarke (2006).

Table 3: Phases of Thematic Analysis

Source: Braun & Clarke (2006)

Phase	Description of the Process
1. Familiarising yourself with your data	Transcribing data (if necessary), reading and re-reading the data, noting down initial ideas.
2. Generating initial codes	Coding interesting features of the data in a systematic fashion across the entire data set, collating data relevant to each code
3. Searching for themes	Collating codes into potential themes, gathering all data relevant to each potential theme
4. Reviewing themes	Checking if the themes work in relation to the coded extracts (Level 1) and the entire data set (Level 2), generating a thematic 'map' of the analysis
5. Defining and naming themes	Ongoing analysis to refine the specifics of each theme and the overall story the analysis tells, generating clear definitions and names for each theme.
6. Producing the report	The final opportunity for analysis. Selection of vivid, compelling extract examples, final analysis of selected extracts, relating back of the analysis to the research question and literature, producing a scholarly report of the analysis

The researcher listened to all recordings at least once post each interview and read the notes several times with the intent of identifying any high-level commonalities and insights. At completion of all interviews, in-depth analysis of the information was conducted on a question-by-question basis, subsequently allocating individual units of data to specific categories (Braun & Clarke, 2006; Saunders & Lewis, 2012). Codes which had been generated and assigned to data were then collated and grouped into potential themes that would help with the comprehension of the research problem (Creswell, 2003).

Themes were identified through the identification of common threads and constructs that were recurring throughout all the interviews and were deemed meaningful to the research questions posed (Braun & Clarke, 2006; Sauders & Lewis, 2012). In following the thematic analysis process, an iterative approach had to be adopted by the researcher; the development of codes and the identification of themes were performed more than once, to ensure that emanating themes would not be based on the views of a limited sample. This ensured that the coding process was thorough, inclusive and comprehensive (Braun & Clarke, 2006).

The developed data was captured onto a template that the researcher had designed in Microsoft Excel and analysis took place on a question-by-question basis. This part of the analysis process was further supported by the additional use of frequency analysis whereby the researcher recorded the number of times a specific construct mentioned was repeated (Braun & Clark, 2006). These were then ranked according to the pattern being formed by the frequency of mention. The themes and insights that emerged from each interview were linked together and analysed in the context of the research questions as articulated in Chapter 3 (Saunders & Lewis, 2012; Braun & Clarke, 2006).

4.9 DATA VALIDITY AND RELIABILITY

Due to the subjective nature of qualitative research, a number of biases when conducting and analysing interviews can affect the research including interviewer, interpreter and response bias (Saunders & Lewis, 2012). In order to limit and avoid these biases, reliability and validity are two key criteria that have been identified for evaluating a measurement instrument (Saunders & Lewis, 2012). Golafshani (2003) defines the reliability of a measurement instrument as one that gives an accurate representation of the total population whilst being consistent over periods of time in that if similar research were to be reproduced, the measurement would yield similar results or observations thereby making the results repeatable. However, reliability in isolation is not a sufficient measure but requires validity which denotes the accuracy with which the research, *"measures that which it was intended to measure"* (Golafshani, 2003: p599).

For the current research, reliability and validity were ensured through the use of semi-structured questions in the interview guide. Although respondents had enough latitude to fully explore the topic and concepts, the guiding questions were standardised for all the interviews conducted to ensure consistency. A concerted effort was made by the researcher in focusing on the respondent's perceptions and opinions without making further suggestions to respondents thus being mindful of biases. Lastly, strict criteria in sample selection were applied to ensure accurate representation.

4.10 ETHICAL CONSIDERATIONS

Prior to commencement of data collection, the Gordon Institute of Business Science (GIBS) requires the submission of the research methodology and design to the Research Ethics Committee of GIBS (REC) to ensure that all research conducted is bound by specific ethical principles as articulated by the institute. These include the protection of the participants in the research from any form of exploitation whilst protecting their rights. The ethical clearance process was adhered to and approval was received based on the submission of the research topic and corresponding research methodology and design as articulated above. Through the use of the consent form, respondents were informed that their participation was voluntary and they could withdraw at any point without penalty. Furthermore, the respondent's anonymity was assured in that the data would be stored without identifiers.

4.11 RESEARCH LIMITATIONS

Qualitative research is subjective and can be affected by biases; hence the following limitations were identified in this research study:

- The study only focused on financial service companies located in Johannesburg, Gauteng province therefore the responses of the participants might have been affected by geographical bias.
- The study is limited to the financial services sector and may not be applicable across different sectors.
- Only a limited number of industries and companies were selected, therefore the results of this research study may not be representative of the whole population of companies providing financial services and competing within the low income market.
- Due to the limited amount of time available for the completion of the study, the methods employed for sample selection i.e. convenience and purposive sampling needed to be less time-consuming in order to meet the submission deadline. This however can imply an unintended bias towards sampling selection.
- For purposes of this research, "non-traditional" financial service providers excluded a key part of the South African financial services landscape that is comprised of 'informal and unregulated' financial service providers such as informal micro-lenders (loan sharks), stokvels, burial societies, peer lending and the like. This is therefore exclusionary of a significant portion of the low income market, thereby not providing a comprehensively representative sample of the market.

4.12 CONCLUSION

This study applied qualitative research because there is currently limited experience and knowledge on the topic and adopted an exploratory design due to the nature of the research questions posed. The sample included senior managers with extensive knowledge and experience in the establishment and implementation of competitive strategies targeted at the low income market in the traditional and non-traditional South African financial services companies. This sample was considered to be relevant as these senior managers are deemed to have access to key information as it pertains to the subject. They are also connected and exposed to the structures of the organisation where the information resides. A semi-structured interview format was used to conduct face to face in-depth interviews with the senior managers. The interviews were recorded, transcribed, coded and analysed to uncover emerging themes and constructs that would help to further understand the research problem. The results from the analysis form part of Chapter 5 which follows.

CHAPTER 5: RESULTS

5.1 INTRODUCTION

In this chapter the results of the research study are presented in accordance with the research questions formulated and presented in Chapter 3. This section gives a presentation of the findings from the analysis of data collected through the in-depth semi-structured interview process with senior managers from both traditional and non-traditional financial service providers.

5.2 DESCRIPTION OF THE SAMPLE

A list and description of the participants chosen for this research study is presented in Table 4 below. The description includes the classification type of the financial services provider, the industry in which it operates, the manager interviewed as well as a description of their position. All data results are presented with pseudo identifiers to protect the anonymity of the firms and the respondents.

As highlighted in Chapter 4, the sampling technique used in this study was non-probability sampling which included a combination of convenience sampling and purposive sampling in selecting the ten participants who are senior managers in the financial services sector. In order to determine the appropriate participants to interview, the participants' knowledge and experience in deploying competitive strategies aimed at the low income market within traditional or non-traditional South African financial service providers based in Gauteng was considered. All the participants had more than one year of experience in the field of financial services and low income markets.

Table 4: Sample Description

Source: Author's own construct

FSP Classification	Industry	Name of respondent	Position
Traditional Financial Service Provider (FSP)	Commercial Bank	Matthew	Head: ELB and Youth Segment
		Mark	Head: Emerging Payments, Strategy and Regulation
		Luke	Group Executive Head: Group Marketing, Communication and Corporate Affairs
	Insurance (Short-term)	John	Senior Marketing and Strategy manager: Insurance
		Silas	Head Client Engagement Segment
Non-traditional Financial Service Provider (FSP)	Telecommunications	Titus	Senior Manager: Strategy and New Business Development
		Saul	Head: Middle and Alternative Segment
	Fintech	David	Co-Founder and Operations Director
		Nehemiah	Founder and CEO
	Retailers	Jeremiah	Senior Marketing Manager: Financial Services

5.3 RESULTS FOR RESEARCH QUESTION 1

What understanding do financial service providers (FSPs) have about low income markets and the competitive positions occupied?

The main objective of this research question was to probe participants to draw on recent experiences in establishing the commonality or variability of understanding low income markets, with the aim of gathering conclusions on the key parameters for competitiveness in that market. Furthermore, this research question sought to gain insights on the competitive positions occupied by the various financial services providers within the low income market in South Africa.

5.3.1 DETERMINING THE DEFINITION OF LOW INCOME MARKET

The first interview question sought to determine how the concept of low income market is defined in the financial sector. All participants were required to draw on their current and previous roles and experiences in the understanding and definition of the low income market, further probing them to provide examples where applicable. The participants described the low income market in a manner that either related to their current organisation or their experience. Table 5 below illustrates the common themes that emerged in the definition of low income market.

Table 5: Defining the low income market

Rank	Constructs	Frequency
1	Income group earning less than R100 000 per annum (Entry Level Banking)	21
2	Unemployed Population Group (Incl. R0 earnings)	7
3	Income group working in the informal sector	5
3	Income group unbanked or under-banked	5
4	Income group that spend between R30-R80 on airtime	2
5	Population Group dependant on social grants	1

In analysing the main constructs, an overwhelming number of participants defined low income markets as a group of people earning an income of less than R100 000 per annum demonstrating the degree of agreement there is in the industry in terms of the definition of low income markets.

Emanating from the key construct, it is evident that a number of participants made reference to 'income' as a key identifier and measure used when defining this market. This notion is captured in the following quotes:

> *"…The organisation defines the low income market primarily on income and I forgot the filters now but it's on income, not LSM, there is a bit also of lifestyle elements but the primal determinant is the income and there's an income range of what's called the entry level banking"*.

> *"I think as a bank we define the low income market in the form of the segmentations that we use and we do have different segments and one of the variables within the segments will be the income groups".*

Other participants echoed this view by further providing the general income parameters of the low income market in numbers, recalling the following:

> *"…but I think traditionally it was under R5, 000 a month or something along those lines, perhaps R3000 per month, I can't remember".*

> *"I think currently we still use the very archaic way of saying age and income. Typically we say anyone earning less than R100, 000 per annum is considered an entry level type client, which that model has been further refined to say actually it's actually anybody earning less than R60, 000 per month".*

Interesting to note was the common terminology used by various participants in describing the low income markets in referring to it as 'entry level banking. This is reflected in the below quotes:

> *"So the low income market will be your lowest, will be what we term an entry level banking in our language".*

> *"So if you're R5, 000 and below, as us, here, we consider you as an entry level banking type client".*

> *"So starts from zero and it goes up to sixty thousand per annum, this is a per annum figure, and that's what we call our entry level banking segment".*

The second most significant construct based on frequency count was that the low income market was defined as an unemployed group of people including those with R0 earnings. It was surprising that some of the participants considered the low income market as a group with an income of less than R100 000, whilst others considered the group to be unemployed. However there were participants who thought the definition of low income group should include both groups who earn an income of less than R100 000 and those that are unemployed. This is reflected by what some of the participants poignantly phrased as:

> *"…but let's put a better definition to it, so it's unemployed people, it's SASA grants, it's blue collar workers and it's young people who are starting their first jobs. So that's probably the key in terms of the low income market".*

> *"So you could be no income or partial income".*

One participant further added that the definition should also include the youth that is under the ages of 25 years and unemployed, emphasising that:

> *"Don't forget the half population of the country is young, under 25 so they fall into that low income market by respect of how young the country is and with unemployment the way it is".*

The third construct that emanated from the participants when defining low income market was related to an 'income group working in the informal sector'. One of the participants explained this notion by noting people that work in the informal sector which is generally characterised by fluctuating income with another participant mentioning that the definition of the low income market is quite fluid. These views are captured in the following quotes:

> *"We start with an income of zero and that's purely because in that market it's very fluctuating. So sometimes there's work, sometimes there isn't which is informal. So sometimes literally your income might be zero and in another month you might be getting whatever that amount is per month".*

> *"Probably not formally employed all the time, so the definition of unemployment in South Africa is quite vague because as long as you've been employed I think within the previous nine months you're considered to have been employed, you could be sitting on your bum at the moment but you're still considered employed because of the time frame, so these might be part time workers, they might be migrant workers, they might be foreigners, they might be people who are dependent on odd jobs, those are the core characteristics".*

> *"This is the range or the customer segment between a sole proprietor and informal work, we're not particular to married to that, up to the floor of the banks, so every other client that the banks won't touch or partially touch, so it's a very wide definition".*

Another significant notion in the definition of low income market was related to a group of people that are either unbanked or under-banked, which can be described as people that have been financially excluded from the formal financial sector. This concept of low income market defined as a group of under-banked and unbanked individuals was captured clearly by various participants some of whom explained in detail that:

> *"We simply had the banked and the unbanked or the unbanked and under-banked".*

> *"First of all I think we look at them in two ways, the one is the unbanked, people with no formal banking solutions versus under-banked, people who might have types of banking solutions, whether they've been provided by banks or other entities but are in the formal ecosystem. If you think about unbanked, money is still flowing between those people and that's typically the shadow economy or the non-traditional markets that flow of funds and the way that money moves, payments, etc. isn't necessarily recorded there's no trail of that, and those are the people who you try to get into the banked environment".*

The participant went further to give a detailed definition of under-banked as,

> *"Under-banked means they might have financial services solutions but not necessarily what they might need to build up a financial acumen or savings plan or be able to plan for things like long term goals, all that sort of thing. So they might have an account, they either don't use it or it's not active or they have a funeral plan but not anything on the traditional transactions or saving side, or they have any other individual standalone product, that doesn't mean that they're actually operating within a formal banked environment".*

5.3.2 UNDERSTANDING THE ASSUMPTIONS MADE ABOUT THE LOW INCOME MARKET

The second interview question required participants to assess and describe the assumptions they have generally made about the low income market. Evident was differing views held by the participants pertaining to assumptions made regarding low income markets, however the top three most dominating constructs were the perspective that this market was *impacted by social ills, characterised by low income earnings and a preference for non-traditional banking structures vs traditional structures*. The table below gives an overview of the themes that emanated from the interviews.

Table 6: Understanding the assumptions made about the low income market

Rank	Constructs	Frequency
1	Impacted by Social Ills	13
2	Low Income Earnings	12
3	Do not prefer Traditional Banks	8
4	Low Financial Literacy	7
4	Reliant on Micro-Lending or Borrowing	7
4	Limited Access to Financial Facilities	7
5	Highly Aspirational	6
6	New to Formal Banking Environment	5
6	Lacks a Savings Culture	5
6	Tight Budgets	5
7	Basic Financial Transactions	4
7	Have Access to Mobile Devices and Internet Connection	4
8	Cash Dependant	3
8	Do not make assumptions about this market	3
9	Buys in Bulk	2
9	High Social orientation	2

It was interesting to discover that the financial sector assumed that the low income market was generally affected by social ills. The social ills identified by the participants ranged from debt to poverty, alcohol abuse, drugs and varying degrees of violence. Evidence of this has been captured in the following accounts by the participants:

> *"…therefore they've got a lot of financial obligations which they can't necessarily meet in a sustainable manner month on month. So those are some of the assumptions".*

Referring to the other social ills one of the participants maintained that:

> *"Then there's the negative. Alcoholism, drugs, gangsterism, abuse, all happens. So there are two sides to the coin. There are those people who really don't want to, in low income areas, its low formal income. There's not necessarily low*

> *income because you've got people living in very poor accommodation, making shit loads of money, selling drugs".*

It is not surprising that a majority of the participants were of the opinion that the low income market was characterised by low income earnings as this was highlighted by the participants as the main description and definition of the low income market. One of the participants justified his view by mentioning the fact that generally the low income market had low income because they did not have permanent jobs with one of the participants stating the following:

> *"One of the things I could say is probably, as I mentioned, the fluctuating income, so there's very little permanent employment in this particular segment. Obviously the higher you go into annual income the more permanent you'll see jobs but generally speaking the lower the income the more piecemeal or temporary work is out there".*

This notion was supported by other participants who mentioned that this market struggled financially due to low income, with one of the participants stating that:

> *"I think the other assumption which I suppose has really come to, at least since we started operating, is that this end of the market is just very, very stretched financially".*

> *"We often make assumptions about low-income, you know, low-LSM segment customers, but we think there's an opportunity to play across a range of customers"*

Another interesting point highlighted by the participants was related to the fact that the low income market generally did not prefer traditional banks. One of the participants reasoned on this, highlighting that the low income market did not prefer traditional banks because traditional banks generally perceived them to be uneducated and financially illiterate. The participant explained in detail and offered an example to this effect:

> *"I suppose other things also are things like you do assume that people are not necessarily financially savvy but what we've seen is that they're potentially savvy in other non-traditional ways….so let's take an example of saving, we know that with such little income you would think that there's not a hell of a lot to say but in your traditional cultural means, like your stokvels and societies and*

those kind of things, people do actually save in those, however small the amount is".

Another participant highlighted the fact that the market was involved in some level of financial service activities however these activities were not formalised through the traditional financial service channels, commenting that:

"So there is a bit of savings in the market but the point is it's not formalised in the financial system".

Further justifying the reasons for this assumption, was one of the participants who explained in detail that the low income market preferred non-traditional financial services because of the simplicity in the systems, stating that:

"So it's people who have devices [mobile handsets] but who don't have bank accounts, and it's people who have very, very basic transacting needs, so remittances as a basic, cash in, cash out, that's it, so I need to send money to somewhere in the country and it needs to go and I can readily get it to that person, they don't have a bank account, I need to use another means to get the money to them, so that's the basic transacting needs that these consumers are after".

Another theme that emerged from the participants was related to the fact that the market is assumed to lack financial literacy. This is highlighted in the following quotes:

"The assumption is that there's correlations of needs that correspond to the income level, and also there is also correlation of access and correlation to understanding of financial services".

"So in looking at the income level and trying to provide solutions, there's assumptions made about what that segment understands about financial products, there is an assumption made on how they use those products and therefore what do they need and what is the best pricing mechanism for that"

Some participants were of the view that due to low levels of income that characterise the market together with being financially stretched, an assumption is made on the behaviour of the market including their exposure to and desire for micro lending and borrowing facilities. This assumption is articulated in the following quote:

"Very cash intensive. Typically more rural or peri urban location, not necessarily access to physical facilities like branches or ATMs, probably runs

out of money by a certain time in the month, doesn't have a savings culture or a planning culture, probably relies on micro lending or borrowing, either from family members or from nieces or micro loan shops or loan sharks, whatever it might be, probably buys in bulk, so when they do go to a store or some location where they buy groceries or whatever they might need for the month, probably buys a lot in one go because they don't want to make multiple trips, probably".

5.3.3 UNDERSTANDING THE MARKET SIZE (VOLUME AND VALUE)

The third interview question prompted the participants to highlight the size of the market based on their organisational view and experience. The question was specifically phrased in a manner that allowed them to relate the size of the market based on their current organisational experience. Table 7 below presents the main constructs based on the size of the market. The participants could refer to the size of the market from a volume and / or value point of view.

Table 7: Understanding the market size (volume and value)

Rank	Constructs	Frequency
1	Volume and Value of Market difficult to Quantify	12
2	Volume of the Market higher than Middle-High Income Market	4
3	Over 50% of the South African Population in Volume	4
3	Value of the Market lower than Middle-High Income Market	4
4	Market Value estimated at R130 billion	1

A majority of the participants were of the view that the size of the low income market was generally quite difficult to quantify. Evident were the participant's attempts at estimating the size but were not able to commit with absolute certainty on the market size and agreed that the market was too broad to quantify. This is reflected by a number of participants commenting as follows:

"…so they are big but I'm loathe to give specifics in terms of numbers."

"So we haven't sized this market correctly, partly because we've moved away from this focus, the under-banked, but I'm sure there are some stats in the Trust or World Bank, etc."

"We find it very difficult to actually collect [that volumes data]."

> *"I struggle with the value, but volume wise, we're probably talking around, in the entire population it's probably around twenty five million, so roughly half of the population adult population would be in this market".*

Some participants were of the opinion that the volume was certainly larger than the middle income group, with specific emphasis that it was the volume in terms of market size that was higher and not the value in terms of revenue gained from the market. This notion of volume versus value was linked to the idea that even though the market was considered high in terms of volume, it was not high in terms of value when compared to the middle income group. This was emphasised by participants stating the following:

> *"I'm not close to that detail but it is numerically bigger than the middle segment and in terms of value it's less than the middle segment".*

> *"I think they are the biggest in terms of size, in terms of volume, they are the biggest compared to the other segments such as the middle income, but in terms of the per capita power or per capita spending income, they'll be the lowest, if that makes sense".*

There were participants who estimated that the market was about 50% of the South African population in volume, with some accounting for the youth population in their estimates. These views are evidenced through the following quotes:

> *"So youth is in the mix as well but around twenty five million, and we've probably got about, it fluctuates between a nine and ten percent market share of that".*

> *"Fifty four million adults in South Africa, this is thirty five million, and then you've got another say thirteen million people less than sixteen years old. I'm taking out the kids"*

5.3.4 DETERMINING THE LOW INCOME MARKET LEADERS

The fourth interview question prompted interviewees to be objective in identifying the financial service provider that they thought was leader in the industry thus having competitive advantage in the low income market. Most participants agreed that Capitec, a South African commercial bank was the market leader as illustrated in the table below.

Table 8: Determining the market leaders

Rank	Constructs	Frequency
1	Capitec Bank	18
2	Non-Traditional Financial Institutions (Retailers and Telco companies)	11
3	Fintechs	6
4	ABSA	5
5	Unregulated and Informal Financial Institutions	4
5	African Bank	4
6	First National Bank	3
6	Old-Mutual	3
7	Standard Bank	2
7	Clientele Life	2
8	AvBoB	1

The participants found this question quite interesting especially because most of them were of the opinion that their organisations were not leaders in the market nor did they have a competitive advantage. A majority of the participants identified Capitec as the leader in the low income market, whilst also mentioning other banks. Interesting to note was that in terms of the traditional banks, Capitec Bank was the only traditional bank that featured in the top 3 in terms of being a market leader. Participants commented as follows:

> *"… in terms of the banks, the bank that is leading will be, just looking at the numbers, and in that space will be Capitec closely followed by Absa and then Standard Bank".*

> *"So Capitec [is] without a doubt number one, everyone else is behind, Nedbank is flat. So Nedbank would be second best but a long way from being new, because Absa, Standard Bank and FNB in this base are going downwards, they're losing, Nedbank is flat, Capitec is way ahead".*

> *"I think the leaders would be Capitec and again they've ridden a wave of awesomeness, because I think when they came out, there was this massive fear around this impending credit bubble that was coming, and as a result banks pretty much tightened up their score cards and to get a loan from a bank was a mission"*

> *"Obviously from a bank perspective I think Capitec has done a fantastic job around creating simplicity. Their success would also be their challenge, though,*

because their job now is to move out of being a simple provider of a personal loan or current account and credit card into being a much more full service bank. As they start competing with the other big four on a like for like basis, that's when the complexity is introduced. So they've done a great job".

Some participants were of the view that the leaders in the market were non-traditional financial service providers including formal retailers as well as telecommunications companies. Participants went further in citing examples:

"…the non-traditional, Checkers Money Market, Vodacom or their Money Send, and then Cash Send. Then you've got a lot of Fintech's and smaller players and they're just not in the same they come and go".

"If you're talking pure remittances, it's definitely Shoprite. I know the numbers but I can't tell you. They are the leaders. PEP is second. I built a money-transfer platform at Standard Bank with Spar. So Spar-to-Spar. They're probably third. So there's a big retail, there's a void in the country that was filled by retailers, and they've done very well fulfilling it"

The third construct that emanated based on frequency count was related to Fintechs being the market leaders within the low income market. This view was articulated by various participants as mentioned below:

"They are sometimes Fintech's, they could be people like wonga.com which was an agent company that found its way into the market, they might be the informal guys".

"Then you've got a lot of Fintech's and smaller players and they're just not in the same … they come and go".

"…they [Fintechs] can do things faster, simpler. I'll give you an example of a Fintech, its name is Jumo. Have you met them?"

This last participant further explained the model of Fintech's in mentioning that,

"They do loans but they only use behavioural information, so they say if the person pays their Edgars account off, they're good for a loan, or not, or if the person shows that they can take three taxis rather than two, to get to and from work every day, that they've got a better behaviour to pay their loan. So they don't use any credit scoring. Very, very good. There's a lot of Fintech's around but not a lot in this market".

5.4 RESULTS FOR RESEARCH QUESTION 2

What are the accelerators and decelerators of sustainable competitive advantage for FSPs within low income markets?

The aim of research question 2 was to firstly obtain a common understanding of competitive advantage and its extension of sustained competitive advantage. Furthermore, it sought to understand the key determinants for the gains and losses of sustained competitive advantage within the low income market. Lastly this question tested the ease and speed to which financial service providers are able to gain or lose competitive advantage.

5.4.1 UNDERSTANDING HOW ORGANISATIONS DEFINE A "SUSTAINABLE COMPETITIVE ADVANTAGE"

The sixth interview question encouraged participants to describe how they generally define competitive advantage. This question probed the participants to draw on their current role and experience in general. The results of this interview question are summarised in Table 9 below. The highest ranking construct based on frequency count defines competitive advantage as the ability of an organisation to ensure *inclusivity, accessibility, convenience and remain relevant to the target market*.

Table 9: Understanding the definition of sustainable competitive advantage

Rank	Constructs	Frequency
1	Inclusivity, Accessibility, Convenience and Relevance to Target Market	25
2	Gaining consumer trust through relationship building	15
3	Innovation through Technology and Digital Advancement	13
4	Unique and Intangible Competencies that are Difficult to Replicate	8
5	Transparency and Information on products	6
5	Differentiated Value Proposition	6
5	Clear and Flexible Strategy	6
6	Simplicity in Products	5
6	Internal Efficiency	5
7	Informed Decision Making	4
7	Affordability in Products and Services	4
8	Investment in the Community	2

Many of the participants found this question to be quite interesting; their responses were mostly related to their experiences and linked to their current organisation. The participants linked competitive advantage to products and services offered to the customer, with a number of participants specifically mentioning inclusivity, accessibility, convenience and target market relevance as the key drivers for sustaining this competitive advantage within financial services when competing in low income markets. The following quotes demonstrate this articulation:

> *"Sustainable competitive advantage for us will be how accessible we are to our target markets. The easier and more efficient you are in terms of being accessible, the more advantage you have".*

> *"So we need to be aspirational inclusive. In fact, we should take out the word, aspirational, and just have inclusivity as part of it so that every sector of society can see that".*

> *"You've obviously also got to make sure that whatever the solution you develop is something that is going to be reusable and repeatable. So people have to find value in whatever is and then they, themselves, need to select, and if people don't see the value they will stop using it, it's an age old principle. They might even end up making other plans, so we know how resilient and how adaptable customers actually are.*

> *"Sustaining competitive advantage in terms of our definition about a differentiated proposition, in the financial sector accessibility to financial products is what has given most players a competitive advantage. Maybe I'm jumping the gun"*

The following quote further reiterated the notion of being relevant to the target market:

> *"[It] is around really understanding what it is those clients need, what they're prepared to pay for and where they see the value".*

The second construct based on frequency count was related to gaining consumer trust which can be achieved through building relationships. The participants were of the view that in order to gain and sustain competitive advantage, consumers needed to have a level of trust in the brand as demonstrated by the following quotes:

> *"…and then there's also, again, huge brand trust. You've got to demonstrate that you're a trustworthy brand".*

Further emphasis on the importance of consumer trust of the brand was highlighted by a participant, who made reference to his organisation that lost competitive advantage due to a lack of brand trust by the consumers. Evidently intertwined with trust was the value of respect.

> *"So back in the day when we're setting up the branches in our rural areas that we hadn't been in before, from an FSC perspective, we investigated low cost branches and these [were] bank-in-a-box [solutions], which is effectively a container, a fully functioning branch but it was a container and it wasn't a bricks and mortar branch. The challenge we had there was, and we only found this out because we interviewed customers, is that they were saying to us, don't come, you haven't been here for twenty years, don't come and put up a plastic branch, you're basically telling me I'm not good enough for you because you're putting a cheaper branch, so show me the respect".*

> *"So it's those kinds of things you have to join and you have to pay a great deal of attention to because if you don't listen to the community you're disrespecting the community and therefore they will not trust you".*

The concept of trust was further associated to simplicity and transparency of product offerings targeted at low income markets. This was emphasised by a participant who stated that:

> *"They also trust the bank, they trust the kind of fees and transactions that come off their accounts, because you monitor, whereas your low income market don't have disposal income and they probably don't have the ability to check and to keep an eye on their account, they don't understand the need for monthly administrative fees and other charges banks levy on their accounts. They see their balances reducing so there's lack of trust and understanding".*

The third construct highlighted by participants in gaining sustainable competitive advantage was *innovation through technology and digital advancement*. A significant number of participants were of the opinion that having competitive advantage in the low income market was dependent on being digitally advanced as demonstrated in the quotes below:

> *"I think you need to be very technologically advanced and a technical and digital leader to be sustainable competitive here".*

“If you can't do that you have to then look at alternative ways of servicing them at a technology level. Now, that could mean mobile, it could mean internet, but we have to be very careful about how we then say that those are the things we’re going to chase because you've got to look at things like access…so it’s all very well to develop a really cool tech solution but if people don't have money to pay for the data or the calls or whatever it is that’s required, you've got to look at the entire value chain. So there’s the cost to serve element on that front and in terms of our existing systems but then also from a mobile perspective, what are we going to deliver? I shouldn’t say mobile, I should say digital”.

5.4.2 UNDERSTANDING THE INTERNAL / ORGANISATIONAL FACTORS THAT CAN BE ATTRIBUTED TO THE SHIFTS IN MARKET SHARE

This question sought to understand the factors that have contributed to the performance of the FSPs which resulted in shifts to their market shares. The results of this interview question are summarised in Table 10 below. The highest ranking concept based on frequency count was changes in the strategy to better serve the low income market.

Table 10: Understanding the internal / organisational factors that can be attributed to the shifts in market share

Rank	Constructs	Frequency
1	Changes in Strategy to serve Low Income Market	13
2	Build Brand Equity within the Market	11
3	Insufficient Understanding of Low Income Market	8
4	Compelling Value Proposition	6
4	Affordable, Simple and Easy Access Products	6
5	High cost to serve	5
6	Impact of Leadership	4
7	Established Parent Company	3
7	Choice of partnerships	3
7	Legacy Issues (e.g. legacy systems)	3
8	Innovation and Digitisation	2
8	Effective Market Research and Strategy	2
13	Regulation and Legislation	1

It was interesting to discover that organisations in the financial services sector, particularly traditional banks, had now realised the potential for growth in the low income market. Many participants described how their organisations decided to focus on and made concerted efforts to serve the low income market. Below are some of their comments:

> *"Internally we'd attribute that to market share gain. There has been focus to target the entry level banking segment, from the simple view that this is a segment of the future, assuming that there would be upward mobility, that although these people have a lower income today, some of them will grow their income and become the future middle class".*

> *"What the bank has done is focused on the segment and provided product offerings that respond to that, the big one being Pay As You Go, basically significantly dropping the monthly rate and allowing people to pay as they use, and with the assumption that actually the number of transactions they make, there are not that many to benefit from a more expensive bundle pricing. So I think that R5 deal has been a key part".*

> *"…there's a huge drive from a few years back in the entry level banking, where activating trucks would go into communities, into shopping malls, basically where there's a high density of people, to open account, literally, on the spot, to get more people from that segment".*

The change in strategy was further explained by another participant who described in detail the shift, stating that:

> *"…after having a very high net worth focus in the early 2000's [Bank] has shifted its strategy much more to being a bank for all and we obviously see that in not just the types of products we created but sponsorship properties like [Bank] Cup, looking at kids, seniors and retirees, and I think there's been a much bigger shift to creating products and services that are across the spectrum and it certainly has shown rewards for us".*

Some participants highlighted the importance of building brand equity within the low income market, through initiatives that are aligned to the values of the market as well as introduced brand elements that this market could identify with. Multiple brand initiatives were executed that aimed to get the attention of consumers and build brand equity. This is evidenced in the below quotes:

"…competitive advantage can also come from brand strength, where a certain brand has an equity that is stronger than the other and therefore giving it leverage, for example, to charge a premium for something that they possess".

"Then obviously outwardly, from a brand perspective, you have to make sure your brand starts appealing to that, and [Bank], we know, has had tradition around appealing to that specific market. So we had to do a few things around sponsorship".

"Before that we tried a whole lot of little mini soccer tournaments in areas, like more activation, I guess tactical approaches to brand love. There was a gospel choir competition, all that kind of stuff, there was a competition, we took people around the country, so trying those little tactical things to kind of just create the perception that [Bank] was for everybody. The strategy was called Bank for all and it was driven by those sorts of things"

There are participants who stated that they did not have sufficient understanding of the market, which has led to incorrect assumptions being made about the market resulting in their poor performance in terms of market share. Some of the comments were as follows:

"Lack of innovation, poor visibility and when we do become visible it's rather at the back end of the retail bank rather than just at an insurance level, insurance stands alone and the assumption that the low income market will, through natural progression, go into a middle market and therefore if you set yourself as being a middle market appealing brand or proposition, the lower end will come into your space which is not actually the right thing to do. The assumption is we've got this trajectory of the economy growing and if you hit the sweet spot in the middle market, the guys that are in the lower market, when they come in, they will naturally come in to you, which is wrong, and it's a wrong assumption".

5.4.3 UNDERSTANDING THE FACTORS ATTRIBUTED TO THE ORGANISATIONS SUCCESS OR FAILURE WITHIN THIS MARKET

This question sought to further probe the participants on the factors that can be attributed to the organisation's failures or successes in the low income market. It was intended to get the participants to adequately reflect on both the enablers and inhibitors of progress within this market. Many of the participants found this question quite intriguing hence they had many reflection points regarding these factors and in some cases provided the researcher with practical examples. Table 11 below highlights the several themes that emerged during the analysis of data pertaining to this interview question.

Table 11: Understanding the factors that can be attributed to the organisations success or failure within this market

Rank	Constructs	Frequency
1	Inclusivity and Accessibility to the Market	13
1	Legacy Drawbacks (systems, processes and practices)	13
2	Customer Centricity and Contextual Relevance	10
3	Effective and relevant Marketing Strategy	9
4	Repositioning the Brand to be relevant to the market	8
5	Agility and Innovation	6
5	Diversity in Staff	6
6	Frequent Changes in Strategy	5
7	Flexibility and Adaptability	4
8	Accessibility and Convenience	3
8	Absence of Compelling Value Proposition	3
8	Leadership Support	3
9	Clear Long-Term Strategy	2
9	Poor partnership choices	2

The most significant construct that emanated from the analysis, was *inclusivity of and accessibility to the market*. The participants were of the view that they had performed well in the low income market because they had changed the organisational strategies to being more inclusive and accessible to the low income market. One of the participants explained how his organisation had always positioned itself as a service provider to an elite market thus making them exclusionary in their approach, culture, product and service offerings. The participant further explained how they had recently changed their strategy to be more inclusive whilst another highlighted the increase in accessibility to the low income market thus contributing to their success within market. This view was supported by other participants and is reflected in the below quotes:

> *"[Bank] has always been seen a bank for the elite, and exclusionary bank that excludes certain races or market segments, and what the bank did deliberately in the past five to ten years is to reposition itself from being this exclusive brand to an inclusive brand, and that we have done through our advertising, relevant advertising, again, by just being open and deliberate in terms of focussing on the low end market by developing relevant products, keeping the banking fees manageable and just by doing a lot of penetration into those areas".*

> *"I think things like in retailer, so putting branches inside Pep Stores, Pick n Pay and Boxers and all of that, that's been quite useful because we've again been in line of sight for the largest base of our customers".*

Similarly another participant explained how they had also changed the positioning in their organisation to attract the low income market, specifying that:

> *"We've been quite explicit about it, even ten years later there's a preconceived notion that [Bank] is still an affluent bank, and some people like that because there are people who were aspirational when they were entry level, banked with [Bank], they were very proud to show a [Bank] card in their wallet because the perception is still that there's aspiration linked to that, even though we go everywhere saying R5 bank account, whatever".*

Another participant further added how they had to change their communication, with a message that would communicate to the market that it was no longer the exclusive bank it used to be, stating that:

> *"I think we've been successful in messaging it to the market but at the same time I don't necessarily know that that message has got to everyone. I think we've done better in choosing communication channels but we could still do better so we are talking in the language of the customer, we are a little bit more approachable, but we're still quite fancy in our channels, our branches are top notch, we've done a little bit better in putting branches and ATMs in locations that they weren't previously accessible by us, we've increased our ATM network by something like three hundred percent, and our branch network, we've been more analytical around where to have branches, where to open new ones versus where to close existing ones that might not be right".*

The second but equally important construct that emanated from the responses with regards to factors contributing to the failure of FSP's within this market, was related to legacy drawbacks as a result of legacy systems, processes and practices that constrain traditional FSPs. The participants were of the view that people had always felt separated from the brand of the organisation mainly because of historical positioning of the bank, mentioning this issue as the main source of non-performance in the market. One of the participants explained how this had been a major setback for the organisation, specifying this issue as follows:

"So, number one failure is a historical piece of putting [previous Bank brand] separately to [Bank] and then psychologically changing the people who serve our customers, even if it was unintentionally, to think that there was a divide between the orange bank and the green bank, which, in turn, resulted in people thinking that they either were not worthy, whether it was staff or clients, or get upset that somebody could think they're not worthy. So that was a massive setback. Massive, massive setback".

"I'm sure you're aware of the system type challenges we have. In the past, especially between 2012 to now, whenever we're coming up with ideas in terms of CVPs, what we can do differently, ooh-la-la, you'd always have a GT guy in the room pipe up, no, but we cannot build this thing, when do you want to land, oh, you will only have capability to do this thing in the next five years".

"Because with the legacy systems of the banks as they are, it's a very expensive cost to serve model that we have and if you don't earn in excess of X amount and generate this kind of revenue per account you're going to run at a loss, so that places strain on us"

The third construct that emerged was related to the importance of customer centricity and contextual relevance. One participant mentioned how his organisation managed to shift their approach to be more customer centric specifically for the low income group, commenting that:

"I think we've done a lot better at being mobile, going out to where customers are with things like [Bank] at Work, putting ourselves inside companies to make ourselves available for people to ask questions and open up accounts, etc. Those are probably the good things. There is other stuff that is not so good but that's part of our strategy, I guess".

This perspective was supported by another participant who mentioned that they have an effective team designated to focus specifically on this market, exclaiming that:

"I think from a success perspective, as mentioned earlier, it was the leadership support and coupled with that it was just a fantastic team on the ground that was doing the work at the time it was led by [Manager], because we knew the entry level market in and out".

5.4.4 UNDERSTANDING THE SPEED AND EASE OF IMITATING A COMPETITOR STRATEGY

This interview question was explored in two ways, the first part of the question was intended to determine how rapidly and effectively the organisation has been able to replicate the competitor's strategy in this market and the second part of the question focused on determining the speed and ease with which competitors have been able to replicate the organisation's strategy. The table below shows the results of how rapidly and effectively the organisation has been able to replicate a competitor's strategy in the low income market

Table 12: Understanding the speed of the organisation in duplicating the competitor competitor

Rank	Constructs	Frequency
1	Slow to Replicate Competitor's Strategy	9
2	Easily Replicate Competitor's Strategy	5
3	Rapidly Replicate Competitor's Strategy	4
4	Difficult to Replicate Competitor's Strategy	3

Most participants were of the view that they were generally slow in replicating the competitor's strategy, with some participants (specifically from the traditional financial service providers) stating that their organisations were able to quickly recognise the competitors' strategy; however, they are very slow when it comes to replication. These views are articulated in the following quotes:

> *"So I think in general we are quick to recognise and decide what we could replicate but sometimes we are slower in realising it. This is in general, I'm not thinking particularly on ELB now".*

> *"Unfortunately not very rapidly. As banks, we've got legacy systems, we've got silo mentality which have been a hindrance".*

> *"Probably not fast enough".*

Yet other participants, specifically from non-traditional financial services thought it was easy to replicate the strategy of the competitor, with one participant giving an example of how they easily replicated a competitor's strategy, as stated below:

> *"So essentially what we registered [was] a patent for here in South Africa to use sources of cash in, cash out over time series, with the NAT, and run a debt service capacity computation, and one can do this in Excel, but then I don't*

think anyone was doing that using systems. That was relatively easy to replicate".

"We will sit and yeah we do a lot of research into what other players are doing. We look at their products; we look at their pricing which is easy. We look at their sales process and we look at their creative. We look at their advertising so we certainly do kind of look at what's out there and try and use what we think is good".

The third ranked construct based on frequency count was that the organisations were able to *replicate the strategy rapidly*, with participants mentioning that:

"Very quick. It is easy to compete here by replicating. What is not easy to do is win the hearts and minds of people from this and that I think Capitec has done very well."

"…very quickly, in 2008 I registered a patent and I've also obviously internally changed how we do business because of this point that you've just raised".

The second part of this question dealt with the speed and ease with which competitors are able to copy the organisation's strategy. The results based on responses is illustrated on the table below

Table 13: Determining the ease for competitors to duplicate the strategy of the organisation

Rank	Constructs	Frequency
1	Competitors can easily replicate strategy	11
2	Competitors can rapidly replicate strategy	10
3	Competitors find it difficult to replicate strategy	4
4	Competitors are slow in replicating strategy	3

Most participants were of the view that competitors were able to easily and rapidly replicate their strategy with one of the participants supporting his view with an example, as stated below:

"To be quite honest, I think with the R5 Pay As You Use, I stand corrected, we may not have been the first, I'm certain we were not the last, but others, it's very easy to replicated because a price point is very easy to do, than create a new product, per se. So it's not a sustainable differentiator, if you will".

Other participants emphasised the rapid nature of replication, stating that:

"Very rapidly. You're either selling services or you're selling products. Products do not necessarily give you a competitive edge because somebody will copy that, whether it's tomorrow or within three months or whatever".

"If you look at [other Bank], they copied everything we have done to the T including the products pricing, etc. and they changed their names, and they do it … we got a basically six months window period. If I look at [other Bank] Easy Plan, we copied them when we were trying to do some of our pieces of money transfer and stuff".

One participant from a non-traditional financial service provider was of the view that competitors found it difficult to copy their strategy with one of the participants responding that:

"No, I think it's because our strategy is all over the road, where our core customer and our core business is airtime and data, and we're delivering or building products that don't support our core business"

5.4.5 UNDERSTANDING FACTORS AN ORGANISATION MUST ACQUIRE OR CHANGE IN ORDER TO INCREASE THE RATE OF REPLICATION OF COMPETITOR STRATEGY

The main objective of this question was to determine the factors an organisation would need to acquire or change in order to increase the rate of replicating a competitor strategy. The table below gives a summary of the factors that were identified by participants.

Table 14: Understanding the factors an organisation must acquire or change in order to increase the rate of replicating a competitor strategy

Rank	Constructs	Frequency
1	Flexibility and Agility	13
1	Advancement in Technological Capabilities	13
2	Customer Centric Approach	12
3	Strategic Partnerships and Acquisitions	11
4	Sufficient Capacity and Resources	10
5	Efficiency in Operations and Effectiveness of Organisational Structure	8
6	Non-Traditional Approach in Banking	7
6	Blue Ocean Strategy	7
7	Higher Risk Appetite and Tolerance	3
7	Innovative Culture	3
8	Proactive rather than Reactive	2

Most participants highlighted the importance of flexibility and agility in replicating the strategies of competitors more effectively, with organisations further acquiring innovation capabilities. This is captured in the following quotes:

> *"It would be the same bank, same name, but they'll do things with their new system, they'll be more flexible, more nimble".*

> *"In addition to digital fast lane, there needs to be an open sourcing of ideas, to say for us to move fast, we can't generate all the competitive ideas, we need to either acquire or partner with people who might have fast track, who have gone that way, our pool of ideas is greater".*

Other participants mentioned how the financial sector should change their systems entirely to be more agile and flexible whilst being technologically advanced. This is reflected in the following quotes:

> *"…we need to redo our system. We need to redo our whole system. Banks should be leading in technology and they have just lagged behind significantly".*

> *"So now you're talking about in billions and billions of Rands of conversions into SAP and all of those types, which is scary, or, and I've seen this happen, or heard it happen in South America, parts of Europe, parts of Asia, much of Asia where they start another bank inside the existing bank and then over time migrate the old bank to the new bank".*

> *"Secondly with technology, and I'm pleased that it's happening already, is to change the development model and this has started. Something that would take a few months to develop, now through flexible teams, it can take just shy of two months. So the process is more agile".*

One of the participants highlighted that in order for banks to be more agile then they should consider acquiring a Fintech, advising that:

> *"I must say, I think if we want to be serious about competing in this market, we probably have to look at buying a Fintech, to be quite honest. I think that our systems will take too long to change, so we've got a programme in place at the moment that's supposed to overhaul all our systems and make us more agile, but we're talking about a three year horizon, at best, with timelines that move out all the time so it's very difficult"*

It is not surprising that some of the participants stated that advancement in technological capabilities was crucial for the organisation.

> *"yeah I think the key issue, really, is just refocus. It's just particularly sort of developer, so technology. People to build what we would want to do. We are a start-up with limited resources so I think we can move quickly but we can't do everything. We don't have enough people".*

> *"Banks should be leading in technology and they have just lagged behind significantly".*

Another participant commented that it was important to ensure that technological changes were aligned to the needs and requirements of customers, specifying that:

> *"We've got to find the right balance between high tech because we want to be a digital bank and comfortable for that market segment we're talking about here, where they don't feel like they are absolutely overwhelmed with being in a bank, so there's something that's got to be done there".*

Other participants shared the view that being more customer centric as an organisation was important to replicate competitor strategy more effectively. One participant highlighted the importance of educating staff to be more customer centric in their approach, mentioning that:

> *"Then, of course, you can never do too much staff education. So make sure people understand that when an entry level banking customer comes in, how to treat them. It's your basic one on one relationship type stuff. The irony is that we spend a lot of money on a relationship model in our upper income segments, yet where it's most required is probably in our lower income segments, and that's just a fact of life. It is a very high cost to serve it, then what do we need to do differently at a cost to serve level to make sure that we still keep that relationship with customers and that it's good enough to attract them back and tell their friends about it, etc."*

The view of customer centricity was supported by another participant who explained with an example that:

> *"For example, if we're going to be a customer-centric bank then elevate all the customers' areas. Let it be reflected in the structure. For example, on a retail level, I'm thinking of underneath that there are businesses, either new business*

or ELB business or however it is that they decide to segment, but let the businesses be focused on a client, when you walk onto that floor it is very clear as to who those people are obsessing about"

This view was shared by another participant who linked technology with customer centricity, stated that:

"It would be the same bank, same name, but they'll do things with their new system, they'll be more flexible, more nimble", they'll take client-centricity as the start, customer centricity, they will use design methodology, experience, all that kind of stuff that people want, and then slowly, all of this stuff that we know must be done has been done, the whole system can't really be supported by it".

5.4.6 UNDERSTANDING WHAT COMPETITIVE ADVANTAGE NON-TRADITIONAL AND TRADITIONAL FSPs HAVE OVER EACH OTHER

This interview question was split up into two parts and sought to understand what competitive advantage non-traditional and traditional FSPs have over each other. The question was directed at both groups of participants, those who operate within traditional FSPs as well as those who work in non-traditional FSPs. Table 15 below gives a summary of the first part of the questions which seeks to ascertain the various factors that were identified by participants as contributing towards non-traditional FSPs having competitive advantage over traditional FSPs.

Table 15: Competitive advantage non-traditional FSPs have over traditional FSPs

Rank	Constructs	Frequency
1	Stronger Brand Affinity	10
1	Very little or no legacy systems and infrastructure	10
2	Flexibility, Agility and Innovation	7
3	Large customer base and access to markets	6
3	Lower cost structures	6
4	Faster speed of delivery to market	5
5	More frequent use of products e.g. daily	3
5	Higher levels of specialisation and focus	3
5	Technologically advanced	3
6	Access to different markets and distribution channels	2
6	Limited regulatory constraints	2
7	Multiple sources of income	1
7	Provide a one stop shop (convenience for customers)	1
7	Operate in oligopoly market	1
7	Benefits of BEE Legislation	1

In analysing this part of the interview question, the two highest ranked factors on frequency count were *stronger brand affinity and very little or no legacy systems and infrastructure*. Most participants agreed that non-traditional financial service providers had the advantage of a stronger affinity their brands have with consumers and that is what set them apart from the traditional competitors. This view is evidenced through various participants stating the following:

> *"…that's trust that's given to this organisation… the other thing is that they have strong equity".*

> *"…they also have advantage in terms of their brands, competitive advantage most of them are trusted brands".*

> *"…they've got the captive audience already".*

Ranking equally high as competitive advantage that non-traditional financial service providers have over the traditional FSPs was very little or no legacy systems and infrastructure. Views of participants in this regard were reflected as follows:

> *"…they are not constrained by fat legacy infrastructures that sometimes limit the agility of [traditional] banks, and in the same vein, their cost structures tend to be lower because of not having this huge legacy"*

> *"…and they typically are working off a fresh canvass".*

In explaining the advantage of not having legacy systems, some participants embraced the entrepreneurial and innovative nature of non-traditional FSPs stating that:

> *"I also think that generally speaking there's an entrepreneurial type culture in there".*

> *"…they have just a different view of the market and are able to sort of innovate in different ways".*

When speaking about the notion of flexibility, agility and innovation which is the third emanating construct, most participants agreed that the absence of legacy infrastructures were part of the reason that non-traditional FSPs were more agile, quicker to market and more innovative than traditional FSPs. These views were expressed as follows:

> *"…they are not constrained by fat legacy infrastructures that sometimes limit the agility of banks".*

"I think, again, it's around speed to market and agility for your non-traditional guys".

"…its flexibility, the ability to be innovative and move quickly…they have just a different view of the market and are able to sort of innovate in different ways".

"…the speed of making changes".

Interestingly, many participants agreed that large existing customer bases and access to markets seemingly worked in the favour of non-traditional FSPs, with participants pointing out a clear competitive advantage in this regard in stating that:

"…volume, the fact that we've got infinitely more customers on our base than the banks will ever have".

"They have access to different customers as well".

"Okay, so besides, guys like ourselves can have access to markets that other traditional don't have".

A significant number of participants also pointed to lower cost structures as a competitive advantage of non-traditional FSPs and the possibility of managing costs through the formation of partnerships stating that:

"…their cost structures tend to be lower because of not having this huge legacy [systems]".

"A [low] cost base, that's one. Banks carry costs. If you look at the [Bank] cost to revenue, it's running at about 42%. The non-traditional FSPs, I'd be surprised if it's anything more than 20%. I think the fact that they will also, at a commercial level, not just customer acquisition and providing the products, but at a commercial level their overheads are generally a lot less, you're not going to find Fintech's with a huge distribution of branches, for example, so their costs are therefore a lot lower and they can therefore service customers a lot cheaper".

"so the infrastructure to support a financial services institution can sometimes be quite onerous, and it comes, it bears with it a cost and that is why non-traditional players have actually started partnering with, I mentioned the example of PEP earlier, where the guys just realised they can't service that market".

The second part of the interview question requested participants to highlight what they perceived to be the advantage of traditional FSPs over non-traditional FSPs. Again, the question was directed at both groups of participants, that is, those who operate within traditional FSPs as well as those who work in non-traditional FSPs. A summary of the results of this part of the question is presented in Table 16 below.

Table 16: Competitive advantage traditional FSPs have over non-traditional FSPs

Rank	Constructs	Frequency
1	Established and Trusted Brand	10
2	Greater access to Capital	8
3	Financial stability and greater liquidity	7
3	Stronger risk management capabilities	7
4	Highly regulated and provide more security for customers	6
5	More established and stronger investment and cash trading capabilities	3
5	Large investor base	3
5	More established customer database	3
6	Caters for a wider customer base across different segments	1

Participants had differing views on the factors that served to enable traditional FSPs to compete better than their non-traditional counterparts; however, it was interesting to observe that traditional FSPs also placed great emphasis on the strength of the brand as a competitive advantage that they have over non-traditional FSPs. Traditional FSPs are deemed to be more established and have trusted brands that offer a comprehensive solution to cater to varying customer needs. This notion is captured and reflected in the below quotes:

> *"I'd sort of say brand strength and just sort of people belief in their strength and security is a big one".*
>
> *"…trust, still".*
>
> *"…so if there's anything to go by there, it's this notion of the incumbents who are traditionally known and trusted for that kind of thing, you can't underestimate the advantage they have for those who are just not known for that".*
>
> *"…also the advantage of dealing with a traditional FSP is they will give you a comprehensive solution which addresses your different needs, different life stages, because remember to my earlier point, even if you're in the low income your need as a twenty year old might be just to ensure cell phone, as a twenty*

three year old, ensure my first car while I'm banking and somebody must look after my salary".

Some participants pointed out the shortcomings of non-traditional FSPs stating that some customers still preferred traditional ways of doing business. One participant stated the following:

"The non-traditional, they will capture the pace setters but the bulk of the community will take much longer to subscribe, and why I'm saying that is the same reason why online retail has been available for a long time, but there's certain behavioural things that say, no, no, no, before I buy something, I want to touch it, I want to fit it, and so forth".

Greater access to capital by traditional FSPs (compared to non-traditional FSPs) was another theme that came strongly from participants. As some participant explained:

"Our access to capital is relatively constant and has to be because of things like Basel 3 and capital adequacy ratios and liquidity and all of that, whereas those guys have to raise money and they're not raising money to be able to use it necessarily for stuff that we do, they've got to make money back on the money that they've raised because they've got investors that need returns".

"…besides trust I think we've got a whole lot of money. With capital, things are made to happen".

"So I think our access to money or capital,"

"They give people greater sense of security and comfort and also just massive budgets. Massive ability to spend on acquisition for example, someone like Clientele. Because they are established and making a lot of money they can afford to spend a lot of money on acquiring new customers whereas for us it is more challenging. So yeah, I would say kind of capital is one…"

Financial stability and greater liquidity also emerged as a key competitive advantage for traditional FSPs. Explaining this view, participants stated the following:

"So from a readiness to trade on money, they are far, far ahead than the non-traditional".

"…obviously we sit in massive amounts of cash".

"Besides trust I think we've got a whole lot of money".

The stronger risk management capabilities of traditional FSPs emerged as an equally strong factor driving the competitive advantage of traditional FSPs. When explaining the risk management capabilities of traditional FSPs, participants described it as follows:

> *"…they are masters of risk management, they master credit. I think, for me, those two fundamental things give them an upper hand when it comes to lending services. They matter little when it comes to transactional services".*

> *"…so I think our access to money or capital, I think the fact that we are very mature in managing risk and credit because that's what banks really are all about".*

> *"I think the fact that we are very mature in managing risk and credit because that's what banks really are all about".*

5.5 RESULTS FOR RESEARCH QUESTION 3

Are resources that are owned, controlled and unique to the FSPs, sufficient in gaining sustained competitive advantage when competing in low income markets?

The aim of Research Question 3 was to ascertain whether the unique organisational resources that are owned and controlled by the firm, are sufficient to bring competitive advantage to bear and if such advantage can in fact be sustained. The question of sustainability is of importance, particularly in light of the natural tendency of competitors to imitate what they perceived to be working well.

5.5.1 RESOURCES AND CAPABILITIES OWNED, CONTROLLED AND UNIQUE TO THE FIRM CAN GIVE THE FIRM A COMPETITIVE ADVANTAGE WITHIN LOW INCOME MARKETS

This interview question prompted participants to think about their firm's owned and controlled resources and capabilities in order to consider the extent to which these resources and capabilities were deemed to be unique. The question was further aimed at prompting the participants to think carefully about how the identified resources and capabilities could give the firm competitive advantage within low income markets. Table 17 presents those resources and capabilities identified by participants as giving them competitive advantage.

Table 17: Resources and capabilities owned and controlled by a firm can give the firm a competitive advantage within low income markets

Rank	Constructs	Frequency
1	Human Capital	7
2	Financial expertise & experience	6
3	Relational Capital (Partnerships)	4
3	Focus on enhancing the client experience	4
3	Telecoms infrastructure	4
3	Data analytic capabilities	4
4	Large market presence (footprint)	3
4	Physical branches (buildings)	3
4	Highly technologically enabled environment	3
5	Distribution and marketing channels	2
6	Availability of Financial Capital	1
6	Optimal design and operational processes	1
6	Ability to bring people together	1
6	Start-up environment that enables innovative thinking	1
6	Ability to make quick decisions	1
6	Flexible and agile environment	1

In answering this interview question and discussing the resources and capabilities, human capital emerged as the most significant construct in terms of frequency count. Although there were several clear responses, it appears that participants struggled to articulate their responses, particularly on the human capital theme. This is evidenced in the below quotes:

> *"Lots of people. A lot of what I'm saying to you is double edged sword. Lot of people so theoretically lots of diverse thinking and experience and capability, sometimes lots of people get in each other's way".*

> *"I think the fact that we have a team of people who look after the client is a competitive advantage".*

> *"I liken our business to an IP development business, intellectual properly, so it's not dissimilar from an engineering or marketing business which produces IP, brand, all of that, so in that spiral segment of business, people, they're not supposed to be assets in your balance sheet but what they have, how they can be used to shape and create intellectual property, that's a very key thing".*

Participants also highlighted financial expertise and experience as being a key resource and capability owned and controlled by the FSP thus affording them competitive advantage within low income markets. This is evidenced in the below quotes:

> *"Then, again, I think the general stability of the banking in its entirety does set us up, if stability and safety is what you're looking for, we're a well-positioned bank to provide all the right things for you, but our product's a parity, to be quite honest".*

> *"…lots of years of experience".*

> *"There are, on the payment side of things, we do our own switching of credit card transactions, and that's an area that can be exploited, and then we've got our own, what we call, direct integrations – direct connect integrations into banks where we can drop files for payments, so there are a lot of technical stuff on the payment things that we have".*

The importance of relational capital was also emphasised by participants and was the third highest ranked construct. Participants highlighted the benefits of developing relationships and forming partnerships both internally within their firms as well as externally. These views are represented in the following quotes:

> *"I think we've got access to thorough leadership inside the organisation, lots of years of experience, I might be good at something, you at something else, and the two together become a powerful combination".*

> *"…we've got access to partners, whether they be Fintech's or larger client partnerships. I'm doing some work for Sun International at the moment which will be mutually beneficial but they're a customer of ours so I can have a conversation with them about that, that's in tourism and hospitality, it's got nothing to do with banking, but the kind of hybrid of the two becomes a powerful value proposition together. So I think the ecosystem in which we operate, the fact that we've got customers, the fact that we've got partnerships, that's very powerful, it's about how you leverage it, though".*

Participants who belong to the telecommunications industry highlighted infrastructure as being a key resource and capability owned by their firms. They firmly believed that infrastructure gave them competitive advantage across all market segments. These sentiments are expressed below:

> *"…our footprint, the towers, our accessibility, the fact that we make everything else happen, sorry to appropriate your payoff line, but this, the device is what makes things happen, the network bring people together".*

> *"What do we own and control. I mean the whole Telco infrastructure is an asset, but it's more than that, if you think about it, it's a road, or it's a pipe, and it's about what that pipe gives you access to that is of value".*

Data analytics capability also emerged as a theme. Participants commented on the analytics capability their firms had built that helped to generate key insights which in turn assist in making better decision.

> *"I suppose the biggest one we own and control is our analytics department, those dudes are gold. Not only do they analyse South Africa, etc. but they also are able to, through a process called the potential and opportunity process, say ELB, there's three opportunities, one is here, one is here, one is here, pick whichever one you want, this will give you this, this one, this, etc. that one you'll probably break even, so pick wisely".*

> *"…also from a business case perspective, they're the number crunchers, so when the creators, the segment managers run around and design all these fancy things, because they're so passionate about their clients, so when we get to the EXCOS and the big money dudes, they can see that we've thought about this thing, we're not bleeding the bank dry, etc. so that we can garner more support".*

In seeking to understand from the participants' perspective if they believed the resources and capabilities owned and controlled by their firms were unique to their organisations thus giving them the competitive advantage, most of the respondents (with the majority being traditional FSPs) expressed that the resources were not unique to their organisation. These participants shared their views as presented below:

> *"As a bank, there's a full house of capabilities to provide a service to this segment. So, there's capital, there's branches, there's staff, there's everything, but when you say specifically what resources that give a competitive advantage…no".*

> *"…no, I don't think so, because, like I said, all those organisations have the same issues, principles and challenges around how the organisation is set up".*

"…there's nothing that stands out, in my mind, to be honest".

"I would imagine it's not. I think probably everybody's got an analytical department. The question is how good are they?"

Only a small number of participants, mostly from the non-traditional FSPs, stated that the resources and capabilities within their firms were unique with participants arguing the following:

"I think it's unique to Telco's, to networks, the MNOs, in terms of accessibility. We have to be everywhere. Traditional banks select where to go on the basis of whatever factors they've selected to be there".

"To that extent, yes. I think they are fairly unique to a sort of a small start-up organization. I think inherently large companies that we compete against, it's much more challenging for them, if not impossible for them to sort of to – obviously they've been operating longer so they can't necessarily utilize on the technology".

5.5.2 ASSESSING IF THE ORGANISATION FULLY OPTIMISES ITS OWNED AND CONTROLLED RESOURCES AND / OR CAPABILITIES

This interview question sought to understand from the participants' viewpoint if they believed their firms fully optimise the resources and capabilities they own and control. The first part of the question explored how many participants held the view that their firms' fully optimised their resources and capabilities while the second part of the question sought to understand the reasons behind the viewpoints of participants. The results of this part of the interview question are presented in Table 18 below.

Table 18: Does the organisation fully optimise its resources and / or capabilities

Rank	Constructs	Frequency
1	No	9
2	Yes	1

A majority (90%) of the participants indicated that they believed their firms did not fully optimise their owned and controlled resources. Table 19 below provides a summary of the rationale given by the participants on the optimisation of resources and capabilities.

Table 19: Assessing if the organisation fully optimises the resources or capabilities owned and controlled, and if so how they achieve that

Rank	Constructs	Frequency
1	No - due to operational inefficiencies	4
2	No - no clear reasons provided	2
3	No - not using opportunities to optimise capabilities	1
4	No - not optimising resources to outperform competitors	1
5	No - because of resistance to change	1
6	Yes - optimising efficiencies in order to improve scalability	1
7	No - inconsistency in quality of delivery to customers	1

Participants attributed a large part of why companies were not fully optimising their resources and capabilities to operational as well as structural inefficiencies. Participants argued as follows in this regard:

> *“No, I don't think any corporate in the world does, I don't even think places like Google do. Wherever you've got people you've got inefficiency”.*

> *“No. We just don't, it’s a cultural thing, I don't know what it is but we push those that are productive harder and we did a lot of unproductive hours, and we also duplicated it”.*

> *“No, I don't believe they do. I think the organisation goes through cycles where they see the answer to everything as being employing more people. When times are good you can employ more people and almost throw people at the problem and it will go away. Now, when the organisation’s in a tough place, now there’s all of a sudden talk about optimisation and efficiencies and those sorts of things, so you’re seeing combining back offices between business banking and retail and those sorts of things. It’s very, very much dependent on structure, so even within [Bank] you've got corporate versus retail versus business banking versus whatever, the only reason why there’s an efficiency strategy at the moment between retail and business banking is because they’re one business unit, but if they were separate then they would be separate and so you wouldn’t have that”.*

> *“I also think that because we've had to be everywhere and we are, the fact that you have different qualities and different performance in different parts of the country, pisses customers off because they’re accustomed to a certain quality of performance in one region and then they don't get it somewhere else and then they hate you”.*

While most participants provided reasons as to why they believed their firms were not fully optimising resources, there were participants who preferred not to disclose the reasons with one saying:

> *"So, currently, no. For reasons that I just can't – ja".*

The lack of resource optimisation was highlighted by one participant who explained:

> *"No, we're not. Yes, we're doing them to be in the game but we're not using them to win the game, to beat the competitor, because I'm looking at it from a competitive set".*

Other participants cited resistance to change as being one of the reasons why their firm was not able to optimise resources and capabilities articulating their view as:

> *"No. I don't think so. Again, I think the reason that is because there's a still a lot of this self-preservation thing, in the sense that I've been doing this job for the past twenty years and now you want me to do this job plus X, Y, Z, no, I'm not going to do it, even though X, Y, Z, can put us very differently in terms of the market, competing better, more clients, etc.".*

Not surprisingly, one participant highlighted that they believed their firm was optimising its current resources and capabilities at a satisfactory level but highlighted that with additional resources, more could be achieved. This view is reflected in the below quote:

> *"…so with more money we could have scaled if something that is probably visible to the public, to the market, but right now our core competency is making algorithms for that, obviously with more money we could have scaled it to a social media, to a lot more things. We are doing that already, which is what is that we're really good at – we have this idea, this vision that we're executing and we're not an app maker yet, although we should be, and that will take us a lot further if we were".*

5.6 RESULTS FOR RESEARCH QUESTION 4

Did the FSPs have to reconfigure or implement any changes to their internal resources and capabilities in order to ensure sustained competitiveness in the rapidly changing low income market?

Research Question 4 was aimed at gaining an understanding of how (if at all) the FSPs have had to reconfigure, integrate, gain or dispose of their resources and capabilities in order to accommodate and respond to the environmental changes specifically within the low income market. The impact of that adopted change on the resources was intended to be ascertained. Lastly this question sought to establish whether or not these changes have contributed to the FSPs being more competitive within the low income market.

5.6.1 ORGANISATIONAL CHANGES IN RESPONSE TO THE CHANGES IN THE ENVIRONMENT SPECIFICALLY WITHIN THE LOW INCOME MARKET

This interview question sought to understand how organisations have had to adapt in response to environmental changes, particularly within the low income market. Participants took the time to think carefully about their responses with some acknowledging that of the changes that needed to be made, some had already been implemented whilst others were in progress. Table 20 below gives a summary of how organisations have had to change in order to keep up with the changing business landscape.

Table 20: Understanding how organisations have had to change in response to the changes in the environment specifically within the low income market

Rank	Constructs	Frequency
1	Stronger focus on customer insights to drive business decisions	5
2	Move towards a digital approach to servicing client needs	3
3	Adopt the use of network thinking to integrate different stakeholders	2
3	Adapt to and cater for the realities of different market segments	2
4	Consider the use of different approaches to lower cost to serve and become more accessible	1
4	Adopting a collaborative approach with Fintechs	1
4	Accept working with a low cost infrastructure	1
4	Leveraging the use of existing infrastructure to reach a wider client base	1
4	Adopted a mobile sales approach to reach a larger low income market	1
4	The organisation has not had to change - it was built to cater for the needs of the low income market	1
4	Discontinued a product that did not work	1

Stronger focus on customer insights to drive business decisions emerged as a highest ranked theme in terms of frequency count. Participants highlighted the importance of customer insights as a resource and capability that drives business direction. This is captured in the following quotes:

> *"…there's also an attempt to be sharper with insights to be able to assess the inroads that we are making in making the bank for all".*

> *"In the insurance space there has been a need for us to change and to realise that in that sector of the market, one of the pertinent things is irregular income, so some people get paid seasonally, some get paid weekly, so it's not traditional on the 25th and then on the 27th a debit order will come through. So we've had to change and adapt to those realities".*

> *"There are a lot of factors that the bank has to change towards, the talk to the customers on the platforms and in the way that… and there's a huge shift for us on that. Everyone's on social media, so why aren't we talking to them on those platforms"*

Moving towards a digital approach to servicing clients also came out as a key construct, with many participants stating that their organisations have moved in that direction in quest of a better service to their customers.

> *"So we've got to become a digital bank which means we've got to be better at self-service, we've got to, as I said, lower the cost of service, think about different channels with which to engage, make ourselves more approachable, think about ways to position our products and services".*

One participant agreed with the move towards a digital approach to servicing clients, but also pointed out the shortcomings of digital approaches in the form of high cost structures associated with its implementation, saying:

> *"I suppose most recently you could look at the digital strategy within [Bank] as it is at the moment and it probably has been there for the last three-ish years, where I think that is a response to (a) yes the world is becoming more digital but (b) we cannot keep up with the cost structures as they are and things are not getting cheaper".*

Participants predominantly from the non-traditional FSPs highlighted that their organisations have had to adopt the use of network thinking to integrate different stakeholders in an effort to respond to the changing business environment and this could enable them to compete in lower income markets.

> *"and now we're using network thinking, nodes versus edges, and the idea here is each SME is a node and each line between them is actually a contract, and it can be an electronic contract, it can be anything, an invoice, doesn't matter, and basically the idea is to structure them so that they are a lower credit risk, but then when you go to this environment you can start using network if you're computing, you can say an upstream if you are, say a baker".*

> *"[We have had to] think about different channels with which to engage, make ourselves more approachable, think about ways to position our products and services".*

5.6.2 UNDERSTANDINGTHE IMPACT ON RESOURCES AND CAPABILITIES DUE TO THE CHANGES MADE

This interview question provided an opportunity for the participants to reflect on the impact of the change on the resources and capabilities of their organisations. Participants were required to reflect on whether resources were reconfigured, integrated, gained or disposed of. Table 21 below presents a summary of responses to this interview question.

Table 21: Understanding the impact of the change on the organisational resources and capabilities

Rank	Constructs	Frequency
1	Resources and capabilities were reconfigured and integrated	7
2	Resources and capabilities remained unchanged	1
3	Resources were disposed of	1

It came as no surprise that the majority of participants from both traditional as well as non-traditional FSPs, believed that resources and capabilities were reconfigured and integrated in their organisations, with participants sharing their understanding as follows:

> *"It was just about updating our systems, our policy administrative systems in terms of being able to collect money irregularly rather than just waiting for a specific date of the month".*

> *"Firstly, I think when you start becoming a bank that's more focused on self-service and more digital and giving the customer the power, the net result is definitely that you're not going to need as much operational resources than you might have previously had, so you've got to become more lean and efficient in the way that you serve your customers, process applications, service when customers are with you, etc.".*

> *"There's a lot of automation that needs to take place and that naturally has an effect on systems and processes and how you operate".*

> *"So mostly restructure. I guess … I don't think we dispose but more reorganise and reconfigure".*

Some participants within non-traditional FSPs, pointed out that resources and capabilities remained unchanged in their organisations and explained that this was an organisation wide problem, where the organisation realises the changes that need to be made but there was little or no momentum towards implementing those changes. Further to this, instead of changing and reconfiguring resources, some were altogether disposed of. Participants passionately articulated this view as follows:

> *"If you ask me, my sense and my gripe has been, for a long time that actually this is where our weakest link is, in that often we have wanted to make changes while wanting to remain the same".*

> *"But because we didn't have that capability and appetite, probably, from a resource perspective, to do it internally, we let the whole thing go and decided to decommission so we wouldn't impact customers. We didn't make the necessary changes. I don't believe it would have been that great and I think we also had that great restructure that hit [Telecommunications company] in the middle of 201 So that hit the resources that we did have. Everybody left".*

5.6.3 ASSESSING WHETHER THE ORGANISATIONAL CHANGES CONTRIBUTED TO THE ORGANISATION BEING MORE COMPETITIVE

The interview question enabled participants to consider whether the organisational changes contributed to the organisation becoming more competitive or not. Participants further explained the reasons behind their choices as well as elaborated on whether or not they believed the changes were sustainable. Table 22 presents a summary of the responses provided by participants.

Table 22: Assessing whether the organisational changes contributed to the organisation being more competitive, and if so if the change was sustainable

Rank	Constructs	Frequency
1	Yes	5
2	No	4
3	Yes - the change is sustainable	1

The views of participants were mixed with a marginal majority of participants stating that they believed their firms were more competitive following the changes that were effected. These views are expressed below.

> *"Yes, most definitely, we are more competitive".*

> *"Yes [it is sustainable]".*

> *"Yes, I think so. Just my business unit didn't exist three years ago and we were created to respond to these needs, so emerging payments really is around identifying, building and executing on transformational products and services in the payment space and transactional and doing it in a very different way."*

> *"Yes. I suppose because the financial services is part of a broader ecosystem of the whole Telco business, I would image that some of those, there's spill-overs".*

Some participants believed that changes effected by the organisations had not necessarily contributed to them becoming more competitive in as much as the organisational intent on gaining and sustaining a competitive advantage was clear. These views are expressed in the below quotes:

> *"No. It remains to be seen. But we haven't really implemented it yet. We hope so. It's just a less crowded market really until we can be more unique and more niche in that sort of segment than we are now".*

> *"No. Again, I think I can only answer the question in that it was like when we started the race we were ahead and then they [competitors] just caught up and overtook. So we might have got the first big stride in but the ability to follow through and keep up the lead, we've never, I don't think there's any part of retail banking specifically and possibly even business banking where we've been a leader".*

5.7 RESULTS FOR RESEARCH QUESTION 5

How do FSPs gain and sustain competitive advantage in low income markets?

This research question seeks to firstly gain insights on the FSPs views on the optimisation of existing resources and capabilities versus the development of new resources and capabilities in the quest for sustainable competitive advantage within low income markets. Secondly, given a choice between owning and controlling resources and capabilities that are unique to the FSP or having the ability to reconfigure and change the organisations resources in response to changes in the environment, an outlook of the FSPs is sought in terms of the strategy to employ when seeking to gain sustained competitive advantage within low income markets.

5.7.1 UNDERSTANDING THE ORGANISATIONS VIEW ON OPTIMISING EXISTING RESOURCES AND CAPABILITIES vs. DEVELOPING NEW RESOURCES AND CAPABILITIES

This interview question sought to gain an understanding on the views of participants on the optimisation versus the development of new resources and capabilities for organisations. The question allowed participants to express their personal preferences as well as the choices they would make for their organisations. The results of this interview question are presented in Table 23 below.

Table 23: Understanding the organisations view on optimising existing resources and capabilities vs. developing new resources and capabilities

Rank	Constructs	Frequency
1	Optimising existing resources and capabilities is preferred	6
2	There is a place for both	4
3	Developing new resources and capabilities	1

A majority of the participants, mainly from the traditional FSPs, expressed their preferences for optimising existing resources and capabilities over the development of resources and capabilities. Expressing their views, participants pointed out the following:

> *"I think we would prefer to optimise existing resources".*

> *"Right now there's definitely a move towards optimising efficiencies because of where we are in the economic climate, etc So I think right now we're all about optimising efficiencies within the different business units and making sure we're*

getting the biggest value for money from a duplication perspective and just simplifying things and combining tasks".

"I think optimising in the last two years, since the great cull, we got rid of about 55% of GMs and SMs at the end of 2014, so from optimising, the folks who were left got a whole lot more to deliver with a whole lot less or the same as they had before".

Some participants held the view that there is a place for both optimising existing and developing new resources and capabilities. Most of the participants who held this view, believed strongly that the two could not operate in isolation and expressed this as follows:

"I think there's a place for both, I think we can't assume that the thirty odd thousand people we have can't adapt to the aforementioned culture, but there is going to be a space where some people just don't want to be in that space. You can't assume everyone's going to move along with the tide changing".

"Yeah that's a good question. For us I think it definitely has to be both. We have to sort of optimize what we've got absolutely because there's a lot we can still do to be better in our kind of core product and sort of distribution model but at the same time we do need to also kind of pivot away and trying different things. So yeah, it's hard to really answer that question very clearly. I think it's definitely both".

While the views were mostly split between the optimisation of existing resources as well as the combination of optimising and developing new, there was one participant who held a different view and argued that developing new resources and capabilities was the preferred option stating that:

"In this area, it's difficult to optimise existing resources because the resources typically don't exist in a Telco environment, so it's more likely that we would go, how can I say, look to leverage capabilities outside the organisation."

5.7.2 UNDERSTANDING WHAT GIVES THE ORGANISATION MORE OF A SUSTAINED COMPETITIVE ADVANTAGE

This interview question provided an opportunity for the participants to reflect on which option gave the organisation a sustained competitive advantage between owning and controlling resources, and the ability to reconfigure and change the organisation's resources in response to changes in the environment. The views of participants were mixed; almost equally between a combination of both owning and reconfiguring as well as the ability to reconfigure and change the organisations resources in response to changes in the environment and are presented in Table 24 below.

Table 24: Given a choice, should organisations choose owning and controlling resources or the ability to reconfigure and change the organisations resources as the environment changes

Rank	Constructs	Frequency
1	Combination of Both	6
2	The ability to reconfigure and change the organisations resources in response to changes in the environment	5

More than 50% of participants believed a combination of both owning and controlling resources as well as the ability to reconfigure and change the organisations resources was a healthy balance. In expressing this view, participants said:

> *"The lazy is answer is both. Please give me the definitions of both because I … get the subtlety".*

> *"We're going to take far too long and in some cases you realise that actually people who have these capabilities are different creatures, that in the way we are wired in our DNA, it will take years, if ever, to get to that, hence I'm saying, both".*

> *"I think it's a combination of both, because, as I said, these days nothing is fool proof".*

> *"You forced the separation here; you can't have one without the other. So you need to have started with something but very quickly".*

A number of participants equally stressed the ability to reconfigure and change the organisations resources in response to changes in the environment as key towards gaining a sustainable competitive advantage with participants noting:

> *"I think the ability to adapt and change depending on what's going on around you".*

> *"I think it's a bit of both but I think I'd err on the side of the second option because in many instances we're not saying that we want to completely change things when a disruption happens or the market is changing. You don't necessarily always have to develop something completely new but you do need the ability to tweak whatever*

you've got in play, and I think that is where, I would say, we can really win, is if we can just change things a little bit, slightly".

5.8 CONCLUSION

The results from the in-depth interviews with senior managers within financial service providers were presented in this chapter. The results have been presented from different perspectives based on views of managers from both the traditional as well as non-traditional financial service providers. Each question posed to the managers together with its intended purpose, was presented and many interesting views emanated; some of which support the literature as presented in Chapter 2 whilst others providing a good basis for further research to be conducted. The constructs that emerged from the interview process and thorough analysis of data will be tested against existing literature on the topic and a detailed discussion of the results follows in the next chapter.

CHAPTER 6: DISCUSSION OF RESULTS

6.1 INTRODUCTION

This chapter provides an in-depth discussion of the results as shown in Chapter 5 while seeking to answer the research questions presented in Chapter 3. These results will be discussed alongside the literature review presented in Chapter 2 in order to highlight key insights that support the purpose of the study which is to demonstrate how the resource based view and the dynamics capabilities framework can contribute to organisational competitiveness when competing in low income markets. The research findings will be used to contribute to an improved understanding of the topic with areas that are currently not reflected in the literature and require further research based on insights gained being highlighted. Five research questions were formulated and the insights from the interviews are presented below.

6.2 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 1

What understanding do financial service providers (FSPs) have about low income markets and the competitive positions occupied?

The main objective of this research question was to probe participants to draw on recent experiences in establishing the commonality or variability of understanding of low income markets, with the aim of gathering conclusions on the key parameters for competitiveness in that market. Furthermore, this research question sought to gain insights on the competitive positions occupied by the various financial services providers within the low income market in South Africa.

6.2.1 DEFINING THE LOW INCOME MARKET

6.2.1.1 Lack of formalised definition

Table 5 demonstrates the emerging constructs however a theme that was consistent throughout the data and could therefore not be ignored is the lack of formal and unified definition provided for the low income market. One participant admitted that the definition of the low income market is quite fluid. This was mostly attributed to the various interpretations that participants have based on the different variations, nuances and size of this market. Similarly, evident in the literature, a range of authors noted the lack of consistency and agreement in the formal definition of the low income markets

(Portocarrero & Delgado, 2010; Bharti et al., 2014; Pels & Sheth, 2017). The literature further notes that the lack of consistency can be attributed to the heterogeneity of this market within countries and further reaching across global regions (Portocarrero & Delgado, 2010; Sinha & Sheth, 2017) as well as a failure in being able to account for the actual numbers of people residing at the bottom of the economic pyramid (Bharti, et al., 2013).

However interesting to note, was the common terminology used by a number of participants in referring to the low income market as the 'entry level banking' segment. This is presumed to be a term coined specifically for and unique to the South African banking sector as it could not be located in the literature verbatim however as stated by Nyanga (2014), the naming convention is not static and does differ even when it is all referencing the same market.

Further data from the interviews also supported that which is presented in the literature, with the majority of participants using 'income' as a key identifier and measure when describing the low income market. Although participants admitted that this was an out-dated frame of reference considering the heterogeneity of this market, income still proves to be the primary filter when segmenting this market. This recurring theme of income as an identifier, aligns with that of Prahalad and Hart (2002) and Prahalad (2009) who describe the Bottom of the Pyramid (BOP) market as the 4 billion people worldwide who are situated at the bottom of the economic pyramid, a measure used to demonstrate the capacity to generate income as well as wealth distribution (Prahalad, 2009). Expanding further on this identifier, scholars have described the extremely low levels of income that characterise this market which is sometimes referred to as chronic resource shortages in the form of low disposable incomes (Rivera-Santos and Rufín, 2010; Bharti, et al., 2014; Da Costa Nogami & Veloso, 2017)

6.2.1.2 Income group earning less than R100 000

During the analysis, which was based on frequency counts, the top four constructs that were identified by participants in defining the low income market are represented in Table 5. The most significant construct identified, with a frequency count of 21, was based on participants outlining the actual income parameter that demarcates the low income market. Participants articulated this parameter as an 'income group earning less than R100 000 per annum' while some further pegged specific annual income amounts within the given range. Prahalad and Hart (2002) characterise this market's annual per capita income based on purchasing power parity (in US dollars) to being less than \$1500. Chipp, et al. (2012) further state that this market represents the largest but poorest socio-economic group, with earnings of less than \$2 a day. Lastly, Bharti, et al. (2014) offers an income range for the bottom of the pyramid of between \$1 to \$8 per day. In relative terms when comparing the South African market to the global market, the annual incomes are comparative and hence the participants are in agreement with the literature on the disposable income parameter. Similarly to the literature, there is no single definitive income base or range that has been pegged for this market.

6.2.1.3 Unemployed group

The second most significant construct based on a frequency count of 7, was that the low income market was defined as an unemployed group of people including those with R0 earnings. It was interesting that some of the participants considered the low income market as a group with an income of less than R100 000, whilst others considered the market to be unemployed. This further demonstrates the lack of consistency and agreement when it comes to this market. However there were participants who thought the definition of low income group should include both groups who 'earn an income of less than R100 000 and those that are unemployed'. The literature does outline unemployment as one of the key characteristics of this market (Bharti, et al., 2014) and given South Africa's structural and systemic challenges, it is thus not surprising that unemployment ranked highly among the participants when defining low income markets.

6.2.1.4 Income group working in the informal sector

The third ranked construct that emerged from participants when defining low income market was related to an 'income group working in the informal sector'. One of the participants explained this construct by noting people that work in the informal sector which is generally characterised by fluctuating and irregular income. This is supported by literature in that characteristic to this market is not only the extremely low levels of income but the irregularity thereof, as people in this market cannot accurately predict their revenue stream with some having part-time jobs to supplement their income (Rivera-Santos and Rufín, 2010; Da Costa Nogami & Veloso, 2017). Furthermore, due to the cost, complexity and unfamiliarity presented by the formal economy, this market primarily transacts in an informal market economy (Antúnez-de-Mayolo, 2012).

6.2.1.5 Unbanked or under-banked income group

Presumably due to the nature of the industry, the fourth construct which rated highly with a frequency of 5 was 'income group unbanked or under-banked'. This view is consistent with that held by Sinha and Sheth (2017) who noted that consumers at the bottom of the pyramid have no access to seemingly basic amenities such as banking facilities and services. Furthermore, evident in the competitive environment of the BOP market, are the gaps in the value chain including gaps in the economic infrastructure such as financing (Rivera-Santos & Rufín, 2010; Bharti, et al., 2014). Lastly, South Africa has one of the most developed financial systems in the world, however due to the legacy of its past as a result of the apartheid system, the country was left with a dual economy; characterised by highly sophisticated first-world financial markets with third-world social infrastructure thereby leaving parts of society, mainly low income markets, behind and outside the financial system (Porteous & Hazelhurst, 2004) and thus the interview participants are aligned in their views with the literature on the topic in stating that this market is comprised of the banked and the under-banked.

6.2.2 ASSUMPTIONS MADE ABOUT THIS MARKET

This interview question required participants to assess and describe the assumptions they have generally made about the low income market. Evident was differing views held by the participants pertaining to assumptions made regarding low income markets, however the top three most dominating constructs demonstrated in Table 6, were the perspectives that this market was impacted by social ills, characterised by low income earnings and lack preference in traditional banking structures, all three of which are supported by literature, although the literature does not provide specific ranking of the constructs in order of importance.

6.2.2.1 Low income market impacted by social ills

The first significant construct in terms of assumptions made about the low income market is that this market is impacted by social ills which received a frequency count of 13. The biggest assumption made by the financial sector is that the low income market was generally affected by social ills. This discovery is interesting because these social ills represent the areas in which the financial services sector has the potential of making the greatest impact. The social ills identified by the participants ranged from debt due to financial obligations, poverty, alcohol abuse, unemployment, drugs and varying degrees of violence. Although the listed social ills in literature are not articulated in the same manner as expressed by participants in the interviews, the sentiment does however remain the same in that Bharti, et al. (2014) describes this market as being marred by social ills such as high levels of illiteracy, poor health, unemployment and ultimately poverty.

6.2.2.2 Low income earnings of the market

Closely following the first, is the second construct with a frequency count of 12 relating to the assumption made about low income earnings of this market. As previously highlighted, most of the participants were of the opinion that the low income market was characterised by low income earnings. Evidently, the participants assumptions align with the reviewed literature as one of the key characteristics called out for this market is a lack of or low income levels (Bharti, et al., 2014). Furthermore, Wentzel, et al. (2013) confirms that low income markets tend to pay higher prices for goods than do middle-income consumers. Portocarrero and Delgado (2010: p3) refers to this as the *"poverty penalty"*.

6.2.2.3 Lack of preference for traditional banks

'Do not prefer traditional banks' is the third ranking construct that was observed with a frequency of 8. Regardless of the rationale provided by the participants as to why low income market consumers do not prefer traditional banks, this view is strongly supported and demonstrated by literature which details the unsuccessful attempts of most multinationals who have failed to generate innovation for this market and merely transplanted existing offerings originally developed for traditional markets whereas innovating within this market requires a non-traditional approach that takes into account various constraints specific to this market (Chipp, et al., 2012; Da Costa Nogami & Veloso, 2017). This alludes to the fact that transactions within the bottom of the pyramid (BOP) market are governed by relationships founded on trust, pre-existing social structures of the community and networks rather than contracts and formal institutions (Rivera-Santos & Rufín, 2010; Dhanaraj & Khanna, 2011; Bharti, et al., 2014).

The literature holds that a number of businesses that have succeeded in competing within the BOP market and achieved growth in profits, have embraced strategies that were articulated through products and services designed specifically to meet the needs of the BOP market, decreasing of prices to accommodate the financial constraints of the market, leveraging the informal traditional logistical networks in order to build scale and engaging in strategic alliances (Tashman & Marano, 2009; Dhanaraj & Khanna, 2011; Bharti, et al., 2014). Bharti, et al. (2014) emphasise the dependency of these strategies on the non-traditional, nonlinear and revolutionary capabilities of the firm. The participants did however highlight that the low income market did not prefer traditional banks because traditional banks generally perceived them to be uneducated and financially illiterate. Further justifying the reasons for this assumption, was one of the participants who explained in detail that the low income market preferred non-traditional financial services because of the simplicity in the systems and processes. This rationale was however not explicitly stated in the theory thus presenting an opportunity for further discovery.

6.2.3 SIZE OF THE MARKET BY VOLUME AND BY VALUE

This interview question prompted the interviewees to highlight the size of the market based on their organisational view and experience. The question was specifically phrased in a manner that allowed the participants to relate the size of the market based on their current organisational experience. Table 7 presents the main constructs based on the managers perceptions regarding the size of the low income market. The participants could refer to the size of the market from a volume and / or value point of view.

6.2.3.1 Difficult to quantify the size of the market

A majority of the participants were of the view that the size of the low income market was generally quite difficult to quantify from both a volume and a value point of view. This was the most highly ranked construct at a frequency count of 12. Evident were the participant's attempts at estimating the size but were not able to commit with absolute certainty on the market size and agreed that the market was too broad to quantify, a notion that is consistent with the literature. Prahalad and Hart (2002) had initially predicted growth of the BOP market in terms of population size to more than 6 billion people within a 40 year timeframe thereby representing a multi-trillion market. This view has been confirmed by Sinha and Sheth (2017) who estimate that this market currently represents 36 percent of the global GDP and is expected to grow into a USD 30 trillion market by 2025. However, evidenced through the various scholar attempts, was the inability to accurately quantify the size of the market (Landrum, 2007).

6.2.4 FINANCIAL SERVICES MARKET LEADERS WITHIN LOW INCOME MARKET

The fourth interview question prompted participants to be objective in identifying the financial service provider that they thought was the leader in the industry thus having competitive advantage in the low income market. An overwhelming majority of the participants, with a frequency count of 18, identified Capitec, a South African commercial bank, as the market leader as illustrated in Table 8. Interestingly, this response of a sole market leader within the low income markets agrees with the literature with regards to the description of what a market leader ought to be. The position of market leader is usually attributed to the firm with the largest market share among the competitive set (Giachetti & Lanzolla, 2016). Market share growth, resulting in increased profits is oftentimes the measure used for competitive advantage gains (Rahman, Azad & Mostari, 2015). This identification of a market leader is supported by Krishnan and Jha (2011) who affirm that a market leader is identified by either being among a repertoire of the top three companies in a specific segment within the industry it competes or as recognised by its competitive peers.

Apparent through the data was most of the participants were very clear that their organisations were not leaders in the market nor did they perceive themselves as having any competitive advantage. Capitec was the only traditional bank that featured in the top 3 emerging constructs in terms of being a market leader. Some participants were of the view that the leaders in the market were non-traditional financial service providers including formal retailers as well as telecommunications companies.

6.2.5 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION 1

In as much as there is no consistency in the formal definition of low income markets, evident in the interviews as well as the corresponding theory, is that there are some common and shared views when describing this market. Living up to the name of the market, ‘income’ still remains the dominant descriptor, even though participants admitted to it being an out-dated and potentially irrelevant descriptor. Stemming from income being the key identifier, are associated component parts of unemployment and informal sector employment when identifying the low income market. This is indeed a joint view with the literature which articulates the highly diverse nature of this market from an economic, cultural, social, geographical and historical perspective (Sinha & Sheth, 2017), whilst highlighting thematic commonalities such as the industry-specific naming convention among the industry players. Notable is the sheer size of the market, although not explicitly accounted for, it is large with great potential.

There seems to be a lot of untested assumptions made about this market which may potentially be ill-informed and yet direct and inform the strategy aimed at low income markets. However based on these assumptions is agreement between the data and literature in the need for businesses to operate differently within this market and not merely repurpose the models and strategies used in other market segments. Most participants were very clear that their organisations were not leaders in the market nor did they perceive themselves as having any competitive advantage with some participants considering the market leaders to be non-traditional financial service providers including formal retailers as well as telecommunications companies.

Evident in both the data and the literature is that there is still a lot of uncertainty surrounding this market which warrants for further and deeper research.

6.3 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 2

What are the accelerators and decelerators of sustainable competitive advantage for FSPs within low income markets?

The aim of research question 2 was to firstly obtain a common understanding of competitive advantage and its extension to sustained competitive advantage. Furthermore, it sought to understand the key determinants for the gains and losses of sustained competitive advantage within the low income market. Lastly this question sought to establish the ease and speed which financial service providers gained or lost sustained competitive advantage.

6.3.1 HOW DOES YOUR ORGANISATION DEFINE “SUSTAINABLE COMPETITIVE ADVANTAGE”?

The sixth interview question encouraged participants to describe how they define sustained competitive advantage. According to literature, when competing in a marketplace, one of the main objectives that an organisation seeks to attain is that of achieving competitive advantage relative to all other competition in the market (Ismail, et al., 2012). Barney (1991) proposes that in order for a firm to hold the potential of sustained competitive advantage, the firm’s resources need to possess four key attributes. Firstly the resources must be valuable as they enable the firm to develop and implement strategies that improve the firm’s efficiency and effectiveness, thereby exploiting opportunities and neutralising threats presented in the environment. Secondly, among both existing and potential competition to the firm, the resources must be deemed to be rare and not common to or possessed by a large number of competitors. These first two attributes are according to Braganza, Brooks, Nepelski, Ali and Moro, (2017) the ones that confer competitive advantage. The third attribute that Barney (1991) notes is the need for resources to be imperfectly imitable and unattainable by the competition and lastly there cannot be strategically equivalent substitutes for the resources that can be said to be valuable, rare or imperfectly imitable.

This question therefore probed the participants to draw on their current role and experience in general when defining competitive advantage. The results of this interview question are summarised in Table 9. An overwhelming majority of the respondents defined sustained competitive advantage as the ability of an organisation to ensure inclusivity, accessibility, convenience and remain relevant to the target market.

6.3.1.1 Ability to ensure inclusivity, accessibility, convenience and relevance

The first major construct with a frequency count of 25 was an interesting revelation from the participants whose responses were mostly related to their experiences and linked to their current organisation. This therefore highlights a key point in that the definition of sustained competitive advantage would be subjective depending on the participants' interpretation of it. Huang, et al. (2015) support this view in stating that the definition for competitive advantage is not as clearly set out in literature and is open to many interpretations and this is evidenced through the number of varying interpretations offered by numerous authors on the subject.

Thus in their responses, the interview participants linked competitive advantage to the products and services offered to the customer, with a number of the participants specifically mentioning inclusivity, accessibility, convenience and target market relevance as the key drivers for sustaining this competitive advantage within financial services when competing in low income markets. This is supported by Beaudreau (2016) who maintains that competitive advantage is founded on the organisations varying abilities of producing products and services, gaining efficiencies in their value chains and reducing overall costs. Strengthening the participants' market specific interpretation is Sheth (2011) together with Sinha and Sheth (2017), who propose that affordability and accessibility may prove to be more valuable to these markets than a superior yet expensive product with limited access.

6.3.1.2 Gaining consumer trust through building relationships

Rivera-Santos and Rufín (2010) propose that local firms play an important role within this market when they are embedded in the informal environment, linked to the local powers and establish alliances with non-market actors. A benefit of this is access to resources and knowledge which a business cannot or may not wish to develop internally. This supposes that transactions within the bottom of the pyramid (BOP) market are governed by relationships founded on trust, pre-existing social structures of the community and networks rather than contracts and formal institutions (Rivera-Santos & Rufín, 2010; Dhanaraj & Khanna, 2011; Bharti, et al., 2014).

It therefore is not surprising that the second construct based on a frequency count of 15, with regards to defining competitive advantage, was related to gaining consumer trust which according to participants can be achieved through building relationships. The participants were of the view that in order to gain and sustain competitive advantage within the low income markets, consumers needed to have a level of trust in the brand as expressed by one participant. This participant made further reference to how his organisation lost competitive advantage due to a lack of brand trust by the consumers. Intertwined with trust was the value of respect. This construct was best articulated by the following participant quote:

> *"So back in the day when we were setting up the branches in our rural areas that we hadn't been in before, from an FSP perspective, we investigated low cost branches and these [were] bank-in-a-box [solutions], which is effectively a container, a fully functioning branch but it was a container and it wasn't a bricks and mortar branch. The challenge we had there was, and we only found this out because we interviewed customers, is that they were saying to us, don't come, you haven't been here for twenty years, don't come and put up a plastic branch, you're basically telling me I'm not good enough for you because you're putting a cheaper branch, so show me the respect".*

Gaining trust in the brand, as revealed through the data aligns with the existing literature. Due to the nature of financial services, the industry is often characterised by complex, long-term, high-contact and oftentimes perceived to be grudge purchases, thereby necessitating the building of positive relationships with customers for service delivery (O'Loughlin & Szmigin, 2006). Tashman and Marano (2009) uphold that a number of businesses that have succeeded in competing within the BOP market and achieved growth in profits, have embraced strategies that are specifically aimed at engaging with and developing this market, through building relationships and establishing trust. In a study conducted within the Irish financial services sector to ascertain the role and importance of the relationship that customers have with their financial service providers, a process of moving from *"transaction-orientated"* to a *"value-enhancing relationship"* (O'Loughlin & Szmigin, 2006: p268) was recommended in order to gain competitive advantage within the sector. This would be achieved through the adoption of relationship marketing which according to O'Loughlin and Szmigin (2006: p268) is *"the process of attracting, maintaining and enhancing [long-term] customer relationships".*

6.3.1.3 Innovation through technology and digital advancement

Production and information technology were specifically called out in the literature as resources that firms have at their disposal in driving competitive advantage (Ismail, et al., 2012; Pearson, et al., 2015). Furthermore various authors have noted that to fully leverage the potential of converting the low income market into active participants in the economy and to exploit the opportunity therein, businesses will require radical innovations in technology (Prahalad & Hart, 2002; Prahalad, 2009; Dhanaraj & Khanna, 2011; Chipp, et al., 2012; Bharti, et al., 2014).

The third construct highlighted by participants in gaining sustainable competitive advantage was therefore congruent with the literature in articulating innovation through technology and digital advancement as a building block when defining competitive advantage. A significant number of participants were of the opinion that having competitive advantage in the low income market was dependent on being technologically advanced as demonstrated by the below quote:

> *"I think you need to be very technologically advanced and a technical and digital leader to be sustainably competitive here".*

Further to this, the literature proposes disruptive technology innovation as specifically intended for low income markets in order to meet the needs of a consumers that is deemed to be less demanding, whilst the technologically still needs to be more convenient to use, cost less, simplified and is user-friendly (Da Costa Nogami & Veloso, 2017).

6.3.2 INTERNAL ORGANISATIONAL FACTORS ATTRIBUTED TO THE SHIFTS IN MARKET SHARE

Huang, et al. (2015) categorise competitive advantage into two major groupings namely endogenous forces, from a firms resources and capabilities as well as exogenous forces, from the firms privileged position in the market known as the "*industry position*" (Guimarães, et al., 2017: p355) and Ishmail, et al. (2012) expands that the organisations overall competitive position is improved when the organisational resources, capabilities and systems are engaged in guiding business decisions. This interview question thus sought to understand the internal organisational factors that have contributed to the performance in the FSPs with regards to any resultant shifts in performance as measured by market share. The results of this interview question are summarised in Table 10.

6.3.2.1 Change in organisational strategy

The highest ranking concept based on frequency count was changes in the strategy to better serve the low income market. Interesting to discover was that organisations in the financial services sector, especially the traditional banks, had now realised the potential for growth in the low income market. Most of the participants described how they had firmly decided and made concerted efforts to focus on serving the low income market, by effecting specific and targeted changes to their organisational strategy. These views are in agreement with the literature as Ismail, et al. (2012) argues that a well-executed strategy is a key driver to gaining competitive advantage. In citing Porter, strategy has been defined by Grant (1991: p114) as *"the match an organisation makes between its internal resources and skills … and the opportunities and risks created by its external environment"*. According to Collins and Porter (2010: p103), *"competitive strategy consists of all the moves and approaches a firm has taken and is taking to attract buyers, withstand competitive pressures, and improve its market position"*. Priyanto, et al., (2012) further reiterate the fact that in order for any business to survive, gain and sustain a competitive advantage, it requires a strong, focused, accurate and custom made strategy. As a result, the financial services providers experienced superior performance within the low income market once they had shifted the focus of their strategy to be custom-made for that market.

6.3.2.2 Building brand equity

The second most frequent construct that came across from participants and a factor that has contributed to their increased market share within the low income market, was building brand equity. Some participants highlighted that this was done through brand executed initiatives that aimed to get the attention of consumers and build equity towards a brand that the market could identify with. Brand equity was a key highlight in the theory as one of the contributors and enablers of gaining competitive advantage given that the BOP market is brand conscious with the aspiration of attaining a new and better quality of life (Prahalad, 2009). A number of authors further identify 'brand' and the strength thereof as one of the most important identified intangible resources that a firm owns and can use to its advantage (Grant, 1991; Ismail, et al., 2012; Pearson, et al., 2015) whilst Brunello (2013) out rightly identified brand equity as a source of competitive advantage.

One of the interview participants went as far as describing brand equity as brand strength that can be leveraged against the competition and is what has contributed to their organisation gaining market share within the low income segment. This view supports the argument presented by the literature. Bhaya and Jassmy (2017) emphasise the role and impact that a brand has on the competitive advantage of an organisation although the impact thereof cannot be accurately quantified as Christodoulides and De Chernatony (2010: p5) state that *"perhaps the only thing that has not been reached with regard to brand equity is a conclusion"*.

Another participant highlighted the efforts made in making their brand more appealing to the consumer which in turn increased their presence in this market. Accordingly literature concurred with this view that investing in and building equity in a brand, helps to raise competitive barriers in the market as a firm's customers create favourable associations with the brand which ultimately increase the consumer preference and drives purchase and / or usage of the brand thus giving the firm a competitive advantage (Christodoulides & De Chernatony, 2010; Pearson, et al., 2015).

6.3.2.3 Insufficient understanding of the market

Over and above these two mentioned constructs which were drivers to the positive in-market performance, other participants were of the opinion that they did not have sufficient understanding of the low income market leading to them to execute strategies that are formed on the base of incorrect assumptions made about the market resulting in their poor performance in terms of market share. With a frequency count of 8, this was the third most frequently mentioned construct to the question of internal organisational factors that have caused shifts in the market. Evident in the theory are the unsuccessful attempts of most multinationals who have failed to generate innovation for this market and merely transplanted existing offerings originally developed for traditional markets whereas innovating within this market requires a non-traditional approach that takes into account various constraints specific to this market (Chipp, et al., 2012; Da Costa Nogami & Veloso, 2017). This, in agreement with the participant observations as it demonstrates a general lack of understanding about this market and its specific needs.

Within the financial services sector, this is further demonstrated by a large contingent of the low income markets being left behind and outside the financial system (Porteous & Hazelhurst, 2004). The literature thus encourages that in order to fully leverage the potential of converting the low income market into active participants in the economy and to exploit the opportunity therein, businesses will require a complete change in mindset and perceptions, radical innovations in technology, business models and management processes including innovation in product and service offerings, distribution networks and a general rethinking of the approaches used when competing within this market (Prahalad & Hart, 2002; Prahalad, 2009; Dhanaraj & Khanna, 2011; Chipp, et al., 2012; Bharti, et al., 2014), a view that is shared by the interview participants. This is further reiterated by Reynoso, Valdés and Cabrera (2015) who advise that in order to succeed in these low income markets, businesses need to adopt the approach of having a deep understanding of the consumers' psychology.

6.3.3 UNDERSTANDING THE FACTORS ATTRIBUTED TO THE ORGANISATIONS SUCCESS OR FAILURE WITHIN THIS MARKET

This question sought to further probe the participants on the factors that can be attributed to the organisation's failures or successes in the low income market. It was intended to get the participants to adequately reflect on both the enablers and inhibitors of progress within this market. Many of the participants found this question quite intriguing hence they had many reflection points regarding these factors and in some cases provided practical examples to demonstrate their point. Table 11 highlights the constructs that emerged during the analysis of data pertaining to this interview question.

6.3.3.1 Inclusivity of and accessibility to the market

Due to the fact that this question was probing and intended to build on the two previous interview questions, it came as no surprise that the most significant construct that emerged from the analysis of the responses, was inclusivity of and accessibility to the market, a response which had been previously mentioned. Some participants were of the view that they had performed well in the low income market because they had changed their organisational strategies such that their efforts and initiatives were seen to be more inclusive and accessible to the low income market. One of the participants explained how his organisation had always positioned itself as a service provider to an elite market thus making them exclusionary in their approach, culture, product and service offerings. The participant further explained how they had recently changed their strategy to be more inclusive whilst another participant highlighted the increase in accessibility to the low income market thus contributing to their success within market. This view was supported by other participants and is best reflected in the below quote:

> *"[Bank name] has always been seen as a bank for the elite, and exclusionary bank that excludes certain races or market segments, and what the bank did deliberately in the past five to ten years is to reposition itself from being this exclusive brand to an inclusive brand, and that we have done through our advertising, relevant advertising, again, by just being open and deliberate in terms of focussing on the low end market by developing relevant products, keeping the banking fees manageable and just by doing a lot of penetration into those areas".*

Strengthening the participants' industry specific articulation of competitive advantage is Sheth (2011) together with Sinha and Sheth (2017), who propose that affordability and accessibility may prove to be more valuable to these markets than a superior yet expensive product with limited access. Furthermore, Porteous & Hazelhurst (2004) argue that the long-run sustainability and competitiveness of the financial sector system will be dependent on its ability to broaden its reach to all sectors of the South African economy thereby becoming more inclusive.

6.3.3.2 Legacy drawbacks (systems, processes and practices)

South Africa has one of the most developed financial systems in the world, however due to the legacy of its past as a result of the apartheid system, the country was left with a dual economy; characterised by highly sophisticated first-world financial markets alongside third-world social infrastructure thereby leaving parts of society, mainly low income markets, behind and outside the financial system (Porteous & Hazelhurst, 2004). Such legacy drawbacks caused by structural flaws are not only evident on a national level but at company level as well.

The second yet equally important construct that emerged from the responses with a frequency count of 13 was related to legacy drawbacks impacting on competitive advantage as a result of inefficient legacy systems, processes and practices. Alderson and Shah (1999: p115) define legacy systems as *"operational system[s]… written using hardware and / or software which is no longer seen as part of the organisation's current strategy".* These are systems and practices that, although uphold the core functioning of the business (Alderson & Shah, 1999) and have over time contributed to the competitiveness of traditional firms (Gust, Flath, Brandt, Ströhle & Neumann, 2017), but do not support the changing needs of the business and to a certain degree hamper business productivity and performance (Davenport, 1998; Alderson & Shah, 1999).

An organisation's agility is determined by among others, the flexibility of its structures and organisational processes and how rapidly these can be altered therefore, in established and traditional firms, transformation may prove to be difficult (Teece, et al., 2016; Appelbaum, et al., 2017) as these organisations are typically built off the back of long-standing legacy systems, processes and practices (Wu, et al., 1997). Consistent with the view provided in literature, these legacy drawbacks were highlighted only by the established traditional financial services providers that have complex systems built over time but were now a constraint and inhibitor to competitive advantage. Legacy systems and processes pose a number of challenges for the organisation including (1) obsolescence of the systems as a result of no longer being fit-for-purpose (Wu, et al., 1997), (2) these systems are usually costly, risky and time consuming to maintain and replace due to being so deeply entrenched in the core structures of the business (Wu, et al., 1997; Matei, 2012) and (3) it is difficult to integrate these legacy systems with new technological functionality that an organisation requires due to their inflexibility (Wu, et al., 1997; Alderson & Shah, 1999). Thus these legacy systems, processes and practices, restrict the organisation's ability to be competitive (Alderson & Shah, 1999) Non-traditional service providers did not however mention any legacy drawbacks.

One of the participants was of the view that due to legacy hindrances in their processes, consumers had always felt separated from their brand mainly because of the historical strategic positioning of the bank, citing this issue as the main source of non-performance in the low income market. Another participant specifically referenced the organisations systems as a drawback whilst another highlighted the delays in the processes they used. Thus these legacy systems, processes and practices, restrict the organisation's ability to respond to changes taking place in the environment, limit their ability to adapt their existing strategies accordingly and hamper their ability to create new strategies (Alderson & Shah, 1999).

6.3.4 HOW RAPIDLY AND EASILY HAVE YOU AND YOUR COMPETITORS IMITATED EACH OTHER'S STRATEGIES IN THIS MARKET?

The resourced-based view (RBV) of the firm purports that sources of sustained competitive advantage that afford an organisation superior performance in the market, stem from certain types of resources that are owned and controlled by the firm and are deemed to be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991; Eisenhardt & Martin, 2000; Ismail, et al., 2012; Hinterhuber, 2013; Lin & Wu, 2014; Huang et al., 2015; Pearson, et al., 2015; Guimarães, et al., 2017). Collectively referred to as VRIN attributes, these resources give firms the ability to implement renewed strategies that create value for the firm which is not easily replicated by competing firms (Eisenhardt & Martin, 2000, Wu 2010; Pearson, et al., 2015).

Tangible resources such as physical plant, equipment and production technology contribute to a firm's competitive advantage and often times lead to the superior performance of that firm (Ismail, et al., 2012). These resources are however not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors (Pearson, et al., 2015). Similarly, intangible resources such as a firm's brand, culture, reputation, knowledge, customer relationships, information technology and the ability to innovate also account for the organisational competitive advantage and superior performance (Ismail, et al., 2012; Pearson, et al., 2015). In a study conducted within the Asian Airlines industry to ascertain the most important intangible resources in gaining and sustaining competitive advantage, the most emphasised intangible resources were "*brand, product and service reputation, managerial competence and experience, strategy and strategic goals and planning, marketing and promotional activities and strategies, and bilateral agreements"* (Pearson, et al., 2015: p12). These intangible resources are deemed to be the most important in gaining and sustaining competitive advantage due to being less replicable than tangible resources (Pearson, et al., 2015; Bhaya & Jassmy, 2017).

Posen, et al. (2013), suggest that imitation is a strategy used by follower or laggard brands as an attempt to compete with the leader in the category by not only catching up to them but at times leapfrogging and surpassing the leader as well as differentiating itself from other competition in the market. These imitators enter the market after the market leader together with early followers have established and entrenched their brands, products and services and reached market saturation (Krzakiewicz & Cyfert, 2016). With regards to competitor imitation, Ireland, et al. (2008) challenge the existing view of sustained competitive advantage in that it is not attainable at all due to the fact that even if firm's were to develop and manage their resources in ways that create competitive advantage, competitors would ultimately learn how to replicate the firm's value creating strategies thereby inferring that all competitive advantages have a limited shelf life and thus never sustainable.

This interview question was explored in two ways, the first part of the question was intended to determine how rapidly and effectively the organisation has been able to replicate the competitor's strategy in this market and the second part of the question focused on determining the ease with which competitors have been able to replicate the organisation's strategy. Table 12 and 13 show the results.

According to Posen, et al. (2013), it is argued that for imitation of a competitor strategy to succeed, there needs to be *"intra-industry heterogeneity"* (p150) among a strategic group of firms that compete against each other on the basis of having similar combinations of strategic resources (Giachetti & Lanzolla, 2016). Heterogeneity is deemed crucial as there is no benefit to imitating a homogenous firm (Jenkins, 2014). Imitation thus leverages off the diversity of views, knowledge and wisdom possessed by other firms and applied to the imitating firm (Posen, et al., 2013). The caveat however is that *"although imitation benefits from heterogeneity, it also serves to diminish it"* (p150) as the heterogeneity can quickly disappear if all firms are imitating the same market leader on the same combination of attributes (Posen, et al., 2013) thus the imitation needs to be limited based on the market leaders past successes combined with existing attributes of the laggard firm.

6.3.4.1 Speed to replicate competitor strategy

Most of the participants from the traditional financial service providers were of the view that they were generally slow in replicating the competitor's strategy with some participants specifically stating that their organisations were able to quickly recognise the competitors' strategy however they were very slow when it comes to replication. Furthermore, the traditional financial service providers affirmed that competitors were able to easily and rapidly replicate their strategy. This rate of replication is however partially represented through literature as according to empirical studies conducted, imitation of competitor strategies does not happen as rapidly or easily as some would assume but it is a rather slow, complex and iterative process over time as firms seek for a better combination of their own resource attributes in attempting to imitate firms in their industry (Posen, et al., 2013). As stated through the data, traditional services providers found it slow and complex to duplicate a competitor strategy, whilst were of the view that it was easy and rapid for a competitor to duplicate their strategy.

6.3.4.2 Ease of competitor strategy replication

Krzakiewicz and Cyfert (2016) advocate for the selective usage of imitation as part of the firm's strategy whilst taking into account the context in which the organisation operates as well as the capabilities that the firm has. Giachetti and Lanzolla (2016) offer an alternative explanation in that at the initial establishment of an industry, uncertainty among the industry players is high thus firms will focus more internally on their own resource experimentation as opposed to taking on the risk of imitating competitors, resulting in longer lead times for competitor imitation. Similarly, as the industry develops and competitor products and services get entrenched in the market, the levels of risk in imitating the existing competitors are reduced and thus the speed to imitation is more rapid (Giachetti & Lanzolla, 2016). Initially the non-traditional financial services providers, which can be said to be late entrants into the market, expressed that they were not necessarily trying to replicate the strategies of the traditional financial services providers however if they were to replicate a competitor strategy, they thought it was fairly easy to do. Furthermore, these non-traditional financial services providers thought that competitors found it difficult copy their strategy.

Teece, et al. (2016) hold a view that knowledge and capabilities are difficult to imitate in that they either need to be bought but ideally they are built over time, whilst according to Pearson, et al. (2015), tangible resources are not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors. Most of the competitive advantages that the traditional financial services providers have are based on their tangible resources hence it is easy for competitors to replicate their strategy as participants expressed in agreement with the literature.

6.3.5 WHAT WOULD YOUR ORGANISATION NEED TO ACQUIRE OR CHANGE IN ORDER TO INCREASE THE RATE OF REPLICATING A COMPETITOR STRATEGY?

The main objective of this question was to determine the factors an organisation would need to acquire or change in order to increase the rate of replicating or imitating a competitor strategy. Table 14 gives a summary of the constructs that were identified by the interview participants.

6.3.5.1 Flexibility and Agility

In a constantly changing and unpredictable environment, one that is characterised by market turbulence, agility of the organisation which is defined as *“the ability of organisations [to offer a] quick and effective response to unexpected variations in market demand”* (p241), offers a sustainable source of competitive advantage as it seeks to satisfy varying customer needs whilst obtaining an increase in market share (Nejatian & Zarei, 2013). In light of this, most of the participants, with frequency mentions of 13, highlighted the importance of flexibility and agility in order to be able to imitate the strategies of competitors more effectively with an emphasis on organisations further acquiring innovative capabilities. Other participants mentioned how the financial sector should change their systems entirely to be more agile and flexible whilst being technologically advanced. Teece, et al. (2016) however contend with the notion that firms should constantly and continuously be seeking agility as this is an expensive exercise that comes at the cost of efficiency and due to it not being a standardised solution, these costs vary according to the prevailing systems and structures.

6.3.5.2 Advancement in technological capabilities

With equal frequency mentions to the first construct, it is not surprising that some of the participants were of the opinion that advancement in technological capabilities was crucial for the organisation as this formed part of their articulation of an organisations ability to be agile in seeking to gain sustained competitive advantage within the low income markets. This therefore aligns with the literature which identified both production and information technology as resources that firms have at their disposal in driving competitive advantage (Ismail, et al., 2012; Pearson, et al., 2015). Furthermore various authors have noted that to fully leverage the potential of converting the low income market into active participants in the economy and to exploit the opportunity therein, businesses will require radical innovations in technology (Prahalad & Hart, 2002; Prahalad, 2009; Dhanaraj & Khanna, 2011; Chipp, et al., 2012; Bharti, et al., 2014).

6.3.5.3 Customer Centricity

Due to the nature of financial services, the industry is often characterised by complex, long-term, high-contact and oftentimes perceived to be grudge purchases, thereby necessitating building positive relationships with customers for service delivery (O'Loughlin & Szmigin, 2006). This building of relationships with customers is often referred to in literature as customer centricity, which Spottke, et al. (2015: p2) explain to be *"a set of transformational activities… or as organisational objectives"* such as gaining a deep understanding of the customer needs and strengthening relationships with the customer.

Organisations that have adopted customer-centric approaches, are not extractive but rather place the customer and their needs at the centre of any product or service development efforts made and desire to build long-term and mutually beneficial relationships with their customers (Osborne & Ballantyne, 2012; Lamberti, 2013; Spottke, Wulf & Brenner, 2015). Participants also deem customer centricity as an important contributor with regards to what the organisation would need to acquire or change in order to increase their rate of replication of competitor strategies. They expressed its importance in so far as the entire organisation embodying customer centricity in everything that the organisation does with an emphasis being placed on the training of staff in building relationships with customers. Participants also found a link between customer centricity and the previous construct of advancements in technological capabilities in stating that the technology would need to be relevant to the consumer and not arbitrary and it would allow the firm to be more customer centric as they would be able to assist the customer more efficiently.

6.3.5.4 Strategic partnerships and acquisitions

Hinterhuber (2013) argues that the ownership of resources is not an essential condition for competitive advantage but rather suggests that organisations create and capture value by appropriating relational and inbound spill over rents from participating in alliances thus making resources accessed through partnerships and relationship networks sources of competitive advantage.

The last major construct that emerged was the need for strategic partnerships and acquisitions in becoming more competitive. This was demonstrated in the views of a number of participants who noted that gaining competitive advantage within this low income market would require a collective effort of collaboration with other partners. Some participants from the traditional financial services, noted that due to the drawbacks caused by the legacy systems and processes and thus the only way the firm could compete was to purchase a smaller non-traditional financial service provider, which had the agility, flexibility and technology to rapidly respond to the competitive environment. Furthermore, participants supported the view of partnering with others to increase their pool of ideas.

This participant view of forming strategic partnerships and acquisitions agrees with the literature as it outlines the concept of organisational learning which not only involves the coordination of complex patterns of resources and capabilities but extends beyond the internal functionalities of the firm and embraces inter-organizational learning whereby collaborations and partnerships formed with other firms can reveal internal dysfunctional routines that are not optimal thereby causing strategic blind spots (Teece, et al., 1997; Zapata-Cantu, et al., 2015; Braganza, et al., 2017). As a coordinative management process, dynamic capabilities unearth the potential of inter-organisational learning (Teece, et al., 1997).

6.3.6 WHAT COMPETITIVE ADVANTAGE DO YOU THINK TRADITIONAL AND NON-TRADITIONAL FSPS HAVE OVER EACH OTHER?

According to Barrick, Thurgood, Smith, and Courtright (2015), firms operating in similar environments and that have the same set of resources; can have vastly differing performance outcomes depending on the manner in which each of their resources are *“evaluated, manipulated and deployed”.* This interview question thus sought to understand what competitive advantage non-traditional and traditional FSPs have over each other. The question was directed at both groups of participants, those who operate within traditional FSPs as well as those who work in non-traditional FSPs. Table 15 and 16 give a summary of the emerging constructs.

6.3.6.1 Brand equity and strength

Unanimously, ‘brand’ and the strength of the brand emerged as being the most highly rated competitive advantage that both traditional as well as non-traditional financial service providers (FSPs), perceived to have over the other. Although the resulting constructs are expressed differently, the essence of both is however the same in that the importance of ‘brand’ received an equal emphasis from both sides as a competitive advantage. This importance of the brand is supported through literature as one of the intangible resources that are thought to be the most important in gaining and sustaining competitive advantage due to being less replicable than tangible resources (Pearson, et al., 2015; Bhaya & Jassmy, 2017).

Participants explained that the advantage that non-traditional FSPs have over traditional FSPs, labelled as ‘stronger brand affinity’, stems from the entrenched relationships that non-traditional FSPs have formed with customers outside of the traditional banking arena but rather on their core products, namely retail products or telecommunications offerings; products which can be seen to form part and parcel of the daily lives of consumers. The extension into banking, which is generally viewed by consumers as a grudge purchase, was therefore an easier entry as the brands had already been established and entrenched within the hearts and minds of consumers and trust in the brand had already been attained. Similarly, the advantage that traditional FSPs have over non-traditional FSPs, labelled by participants as ‘established and trusted brand’, has been attributed to the credibility and trust built over time that the traditional FSPs have garnered through the provision of financial services to the market. Traditional FSPs are deemed to be more established, experienced and have the financial expertise to offer a comprehensive solution that caters to varying customer needs. This trust placed in the brand, is said to build competitive advantage.

When reviewing the data, equity in the brand in so far as its ability to drive competitive advantage was demonstrated through literature in that a number of authors identify ‘brand’ and the strength thereof as one of the most important identified intangible resources that a firm owns and can use to its advantage (Grant, 1991; Ismail, et al., 2012; Pearson, et al., 2015) whilst Brunello (2013) identified brand equity as a source of competitive advantage. Literature further concurs with these views in that investing in and building equity in a brand, helps to raise competitive barriers in the market as a firm’s customers create favourable associations with the brand which ultimately increase the consumer preference for, purchase and / or usage of the brand resulting in a competitive advantage (Christodoulides & De Chernatony, 2010; Pearson, et al., 2015).

6.3.6.2 Competitive advantage non-traditional FSPs have over traditional FSPs

In analysing this part of the interview question, ranking equally high as a competitive advantage that non-traditional financial service providers have over the traditional

FSPs, was very little or no legacy systems and infrastructure which was also highlighted by most participants and received a frequency count of 10. Participants highlighted the fact that non-traditional financial service providers were not restricted by historical legacy infrastructure therefore affording them the flexibility, agility and innovation required to respond to the constant changes in the environment and go quicker to market. In explaining the advantage of not having legacy systems, some participants embraced the entrepreneurial and innovative nature that characterise non-traditional FSPs.

This competitive advantage is embraced by the literature which notes that an organisation's agility is determined by among others, the flexibility of its structures and organisational processes and how rapidly these can be altered thus, in established and traditional firms, transformation may prove to be difficult (Teece, et al., 2016; Appelbaum, et al., 2017) as these organisations are typically built off the back of long-standing legacy systems, processes and practices (Wu, Lawless, Bisbal, Grimson, Wade, O'Sullivan & Richardson, 1997). Legacy systems and processes pose a number of challenges for the organisation including the difficulty in integrating them with new technological functionality that an organisation requires due to their inflexibility (Wu, et al., 1997; Alderson & Shah, 1999) thereby restricting the organisation's ability to respond to changes taking place in the environment, limit their ability to adapt their existing strategies accordingly and hamper their capability to create new strategies (Alderson & Shah, 1999).

6.3.6.3 Competitive advantage traditional FSPs have over non-traditional FSPs

Particular emphasis was placed on the traditional FSPs greater access to capital, financial stability and greater liquidity than the non-traditional FSPs. These factors were highlighted as the second and third constructs in terms of the competitive advantage that the traditional FSPs have over the non-traditional FSPs.

Aligning to the resource-based view theory, most scholars cite financial resources and physical capital as key resources that can be used to implement value-creating strategies (Barney, 1991; Eisenhardt & Martin, 2000; Ismail, et al., 2012). Although there has been a shift in focus away from financial-based indicators (Guimarães, et al., 2017) such as a firm's liquidity as well as access to capital (Ismail, et al., 2012), these resources are still deemed to be vital enablers of gaining competitive advantage as evidenced by the data collected from the interviewees. Important to note however is that tangible resources are not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors (Pearson, et al., 2015).

6.3.7 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION 2

Although the literature provides a generic all-encompassing definition of competitive advantage, evident in the data is the need for contextual relevance to the industry, the environment in which the firm competes and the market alike when defining and measuring competitive advantage. Thus in the low income market, due to the nature of the market, achieving inclusivity, accessibility, convenience and target market relevance determine whether a firm will succeed or not in gaining competitive advantage.

Tangible resources such as physical plant, equipment and production technology contribute to a firm's competitive advantage and often times lead to the superior performance of that firm (Ismail, et al., 2012), but tangible resources are not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors (Pearson, et al., 2015).

Similarly, intangible resources such as a firm's brand, culture, reputation, knowledge, customer relationships, information technology and the ability to innovate also account for the organisational competitive advantage and superior performance (Ismail, et al., 2012; Pearson, et al., 2015). The most emphasised intangible resources required in gaining competitive advantage are "*brand, product and service reputation, managerial competence and experience, strategy and strategic goals and planning, marketing and promotional activities and strategies, and bilateral agreements"* (Pearson, et al., 2015: p12). These intangible resources are deemed to be the most important in gaining and sustaining competitive advantage due to being less replicable than tangible resources (Pearson, et al., 2015; Bhaya & Jassmy, 2017).

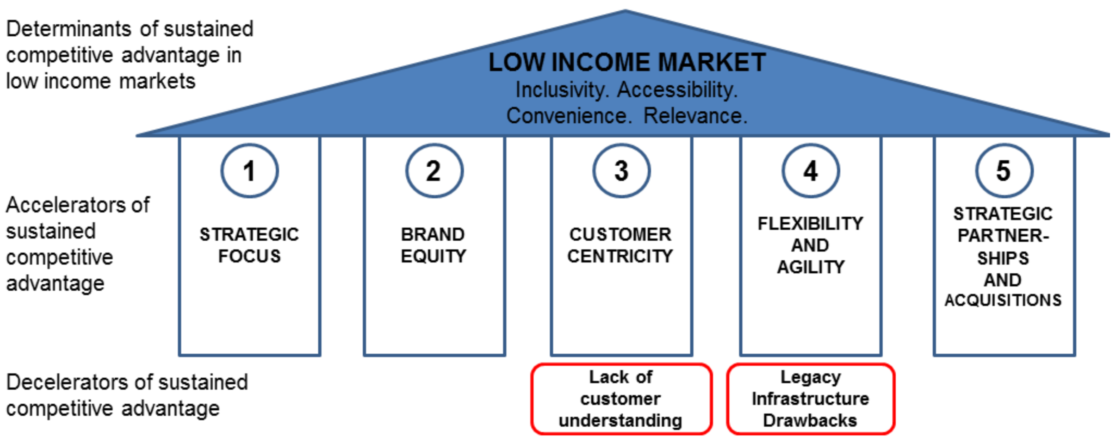
The data supports the literature in that both tangible and intangible resources alike have to be configured effectively as Grant (1991) purports that in order for resources to produce productive activity, they cannot be activated in isolation but need to be coordinated and integrated into *"teams of resources"* (p119). There are a number of accelerators of competitive advantage when competing in low income markets including, building relationships with customers in order to gain trust, using technology to provide market solutions that are specific and relevant to the target market, a concerted effort being made internally to strategically focus on the low income market by way of focusing on customer centricity of the low income market as a core focus of the organisational strategy and not a mere repurpose of existing solutions, investing in building equity for the brand in order to drive market preference and lastly the sourcing and forming of strategic partnerships is key in driving competitive advantage.

There are however also decelerators to financial services ability to gain competitive advantage within the low income market. The most prominent of these are a lack of understanding of the low income market which was evidenced through the previous question answered as well as the constraints brought about by legacy infrastructures which restrict an organisations ability to be flexible in responding to market changes, thus limiting competitive advantage. The above mentioned accelerators and decelerators impact on a firm's ability to replicate, imitate or duplicate a competitor strategy as well as the speed and ease with which to do so.

Figure 6 below illustrates a summary of the findings to research question 2 which are the accelerators and decelerators of sustained competitive advantage in the low income market.

Figure 6: Accelerators and decelerators of sustained competitive advantage in the low income market

Source: Author's own construct



6.4 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 3

Are resources that are owned, controlled and unique to the FSPs sufficient in gaining sustained competitive advantage when competing in low income markets?

According to Ireland et al. (2008), the resource-based view undertakes that each organisation is a collection of unique resources and capabilities and the distinctiveness of these resources is the basis of the organisation's strategy and ability to earn above-average returns rather than the industry's structural characteristics. Pearson, et al.

(2015) however argue that the mere collection of bundles of resources that have potential is not sufficient in generating rents but rather propose the effective utilisation of these resources.

The aim of research question 3 was to ascertain whether competitive advantage emanating from resources that are owned and controlled by the firm can be sustained and if these resources are fully optimised. This question also attempted to establish the impact on the sustainability of competitive advantage given the unique nature (or lack thereof) of the resources and thus the ability of competitors to easily and effectively replicate them.

6.4.1 WHAT UNIQUE RESOURCES AND CAPABILITIES DO YOU OWN AND CONTROL THAT GIVE YOU A COMPETITIVE ADVANTAGE WITHIN LOW INCOME MARKETS?

The resourced-based view (RBV) of the firm purports that sources of sustained competitive advantage that afford an organisation superior performance in the market, stem from certain types of resources that are owned and controlled by the firm and are deemed to be valuable, rare, imperfectly imitable and non-substitutable (Barney, 1991; Eisenhardt & Martin, 2000; Ismail, et al., 2012; Hinterhuber, 2013; Lin & Wu, 2014; Huang et al., 2015; Pearson, et al., 2015; Guimarães, et al., 2017). These collectively referred to as VRIN attributes, give firms the ability to implement renewed strategies that create value for the firm which is not easily replicated by competing firms (Eisenhardt & Martin, 2000, Wu 2010; Pearson, et al., 2015).

Contrasting this view is Wu (2010) who asserts that the resource-based view of the firm ignores environmental contexts which are constantly changing and highly volatile in nature. Huang et al. (2015) and Hinterhuber (2013) further argue that the RBV is rooted in a view that assumes that a firm operates in an environment of constant and consistent stability presuming persistent equilibrium, path dependencies and stability of competitive positions. In hypercompetitive environments, content can rapidly become obsolete thereby leading to inappropriate and ineffective behaviour by the firm that maintains a singular view and strategy regarding competitive advantage (Lin & Wu, 2014). This therefore suggests that superior firm performance generated by the competitive advantage of owned and controlled firm resources may only be temporary and not sustainable once the environment changes and the market is dynamic (Eisenhardt & Martin, 2000; Huang et al., 2015).

This part of the interview question prompted participants to think about the resources and capabilities that are owned and controlled by their firm and whether these resources were considered to be unique. The question was further aimed at prompting the participants to think carefully about how those identified resources and capabilities could give the firm a competitive advantage within low income markets. Table 17 presents those resources and capabilities identified by participants as giving them competitive advantage.

6.4.1.1 Human Capital

In answering this interview question and discussing the resources and capabilities, most participants considered human capital as a significant resource within their organisations and this was evident with a frequency count of 7 for this specific construct. Although participants were clear in their responses about how human capital drives competitive advantage, it appeared that participants struggled with describing human capital as a resource owned and controlled by the firm. This is evidenced in the below quote:

> *"…people, they're not supposed to be assets in your balance sheet but what they have, how they can be used to shape and create intellectual property, that's a very key thing".*

This highlight on human capital by the data collected is supported and emphasised through the literature whereby in a category of resources, Ismail, et al. (2012) identified human resources as one of the critical resources required in attaining a competitive advantage due to its *"hard-to-copy"* (p154) nature. In support of this assertion, a quantitative research study conducted with the aim of unearthing associations between strategic leadership and competitive advantage, Mahdi and Almsafir (2014) demonstrate that strategic leadership is a capability that drives and improves a firm's competitive advantage. According to Mahdi and Almsafir (2014) this is the kind of leadership that has the ability to build great internal teams referred to as *"human capital"* (p290). Ismail, et al. (2014), extend this notion to managerial competence and skill whereby firms that possessed this capability, were proven to perform better than those that didn't. Managerial competence is often described on a continuum of two extremes, the first of which is comprised of the knowledge and skills of specific managers unique to an individual firm (Ismail, et al., 2014).

6.4.1.2 Financial expertise and experience

A second highly rated construct with a frequency of 6 is the financial expertise and experience gained by a number of the players. Participants, particularly from the traditional financial services, highlighted their credibility built over time in gaining experience and being experts in the field of finance and thus giving them an advantage over newer and inexperienced competitors.

This view is supported by a study conducted within the Asian Airlines industry to ascertain the most important intangible resources in gaining and sustaining competitive advantage (Pearson, et al., 2015). Managerial competence and experience were among the most emphasised (Pearson, et al., 2015), as it was listed in a litany of intangible resources that are deemed to be the most important in gaining and sustaining competitive advantage due to being less replicable than tangible resources (Pearson, et al., 2015; Bhaya & Jassmy, 2017).

6.4.1.3 Uniqueness of the resources and capability in gaining competitive advantage

In seeking to understand from the participants' perspective if they believed the resources and capabilities owned and controlled by their firms were unique to their organisations thus giving them the competitive advantage, most of the participants, with the majority being traditional FSPs, expressed that their resources were not unique to their organisation. The traditional FSPs articulated that most of their resources were physical resources such as their capital, physical branches, including staff which are all not unique; a view which the literature supports in that tangible resources are not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors (Pearson, et al., 2015).

Interesting to note is that these participants from traditional financial service providers, had mentioned 'human capital' as a key resource in gaining sustainable competitive advantage, but in assessing whether or not this could be reasoned to believe that it was unique to their organisation, most of the participants agreed that this too was not unique to their organisation. The literature doesn't agree with this view of human resources not being unique to an organisation as Ismail, et al. (2012) identified human resources as one of the critical resources required in attaining a competitive advantage due to its *"hard-to-copy"* (p154) nature. Furthermore, with the extension of owned and controlled resources to managerial competence and skill, firms that possessed this capability, were proven to perform better than those that didn't and due to the uniqueness of the competence to the individual firm, value and competitive advantage can easily be lost if the manager moves firms as this capability is not always easily transferred (Ismail, et al., 2014).

Contrasting this view were non-traditional FSPs who expressed their beliefs that the resources and capabilities within their firms were unique based on their investment in the infrastructure in their core business and not necessarily banking and their footprint and reach. These participants further noted that due to the size of the organisations, they were therefore more nimble and flexible which is a characteristic unique to the non-traditional FSPs. This view is embraced in the literature with Zapata-Cantu, et al. (2015) cautioning against the notion that it is only the range of unique resources or capabilities which the firm holds that creates a competitive advantage but rather motivates that it is the versatility and flexibility in which the internal resources are combined to provide different types of service that the firm can leverage off of. Furthermore, Lin and Wu (2014) affirm that dynamic capabilities have the capacity to convert the firm's resources into improved performance. This is due to the fact that while the resource-based view argues that the ownership and control of unique resources forms the basis of unique value-creating strategies, the dynamic capabilities approach enables managers to acquire, shed, integrate and recombine resources in order to generate new value-creating strategies that drive competitive advantage (Eisenhardt & Martin, 2000).

6.4.2 DOES THE ORGANISATION FULLY OPTIMISE THESE RESOURCES OR CAPABILITIES? IF SO HOW?

This interview question sought to understand from the participants' viewpoint if they believed that their firms fully optimise the resources and capabilities that they own and control. Literature articulates the role of resources that are controlled by a firm, to be for the enablement of the firm to conceive of and implement strategies that are intended to improve its effectiveness and gain efficiencies (Barney, 1991; Eisenhardt & Martin, 2000; Ismail, et al., 2012). Barney (1991) proposes that in order for a firm to hold the potential of sustained competitive advantage, the resources must be valuable as they enable the firm to develop and implement strategies that improve the firm's efficiency and effectiveness, thereby exploiting opportunities and neutralising threats presented in the environment. Beaudreau (2016) further maintains that competitive advantage is founded on the organisations varying abilities of producing products and services, gaining efficiencies in their value chains and reducing overall costs.

The first part of this interview question explored how many participants held the view that their firms' fully optimised their resources and capabilities represented in Table 18, while the second part of the questions sought to understand the reasons behind the viewpoints of participants. The results of this part of the interview question are presented in Table 19.

A majority (90%) of the participants from both traditional as well as non-traditional financial service providers indicated that they believed their organisations did not fully optimise their owned and controlled resources. The biggest reason cited for this was due to operational inefficiencies with a frequency count of 4. The participants couldn't however provide more in-depth insights in terms of the causes of these operational efficiencies but only emphasised that they exist and that it was not unique to their organisations but generalised it to corporates holistically including those out of financial service category. Zapata-Cantu, et al. (2015) stated that the variations in performances of companies' are a result of the differences in efficiencies gained from their resources and not necessarily differences in their market power.

6.4.3 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION 3

Based on the views of the participants, owning and controlling resources is important, however even more important is the ability to effectively and efficiently utilise those resources that the organisation is able to extract value from them. Thought-provoking to note was the agreement among traditional and non-traditional FSPs on the aspect of human capital being a competitive advantage, a view supported in literature by Ismail, et al. (2012) who identified human resources as one of the critical resources required in attaining a competitive advantage due to its *"hard-to-copy"* (p154) nature. From a traditional FSP point of view, this advantage stems of the financial expertise and experience that they have. And from a non-traditional FSP point of view, this human capital advantage is based on their intellectual property that they hold.

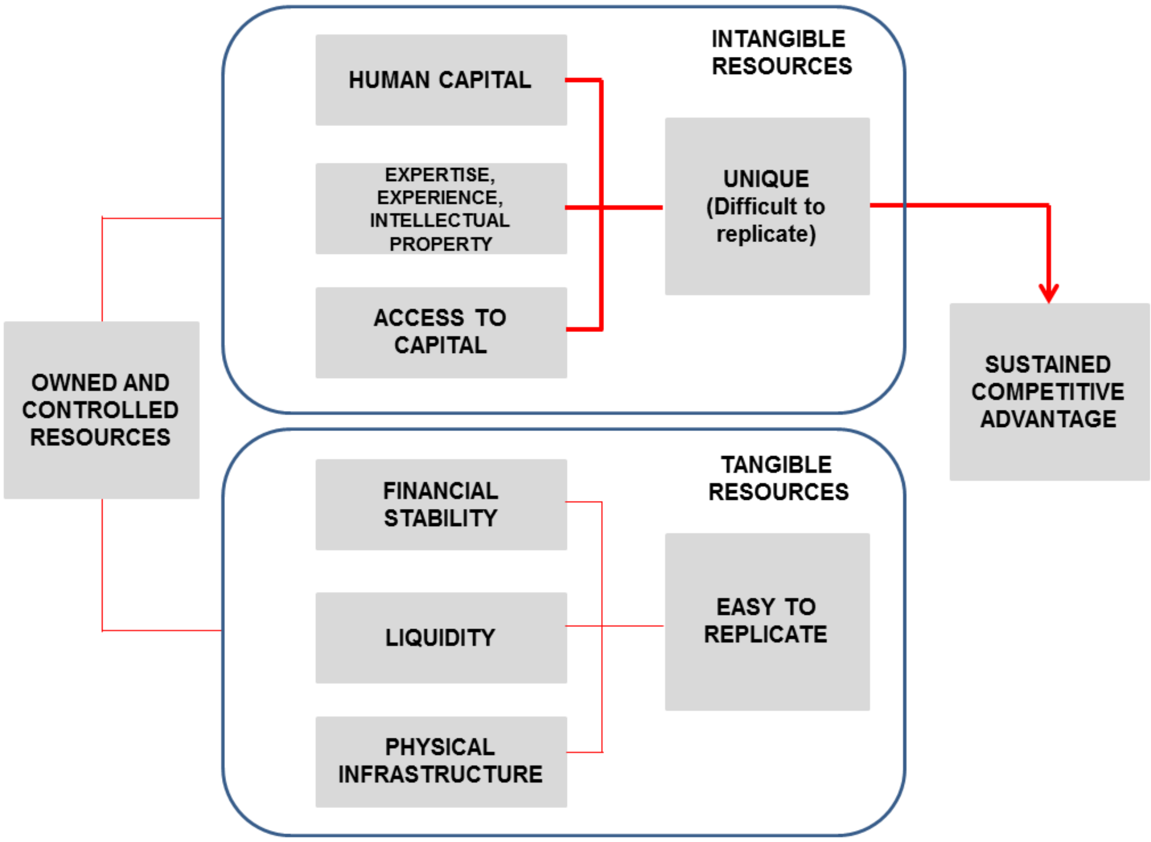
However, also apparent was the vastly different views arising from both the traditional and the non-traditional FSPs with regards to the uniqueness of these resources. Traditional FSPs thought their resources are not unique to them and could be easily replicated by competitors because they are physical resources which according to Pearson, et al. (2015) are not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors. Whereas, non-traditional FSPs view their resources as being unique and an advantage that the traditional FSPs are unable to match due to the size and legacy infrastructure constraints placed on the traditional FSPs.

Common to both types of FSPs is the inability to optimise the resources and capabilities that they own and control due to operational inefficiencies.

Figure 7 below illustrates the findings to research question 3 pertaining to the ownership, control and uniqueness of resources

Figure 7: Ownership, control and uniqueness of resources in gaining sustainable competitive advantage

Source: Author's own construct



6.5 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 4

Did the FSPs have to reconfigure or implement any changes to their internal resources and capabilities in order to ensure sustained competitiveness in the rapidly changing low income market?

Research question 4 was aimed at gaining an understanding of how (if at all) the FSPs have had to reconfigure, integrate, gain or dispose of their resources and capabilities in order to accommodate and respond to the environmental changes specifically within the low income market. The impact of that adopted change on the resources was intended to be ascertained. Lastly this question sought to establish whether or not these changes have contributed to the FSPs being more competitive within the low income market.

Given the rapidly changing industry and unpredictable environment which has altered competitive foundations (Eisenhardt & Martin, 2000; Lin & Wu, 2014; Guimarães, et al., 2017), dynamic capabilities are essential in gaining and sustaining competitive advantage in environments characterised by this dynamic change and volatility thus requiring organisations to be more flexible in reacting to environmental changes (Wu, 2010; Bodea, 2016; Guimarães, et al., 2017). This is due to the fact that rapid changes in the environment render most resources belonging to a firm, obsolete in a shifting market (Kozlenkova, Samaha, & Palmatier, 2014).

6.5.1 HOW HAS YOUR ORGANISATION HAD TO CHANGE IN RESPONSE TO THE CHANGES IN THE ENVIRONMENT SPECIFICALLY WITHIN THE LOW INCOME MARKET?

Huang et al., (2015) cautions that a competitive advantage gained as a result of a firm's resources and capabilities, may change if the environmental factors change thereby disrupting any status quo generated by that advantage. These changes may be due to the acceleration in technological change, globalisation, industry convergence, aggressive competitive behaviour, deregulation and a number of other externalities (Huang et al., 2015).

This interview question sought to understand how organisations have had to change in response to changes in the environment, particularly within the low income market. Participants took the time to think carefully about their responses with some acknowledging that of the changes that needed to be made, some had already been implemented whilst others were in progress. Table 20 gives a summary of how organisations have had to change in order to keep up with the changing business landscape.

6.5.1.1 Stronger focus on customer insights

Although consumers in low income markets are oftentimes ignored by multinational corporations as well as large local companies based on perceptions of a higher cost to serve for a lesser financial return due to their limited purchasing power (Rahman, et al., 2013), Wentzel, Yadavalli, and Sundar (2013) argue that the opportunity of lifting millions of people out of poverty and desperation is immense when focus is placed on this market

The most frequently cited construct in this regard was the change towards a stronger focus on the customer insights. Participants highlighted the value for the business in shifting focus towards the attainment of customer insights as key resources and capabilities that drive business direction. This was a common theme across both traditional and non-traditional financial service providers who affirmed that the FSPs needed to agonise and obsess about gaining sharper customer insights to gain a deeper understanding of the customer.

This view of focusing on customer insights is in agreement with the literature as according to Priyanto, et al. (2012) in order for any business to survive, gain and sustain a competitive advantage, it requires a strong, focused, accurate and custom made strategy which could be achieved in the form of a new approach to market segmentation by way of focusing on and attracting niche markets. Furthermore, the firm has to translate customer data into value by generating customer insights (Smith, Wilson & Clark, 2006). Although not well defined throughout literature, Smith, et al. (2006) propose that customer insights are gained through the applying of organisational resources on customer knowledge in order to generating value and recommend the definition of customer insights to be *“knowledge about customers which meets the criteria of an organisational strength; that is valuable, rare, difficult to imitate and which the organisation is aligned to make use of”*. The unearthing of these deep customer insights that allow for the adjustment of product offerings according to the customers changing needs will, according Appelbaum, et al. (2017), require a level of flexibility from the firm in terms of structures, processes and methods whereby traditional hierarchies will not be a hindrance.

6.5.2 UNDERSTANDING THE IMPACT RESOURCES AND CAPABILITIES DUE TO CHANGES MADE E.G. WERE RESOURCES RECONFIGURED, INTEGRATED, GAINED OR DISPOSED OF OR OTHER?

This interview question provided an opportunity for the participants to reflect on the impact of the change on the resources and capabilities of their organisations. Participants were required to reflect on whether resources were reconfigured, integrated, gained or disposed of. Table 21 presents a summary of responses to this interview question.

Teece, et al., (1997: p516) define dynamic capabilities as *"the firm's ability to integrate, build and reconfigure internal and external competences to address rapidly changing environments…[they] reflect an organisation's ability to achieve new and innovative forms of competitive advantage given path dependencies and market positions".* Eisenhardt and Martin (2000: p1107) further build on this by proposing that competitive advantage is enabled by a set of dynamic capabilities which are defined as *"…the firm's processes that use resources – specifically the process to integrate, reconfigure, gain and release resources – to match and even create market change. Dynamic capabilities thus are the organisational and strategic routines by which firms achieve new resource configurations as markets emerge, collide, split, evolve, and die".*

6.5.2.1 Resources and capabilities were reconfigured

It came as no surprise that the majority of participants from both traditional as well as non-traditional FSPs believed that resources and capabilities were reconfigured and integrated in their organisations in order to remain relevant within this low income market. This received a frequency count of 7. Participants expressed changes made in updating some of their operational systems and processes to becoming more accessible, simpler and cost efficient in order to accommodate the low income market and their specific needs. Other changes were as a result of environmental pressures such as advancements made in technology which required the FSPs to adopt and implement more technologically advanced and digitally enabled solutions.

This view from the data is in agreement with the literature in that in highly volatile environments, characterised by *"non-linear and unpredictable change"* (p330) where existing knowledge becomes irrelevant and obsolete (Braganza, et al., (2017), the effects of the accumulated VRIN resources are considerably reduced. Subsequently, firms that have the ability to rapidly integrate, learn and reconfigure their resources as a response to the changing external environment are in a better position to enhance or maintain competitive advantage (Wu, 2010). This view was further supported by Braganza, et al., (2017) in stating the growing dependence of organisation's on information that is made available in real-time, the breaking down of silos and encouraging cross-functionalities whilst adjusting organisational practices as new information becomes available.

Braganza, et al., (2017) however proposes that there are several organisational characteristics and internal factors that limit the extent to which the firm can develop dynamic capabilities. This is attributed to the fact that the capacity to transform and configure resources into effective capabilities requires an ability to sense the changes that are taking place in the market including technological advancements and an organisations willingness to change through the adoption of best practices (Braganza, et al., (2017).

This particular point was evidenced in the data as some participants within non-traditional FSPs specifically, pointed out that the resources and capabilities remained unchanged in their organisations and explained that this was an organisation wide problem, where the organisation realised the changes that needed to be made but noted that there was little or no momentum towards implementing those changes. This is aptly expressed in the below quote:

"If you ask me, my sense and my gripe has been, for a long time that actually this is where our weakest link is, in that often we have wanted to make changes while wanting to remain the same".

Further to this, instead of changing and reconfiguring resources, some were altogether disposed of. One participant passionately expressed how their organisation reached a point of not knowing what to do and opted to discard of resources. This came in the form of retrenchments.

6.5.3 HAVE THESE ORGANISATIONAL CHANGES CONTRIBUTED TO ORGANISATIONAL COMPETITIVENESS? IS THE CHANGE SUSTAINABLE?

This interview question enabled participants to consider whether the organisational changes made contributed to the organisation becoming more competitive or not. Participants further explained the reasons behind their choices as well as elaborated on whether or not they believed the changes made were sustainable. Table 22 presents a summary of the constructs as provided by participants.

According to various scholars, in order to achieve inimitable and sustainable competitive advantage in a constantly changing environment, both resources and capabilities are to be developed in a complex yet sequential path dependent process thereby intertwining them into the firm's paradigm and difficult for the competitor to merely imitate or replicate without having to acquire the entire firm (Teece, et al., 1997; Ambrosini & Bowman, 2009; Pettus, 2013).

The views of participants were mixed with a marginal majority of participants from the non-traditional financial services providers expressing that they believed their firms were more competitive following the changes that were effected. One participant from a non-traditional FSP noted that for minimal changes in their primary business, they were able to reap the reward of entering a new industry altogether in financial services and subsequently gaining an advantage.

On the other hand, the other half comprised of traditional financial service providers, who believed that changes effected by their organisations had not necessarily contributed to them becoming more competitive in as much the organisational intent on gaining and sustaining a competitive advantage was clear. These negative views were attributed to the fact that once any change was made, it was easy for the competitor to replicate and thus not leading to any advantage competitively. This is best expressed in the following quote:

> *"…when we started the race we were ahead and then they [competitors] just caught up and overtook. So we might have got the first big stride in but the ability to follow through and keep up the lead, we've never".*

This view aligns with Ireland, et al., (2008) who propose that a sustained competitive advantage is never attainable due to the fact that even if firm's were to develop and manage their resources in ways that create competitive advantage, competitors would ultimately learn how to replicate the firm's value creating strategies thereby inferring that all competitive advantages have a limited shelf life and thus not sustainable.

6.5.4 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION 4

Evident on both the literature as well as the data collected is that the FSPs, regardless of classification type all acknowledged that they could not approach the low income market in the same manner as they approach all other markets. They recognised the need for change in terms of gearing their resources and capabilities such that they are relevant to the low income market. This stance is in support of Prahalad and Hart

(2002) who affirms that an entirely new perspective is required in creating and sustaining economic profits from this market and this will require creativity to engineer a market infrastructure out of an unorganised sector.

The biggest change made across FSP classification was the heightened focus on customer insights which Reynoso, et al. (2015) argues that in order to succeed in these markets, businesses need to adopt the approach of having a deep understanding of the consumers' psychology. The variations in the views of participants, is reflected in the contribution these resource and capability changes have made to organisational competitiveness with traditional FSP stating that the advantage is not sustainable to due competitor imitation, whilst non-traditional FSP believed they were more competitive and gained spill-over rents in addition to their core business.

6.6 DISCUSSION OF RESULTS FOR RESEARCH QUESTION 5

How do FSPs gain and sustain competitive advantage in low income markets?

Barney (1991: p102) articulates the possession of a sustained competitive advantage as an organisations ability to implement a *"value creating strategy not simultaneously being implemented by any current or potential competitors and when these other firms are unable to duplicate the benefits of this strategy"*. Wiggins and Ruefli (2002), add that sustained competitive advantage occurs when some forms of competitive advantage become difficult to imitate thereby leading to persistent economic performance.

This research question sought to firstly gain insights on the FSPs views on the optimisation of existing resources and capabilities versus the development of new resources and capabilities in the quest for sustainable competitive advantage within low income markets. Secondly, given a choice between owning and controlling resources and capabilities that are unique to the FSP or having the ability to reconfigure and change the organisations resources in response to changes in the environment, an outlook of the FSPs was sought in terms of the strategy to employ when seeking to gain sustained competitive advantage within low income markets.

6.6.1 VIEW ON OPTIMISING EXISTING RESOURCES AND CAPABILITIES vs DEVELOPING NEW RESOURCES AND CAPABILITIES?

Barrick et al. (2015: p114) describes the process of building new capabilities or altering existing ones as *"[the] bundling of resources… with the purpose of creating and maintaining value for customers and owners".*

This interview question thus sought to gain an understanding on the views of participants on the optimisation versus the development of new resources and capabilities for organisations. The question allowed participants to express their personal preferences as well as the choices they would make for their organisations. The results of this interview question are presented in Table 23.

6.6.1.1 Optimising of existing resources and capabilities

A majority of the participants with a frequency count of 6, mainly from the traditional FSPs, expressed their preferences for optimising existing resources and capabilities over the development of resources and capabilities. Participants expressed their views in wanting to optimise existing resources especially amidst the changing economic climate where gaining efficiencies was crucial for their business survival and seeking to extract more value from their current resources which demanded sizeable capital investments from the organisation. Firms need to continually invest in those resources that enable them to sustain a resource position barrier that no other firm in the market holds (Wernerfelt, 1984; Pearson, et al., 2015).

6.6.1.2 There is a place for both

It was however not surprising that some participants held the view that there is a place for both optimising existing resources and capabilities whilst developing new resources and capabilities. Most of the participants who held this view believed strongly that the two could not operate in isolation. One participated expressed that the existing resources provided a solid foundation on which to 'fall back' and became the defence however developing new resources would allow the FSP to become more agile and flexible in competing amidst the dynamic environment. This combination of both was expressed by another participant as follows:

> *"Yeah that's a good question. For us I think it definitely has to be both. We have to sort of optimize what we've got absolutely because there's a lot we can still do to be better in our kind of core product and sort of distribution model but at the same time we do need to also kind of pivot away and trying different*

> *things. So yeah, it's hard to really answer that question very clearly. I think it's definitely both".*

This combined view is supported by Wernerfelt (1984) who asserts that in order to achieve optimal growth, the firm needs to balance between the optimisation of existing resources and the development of new ones whilst Wernerfelt (1995) later cautions that because firms have different resource endowments, it takes time and money to alter these endowments.

6.6.2 WHAT DO YOU THINK GIVES YOU MORE OF A SUSTAINED COMPETITIVE ADVANTAGE

Between owning and controlling resources and capabilities that are unique to your organisation or the ability to reconfigure and change the organisations resources in response to changes in the environment?

This interview question provided an opportunity for the participants to reflect on which option gave the organisation a sustained competitive advantage between owning and controlling resources and the ability to reconfigure and change the organisations resources in response to changes in the environment. The views of participants were mixed with an almost equal split between a combination of both owning and reconfiguring as well as the ability to reconfigure and change the organisations resources in response to changes in the environment and are presented in Table 24.

6.6.2.1 Combination of both

According to Grant (1991), the differences between resources and capabilities are that *"while resources are the source of a firm's capabilities, capabilities are the main source of competitive advantage"* (p119). To this effect, Ireland, et al., (2008) suggests that resources have a greater likelihood of providing a firm with a competitive advantage when they are converted into a capability which is described as the capacity for a set of resources to carry out a task in a coordinated and integrated manner. Grant (1991) supports that in order for resources to produce productive activity, they cannot be activated in isolation but need to be coordinated and integrated into *"teams of resources"* (p119).

The data is in agreement with the theory as more than 50% of participants believed a combination of both owning and controlling resources as well as the ability to reconfigure and change the organisations resources was a healthy balance in attempts to gaining sustained competitive advantage. Participants recognised that the resources and capabilities that they own and control are important because they are what *"put them in the game"* whilst the ability to reconfigure and change the resources and capabilities in response to changes in the environment is what will *"keep them in the game"*.

6.6.2.2 The ability to reconfigure and change resources in response to changes in the environment

A number of participants equally stressed the ability to reconfigure and change the organisations resources in response to changes in the environment as key towards gaining a sustainable competitive advantage as they view their external environment to have the most influence and impact to their organisation and therefore the ability to constantly adjust to it is key. This thinking is supported by literature that advocates for the dynamic capabilities view of competitive advantage.

Research has proven that a firm's behaviour is impacted by the environment in which it operates (Qureshi, et al., 2017). In an environment that is fast-changing and characterised by hyper competition, competitive advantage is easily eroded with the entry of new competitors, imitation by existing competitors or substitute products in the category (Huang, et al., 2015; Hitt, Carnes & Xu, 2016).The constant changes in the environment which oftentimes are deemed to be threats, do however provide organisations with countless opportunities. Those organisations that will effectively leverage these opportunities are ones intent on differentiating themselves from the competition by creating competitive advantage through strengthening their adaptive capabilities or constantly innovating (Zapata-Cantu, Delgado & Gonzalez, 2015).

Bodea (2016) argues that companies that have proven to ascend rapidly have the capabilities to develop products and services as the market changes. There is therefore a need to adopt a more dynamic view of resources, one that accommodates the fluidity in the environment in which the firm operates such that it is in a better position to shape the ecosystems and ultimately gain and sustain competitive advantage (Ambrosini & Bowman, 2009; Wu, 2010).

Appelbaum, et al., (2017) propose that in order to remain competitive in an environment that is changing, there are demands placed on the organisation to be continuously reinventing itself in order to survive and maintain its market share. Teece, et al., (2016) however contend with the notion that firms should constantly and continuously be seeking agility as this is an expensive exercise that comes at the cost of efficiency and due to it not being a standardised solution, these costs vary according to the prevailing systems and structures.

6.6.3 CONCLUSIVE FINDINGS FOR RESEARCH QUESTION 5

The importance of existing resource optimisation was evident more so among the traditional FSPs than the non-traditional FSPs. This was attributed to the cost efficiencies sought amidst the tough economic climate as well as extracting as much value as possible from existing resources in order to justify the upfront investment made in them. However in acknowledging the dynamism of the environment in which the FSPs operate, some participants were of the view that in order to compete, a balance between the optimisation of existing resources and the development of new resources needed to be struck.

Similarly, participants had mixed views with regards to the owning and controlling of resources as opposed to reconfiguring and changing the organisational resources. Some participants opted for the combination of both whilst others merely for the reconfiguration of resources. It can therefore be inferred that both traditional and non-traditional FSPs view the reconfiguration and changing of organisational resources in response to changes in the environment as key component that contributes to an organisations sustained competitive advantage.

6.7 CONCLUSION

This chapter provided a discussion of the results in terms of the literature presented in chapter 2 in seeking to respond to research questions posed in chapter 3. A deeper understanding was obtained regarding competing in the low income market as well as financial service providers approach to that market. Insights were provided on the FSPs accelerators and decelerators of competitive advantage within the low income market with the resource-based view and dynamic capabilities theory demonstrating how they each contribute uniquely to the competitiveness of the organisation.

The next chapter will consolidate the results, highlighting the key findings of the research. Based on the findings, recommendations to stakeholders and managerial implications will be provided. Lastly the limitations of the research will be outlined together with suggestions made for future research.

CHAPTER 7: CONCLUSION

7.1 INTRODUCTION

The previous chapter provided an in-depth discussion of the results from the data as shown in Chapter 5 while seeking to answer the research questions presented in Chapter 3. These results were discussed alongside the literature review presented in Chapter 2 in order to highlight key insights that support the purpose of the study which is to demonstrate how the resource based view and the dynamics capabilities framework can contribute to organisational competitiveness when competing in low income markets.

This chapter reviews the objectives of the research objective from Chapter 1 in line with the main findings of the research. Based on the findings, a view for managerial implications will be provided together with recommendations for stakeholders. Lastly the limitations of the research will be outlined together with suggestions made for future research.

7.2 PRINCIPAL RESEARCH FINDINGS

The research seeks to synthesise and integrate the literature reviewed in earlier chapters with the findings and rich insights provided by participants and during the interview process in order to address the five research questions presented in Chapter 3. Although the research findings that are presented in Chapter 6, are consistent and in agreement with the existent literature, the study does contribute to the greater body of knowledge around the contribution made to organisational competitiveness by the combined use of the resource-based view as well as dynamic capabilities in low income markets.

7.2.1 ORGANISATIONS COMPETITIVE STRATEGY AND ITS UNDERSTANDING OF LOW INCOME MARKETS

The first contribution to the body of knowledge pertains to the relationship between an organisations competitive strategy and its understanding or lack thereof of the market it intends on competing in. It is evident from both the data and the literature that there is still a lot of uncertainty and general lack of knowledge and insights about this market. This lack of knowledge stems from the inconsistency in the formal definition of low income markets in both the data and the literature, although there are some common and shared views when describing this market such as the industry-specific naming convention among the industry players.

However, the research found that even though there is commonality in views, there appears to be a lot of untested assumptions made about the market which may potentially be ill-informed and yet these assumptions oftentimes inform the organisational strategy when competing in low income markets. Although there is agreement between the data and literature on the assumptions made, there is consensus in the need for businesses to operate differently within this market and not merely repurpose the models and strategies used in other market segments (Tashman & Marano, 2009; Dhanaraj & Khanna, 2011; Bharti, et al., 2014).

7.2.2 ACCELERATORS AND DECELERATORS OF SUSTAINABLE COMPETITIVE ADVANTAGE

The second contribution made by this study is the articulation and synthesis of the accelerators and decelerators of gaining sustainable competitive advantage for financial service providers competing in this market as well as a measure of success to identify competitive advantage within this market once attained.

Although the literature provides a generic all-encompassing definition of competitive advantage, evident in the data is the need for contextual relevance to the industry, the environment in which the firm competes and the market alike when defining and measuring competitive advantage. Thus in the low income market, due to the nature of the market, achieving inclusivity, accessibility, convenience and target market relevance determine whether a firm will succeed or not in gaining competitive advantage.

The data supports the literature in that both tangible and intangible resources alike have to be configured effectively as Grant (1991) purports that in order for resources to produce productive activity, they cannot be activated in isolation but need to be coordinated and integrated into *"teams of resources"* (p119). From the data, it can be inferred that there are specific accelerators of competitive advantage when competing in low income markets including, building relationships with customers in order to gain trust; using technology to provide market solutions that are specific and relevant to the target market; a concerted effort being made to strategically focus on the low income market by way of enhancing customer centric capabilities in order to develop bespoke solutions and not merely repurpose existing ones; investing in building equity for the brand in order to drive market preference and lastly sourcing and forming strategic partnerships in driving competitive advantage.

There are however also decelerators to financial services ability to gain competitive advantage within the low income market. The most prominent of these are a lack of understanding of the low income market as well as the constraints brought about by legacy infrastructures which restrict an organisations ability to be flexible in responding to market changes. The above mentioned accelerators and decelerators impact on a firm's ability to replicate, imitate or duplicate a competitor strategy as well as the speed and ease with which to do so.

7.2.3 OWNERSHIP AND CONTROL OF UNIQUE RESOURCES

The third contribution to the study relates to the ownership and control of unique resources in order to gain competitive advantage within low income markets. Based on the views of the participants, owning and controlling resources is important, however even more important is the ability to effectively and efficiently utilise those resources that the organisation is able to extract value from them. Although physical resources can assist in driving competitive advantage, according to Pearson, et al. (2015) they are not always a sustainable source of competitive advantage due to the ease in which they can be replicated, imitated and duplicated by competitors, whereas intangible resources are seen to be unique and difficult to replicate by competitors.

7.2.4 RECONFIGURATION OF RESOURCES AND CAPABILITIES

The fourth contribution to the study pertains to the reconfiguration of internal resources and capabilities in ensuring a sustainable competitive advantage in low income markets. Evident on both the literature as well as the data collected is that the FSPs, regardless of classification type all acknowledged that they could not approach the low income market in the same manner as they approach all other markets. They recognised the need for change in terms of gearing their resources and capabilities such that they are relevant to the low income market. This stance is in support of Prahalad and Hart (2002) who affirms that an entirely new perspective is required in creating and sustaining economic profits from this market and this will require creativity to engineer a market infrastructure out of an unorganised sector.

7.2.5 SUSTAINING COMPETITIVE ADVANTAGE

The last contribution made emphasises the importance of obtaining a balance in focusing on both optimising of existing resources and the development of new resources. Similarly, participants had mixed views with regards to the owning and controlling of resources as opposed to reconfiguring and changing the organisational resources given the dynamic environment. Some participants opted for the combination of both whilst others merely for the reconfiguration of resources. It can therefore be inferred that both traditional and non-traditional FSPs view the reconfiguration and changing of organisational resources in response to changes in the environment as key component that contributes to an organisations sustained competitive advantage.

7.3 THE MODEL FOR GAINING AND SUSTAINING COMPETITIVE ADVANTAGE IN LOW INCOME MARKETS

Based on the integration of emerging constructs as demonstrated in Chapter 5 and results of which were discussed in Chapter 6, all against the backdrop of the literature presented in Chapter 2, a model for gaining and sustaining competitive advantage in low income markets was developed and presented in Figure 8 below. The model demonstrates the key finding of the research which is how the combined use of the resource-based view and dynamic capabilities framework contribute to organisational competitiveness.

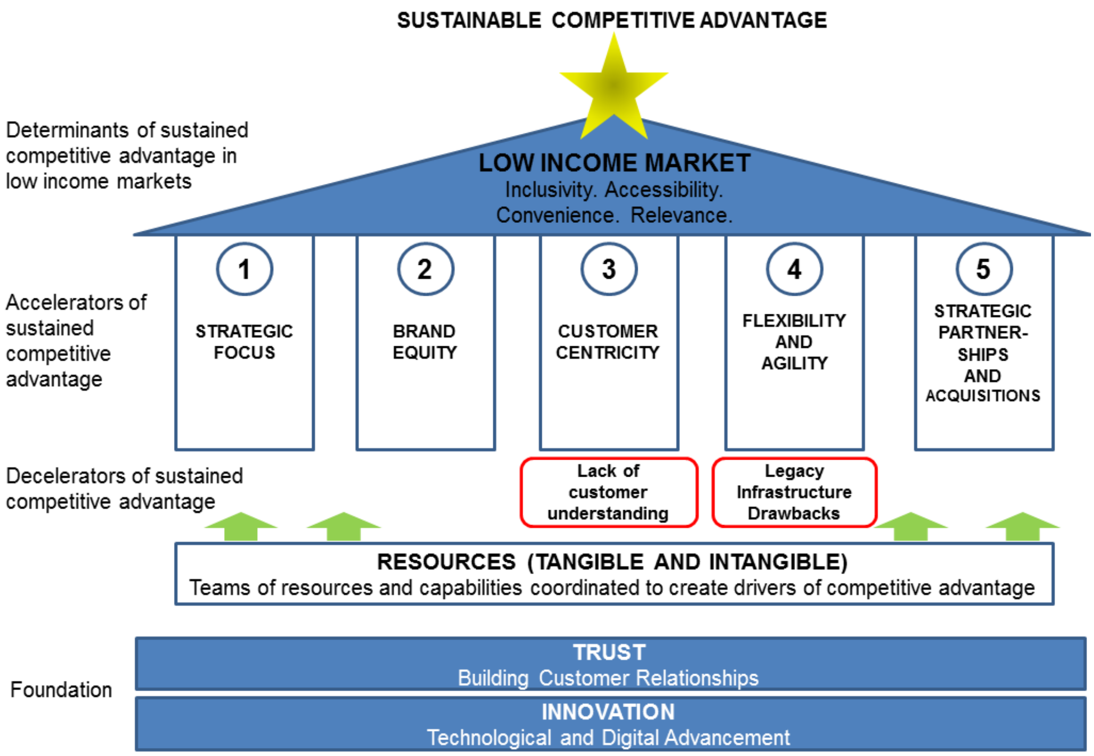
For organisation seeking to sustain competitive advantage in the low income market, the model demonstrates that the organisational intent must be grounded on two foundational principles the first of which is trust. Transactions within the bottom of the pyramid (BOP) market are governed by relationships founded on trust (Rivera-Santos & Rufín, 2010; Dhanaraj & Khanna, 2011; Bharti, et al., 2014), a key component in the building and sustaining of customer relationships (Spottke, Wulf, & Brenner, 2015). Innovation, punctuated by advancements in technology is also a foundational principle.

Following is the coordination of the organisations resources in order to drive competitive advantage. These resources may be owned and controlled by the firm and they may be reconfigured and adjusted to suit the changes in the environment. Grant (1991) purports that in order for resources to produce productive activity, they cannot be activated in isolation but need to be coordinated and integrated into *“teams of resources”* (p119). Furthermore, Ireland, et al., (2008) suggest that resources have a greater likelihood of providing a firm with a competitive advantage when these resources are converted into a capability which is described as the capacity for a set of resources to carry out a task in a coordinated and integrated manner.

From these coordinated resources and capabilities, the organisation is thus able to develop and nurture the accelerators to sustained competitive advantage whilst reduces and eliminating the negative effects of the decelerators of competitive advantage. Attaining competitive advantage within the low income market will be characterised by inclusivity, accessibility, convenience and relevance.

Figure 8: Model of gaining sustainable competitive advantage in low income markets

Source: Author's own construct



7.4 IMPLICATIONS AND RECOMMENDATIONS FOR MANAGERS

Alongside the proposed model, it is suggested that managers consider the below recommendations in their attempt to utilising the RBV and dynamic capabilities to gain sustainable competitive advantage within low income markets, using the principles of both the resource-based view and the dynamic capabilities framework:

- In order to effectively address the low income market, managers need to undertake further research that will produce empirical evidence that seeks to unearth deeper and more meaningful insights about the low income markets and eliminate the uncertainties and avoid incorrect assumptions. Reynoso, Valdés and Cabrera (2015) advise that in order to succeed in these markets, businesses need to adopt the approach of having a deep understanding of the consumers' psychology. Emphasising the need to seek clarity and common understanding, Lamberti (2013: p2) states that *"when a concept remains overly ambiguous, insufficiently identified, fluid, changing in time and lacking in clear boundaries, indeed, the literature cannot develop, and theories and literature streams are destined, at first, to a barren and fragmentary proliferation of viewpoints and, given the absence of widely accepted interpretation, to a gradual disappearance".*
- Managers should consider investing their efforts in the development of accelerators of sustained competitive advantage by way of utilising the existing resources and capabilities within their organisations whilst eliminating or reducing the decelerators and inhibitors of competitive advantage.
- Managers should seek to maintain the tangible resources that they own as a secondary driver of competitive advantage but focus on building and protecting, whilst solidifying their ownership of the intangible resources as the key enablers of sustainable competitive advantage within low income markets. Focus needs to also be on the optimisation of the resources and capabilities that they own and control in order to gain operational efficiencies.
- Managers should consider a change in mindset and recognise that the low income market cannot be approached with the same tools as any other market. There is therefore a need for organisations to adjust and reconfigure their resources and capabilities in line with the needs of the market.
- It would also be important for managers to recognise the need for striking a balance between owning and controlling of resources as well as reconfiguring and changing the organisational resources given the dynamic environment. Managers should utilise the strength of the resources they own and control by

way of sweating the resources that are unique to their organisation whilst reconfiguring and adapting the resources that are not unique as the environment changes.

7.5 LIMITATIONS OF THE RESEARCH

Qualitative research is subjective and can be affected by biases; hence the following limitations were identified in this research study:

- The study only focused on financial service companies located in Johannesburg, Gauteng province therefore the responses of the participants might have been affected by geographical bias.
- The study is limited to the financial services sector and may not be applicable across different sectors.
- Only a limited number of industries and companies were selected, therefore the results of this research study may not be representative of the whole population of companies providing financial services and competing within the low income market.
- For purposes of this research, “non-traditional” financial service providers excluded a key part of the South African financial services landscape that is comprised of ‘informal and unregulated’ financial service providers such as informal micro-lenders (loan sharks), stokvels, burial societies, peer lending and the like. This is therefore exclusionary of a significant portion of the low income market, thereby not providing a comprehensively representative sample of the market.
- Due to the limited amount of time available for the completion of the study, the methods employed for sample selection i.e. convenience and purposive sampling needed to be less time-consuming in order to meet the submission deadline. This however can imply an unintended bias towards sampling selection.

7.6 RECOMMENDATIONS FOR FUTURE RESEARCH

In light of the findings as well as the limitations of the research, the recommendations for future research are presented below:

a. Conducting of research to unearth deeper insights about the low income market to gain greater understanding of the market without a reliance on assumptions but rather empirical data. As Reynoso, et al. (2015) argues that in order to succeed in these markets, businesses need to adopt the approach of having a deep understanding of the consumers' psychology.
b. Specific in the above research is an evaluation of 'income' as the key metric used in identifying and segmenting this market. Perhaps there are other non-financial, more psychographic indicators that can be used in identifying this market given that participants admittedly referred to this way of identifying the market as being out-dated.
c. The scope of study should extend beyond the Gauteng province as the environmental changes impacting the low income market will be vastly different in other provinces to those experienced in Gauteng and thus challenges faced by financial services providers based in other parts of the country, may vastly differ.
d. Furthermore the scope of the study can be extended beyond the financial services sector into other industries that compete within low income markets
e. For purposes of this research, "non-traditional" financial service providers excluded a key part of the South African financial services landscape that is comprised of 'informal and unregulated' financial service providers such as informal micro-lenders (loan sharks), stokvels, burial societies, peer lending and the like. Future research can therefore focus on the 'informal and unregulated' aspect of financial service providers competing in low income markets

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APPENDICES

APPENDIX 1: INFORMED CONSENT LETTER

Dear Participant

Facing an increasingly dynamic competitive environment, decision makers within the financial services sector must explore various strategies in order to obtain a sustainable competitive advantage. As such, I am conducting research that seeks to firstly understand how companies that provide financial services to low income markets develop and sustain a competitive advantage and secondly ascertain what differences and / or similarities exist among traditional and non-traditional financial services providers in developing and sustaining a competitive advantage in low income markets.

Our interview is expected to last no more than an hour. Please note that the interview will be recorded, however your participation is voluntary and you can withdraw at any time without penalty. All data will be reported without identifiers and your anonymity is assured. Your contribution to this study will be valuable and is highly appreciated.

If you have any concerns, please feel free to contact me or my supervisor. Our details are provided below.

Respondent Signature Consent: ___________________ Date: _______________

Researcher: Nombulelo Mbha	Supervisor: Morris Mthombeni
buli.mbha@gmail.com	mthombenim@gibs.co.za
083 212 1767	011 771 4301
Signature _________________	Signature _________________

APPENDIX 2: RESEARCH INTERVIEW GUIDE

Interviewee Number: ☐ **Date:** **Place:** **Time:**

Financial Services Provider (FSP) Classification: Traditional ☐ Non-traditional ☐

"Traditional FSP" refers to commercial banks and insurance companies. "Non-traditional FSP" refers to formal and regulated, alternative financial services providers including telecommunication, retail and fintech companies.

Research Question: How do companies that provide financial services to low income markets develop and sustain a competitive advantage using resources and capabilities?

Low Income Market
1. How does your organisation define the low income market? 2. What assumptions do you make about this market? 3. Based on your organisational view, how big is this market (volume and value)? 4. Who are the market leaders?
Competitive Advantage within Low Income Markets
1. How does your organisation define and measure "sustainable competitive advantage"? 2. What internal / organisational factors would you attribute to the shifts in your market share? 3. What would you attribute to your organisations success or failure within this market? 4. How rapidly and easily have you and your competitors replicated each other's strategies in this market? 5. What would your organisation need to acquire or change in order to increase the rate of replicating a competitor strategy? 6. What competitive advantage do you think traditional and non-traditional FSPs have over each other?
Organisational Resources and Capabilities **The term "resources and capabilities" below is used to describe the following collective of descriptors:** **Resources, capabilities, competencies, organisational routines, practices and processes.**

1. What unique resources and capabilities do you own and control that give you a competitive advantage within low income markets?
2. Does the organisation fully optimise these resources or capabilities? If so how?

Responding to rapid changes in the environment

1. How has your organisation had to change in response to the changes in the environment specifically within the low income market?
2. In terms of the organisational change, what was the impact on your resources and capabilities e.g. were resources reconfigured, integrated, gained or disposed of or other?
3. Have these organisational changes contributed to you being more competitive? Is the change sustainable?

Parting shot

1. What is your organisations view on optimising existing resources and capabilities vs developing new resources and capabilities?
2. What do you think gives you more of a sustained competitive advantage and why:
   c. Owning and controlling resources and capabilities that are unique to your organisation **OR**
   d. The ability to reconfigure and change the organisations resources in response to changes in the environment?

Thank you for your time and assistance.

APPENDIX 3: ETHICAL CLEARANCE APPROVAL

Gordon Institute of Business Science
University of Pretoria

27July 2017

Nombulelo Mbha

Dear Nombulelo,

Please be advised that your application for Ethical Clearance has been approved.

You are therefore allowed to continue collecting your data.

We wish you everything of the best for the rest of the project.

Kind Regards

GIBS MBA Research Ethical Clearance Committee

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