African Journal of Hospitality, Tourism and Leisure, Volume 7 (2) - (2018) ISSN: 2223-814X

Deepening Sustainable Value Creation in Market-led Poverty Alleviation through a Demand and Supply Integration Framework: Significance to Tourism

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Abstract

There has been global interest in corporate-led poverty alleviation initiatives. However, failure to simultaneously achieve profitability and poverty alleviation threatens the sustainability of the initiatives. The idea is further exacerbated by business' continued use of traditional business practices which perpetuate the exclusion of poor people from markets. Based on literature review, this article presents a demand and supply integration conceptual framework attendant to both the demand-side and supply-side of the business as a sustainable business practice that can elevate the simultaneous pursuit of profit and poverty alleviation. The study concludes that sustainable business-led poverty alleviation is achievable when low-income customer perspectives are captured in the business solutions aimed at addressing the foundational causes of poverty. Attending to demand creation with corresponding supply capabilities in serving poor people places poverty alleviation as a core part of a sustainable corporate strategy capable of simultaneously reducing poverty while generating profits. While the presented conceptual framework is applicable to many industries, it can be impactful in labour intensive sectors like community tourism. Tourism has the power to use local tools and resources that can increase opportunities and agency for poor communities. Corporates will benefit from creating a source and market for their products.

Keywords: Market-led poverty alleviation, sustainable value creation, low-income market, bottom of the pyramid; corporate profitability, demand and supply integration; community tourism.

Introduction

Market-led poverty alleviation in poor communities is benign but prospects of business sustainability are in vain. Concomitant profitability and poverty eradication is a possibility yet elusive challenge in low-income markets (Subrahmanyan & Gomez-Arias, 2008; Davidson, 2009). This is exacerbated by Western business practices that perpetuate the alienation and marginalization of low-income people (Ahmed, 2013). These practices are irreconcilable to serve low-income markets (Khomba, 2015). In order to create sustainable value in this market segment, firms will have to deliberately take a radical paradigm shift from how they are engaging with the top-of-the market segment. A deepened active engagement with the poor would help corporates to understanding the lives of poor people and the demand-side of what they really need. At the same time corporates must engage frugal ways of handling the supply-side in such a way that makes it possible to deal with the very vulnerable people. The integration of the two should still achieve a satisfactory profit if operations are to be scaled up for greater impacts and sustainability. Customizing business practices and solutions to the needs and context of targeted customers is the key to success in all markets (Ansari, et al., 2012). Dealing with the poor calls for business practices bereft of the mainstream Western theories.

Poverty reduction is the solution to sustainable development. Societal importance of fighting poverty amongst the poor is apparent (Angeli & Jaiswal, 2015). The global low-income market is a gigantic 86% of the world population (Ansari, et al., 2012). It is extremely unsustainable and risky for a large proportion of the world population lives in miserable poverty in a world controlled by a disproportionately few rich (Viswanathan, et al., 2010). It is paramount that the private sector, as a key social actor, finds how it can deliberately contribute to poverty eradication and improving the living standards of the world's deprived population. Some radical authorities consider the problem of poverty a historical ethical challenge that requires political redress (Modiri, 2015; Konuk & Bayram, 2009).

Creating sustainable value requires a deeper understanding of the parameters surrounding the implications of corporate strategy on society (Russ, 2010, p. 16). That requires the integration of sustainability issues into the core strategy of the organization which has an impact on both the organization and the community (Dana & Christa, 2004). Creating such substantial corporate and social change requires radical transformation of underlying values and attitudes by all parties involved (Robinson, 2004). From the corporates, it demands sound judgement and forethought from decision makers in order to create mutual value. However, this is weighed down by the fact that the low-income market research area is still in a pre-paradigmatic state of development. Research is required to interrogate important literature gaps necessary to build robust business strategies that can simultaneously achieve profits and social welfare. As a formative research area, it also lacks guidance from performance evaluation frameworks that are fully encompassing of economic indicators and social performance measures as part of the core strategy. In developing sustainable corporate strategies, the importance of low-income customer perspectives in corporate performance management cannot be overemphasized. Poor performance in the market segment can be traced to failure to grasp poor customers' perspectives in the rush to capture the fortune at the bottom of the pyramid market (Simanis & Hart, 2008). Earlier attempts to establish business in low-income markets with affordable repackaged products in smaller units never quite hit the mark (Simanis & Hart, 2008). The business practices maintained an arm's-length selling oriented approach without embedding with local communities. The selling approach, though it may have an immediate sales incremental impact, is unsustainable in the long-term. Approaching poor people as consumers has been heavily criticized (Karnani, 2006; Gupta, 2013). Poverty is a multidimensional problem that can only be solved through comprehensive multipronged approaches not piecemeal strategies.

As business growth slows down in mature markets and rapidly pick in emerging markets (Rabino, 2015), firms concentrate on how they can adopt the poor as their customers who are now viewed as a new frontier market. Reflective management systems will be required as old approaches in different contexts are unlikely to produce desired results (Wilkes, et al., 2011). This challenges with it management approaches and performance management. Corporates who strive to remain competitive and profitable will exploit opportunities in these new uncontested markets (Jun, et al., 2013). The value in low-income markets can only be captured through inclusive business practices devoid of exploitative pure capitalism techniques. Devoid from earlier attempts to establish in low-income market, firms at the bottom of the pyramid have taken a major evolution to view the poor customers as potential business partners they can engage in co-creation of business solutions. These participatory approaches to engage the poor can build their confidence to believe in themselves as architects of their own destiny (Ansari, et al., 2012). These grassroots approaches to low-income market development can bring social advancement and empowerment (Pansera & Owen, 2014).

Viewed with the right business lenses, sustainability issues are a unique opportunity for business to contribute to the wellbeing of the world while driving corporate value. Pure capitalism is being challenged to be inclusive of the world's excluded population into its economic system, tend to the degradation of the environments and be receptive to the cultural diversity which oils the global economy (Hart & Milstein, 2003; Wilburn & Wilburn, 2014). Concerns by global leaders that emerging countries fast losing control of their destiny may drag global economic performance ratchet the quest to find sustainable business models.

To lead in this space, corporates should identify business approaches and practices that doubles sustainability and stockholder value creation simultaneously (Sesan, et al., 2013). Addressing sustainability issues is even more critical to operations at the bottom of the income pyramid (Cheung & Belden, 2013). This literature reviews aims to shade light on approaches that can increase the likelihood of attaining profits and society benefits.

In the following section sustainable value creation will be define. After that a conceptual framework on which corporates can intensify mutual value creation with poor communities is offered. This will be followed by a discussion of the business approaches that can be deepened in creating mutual value for the society and the business. Specifically, the business approaches are assessed in terms of how they align alleviate poverty to corporate profitability. The strategies are split into demand-side and supply-side approaches. Lastly, conclusions are drawn and areas of further research exposed.

Significance for Tourism

The tourism sector is one of the key sectors that have been identified as a sustainable tool to effectively alleviate poverty (Zhao & Ritchie, 2007). Indeed the tourism industry has shifted from being an elite service for modernization to a development tool that has attracted international interest from governments, development agencies and the private sector (Scheyvens, 2007). It is in line with this thinking that integrating the demand-side and supply-side of tourism, especially community tourism, would create sustainable value for poor communities. This study is critically important as it proposes how communities can be integrated to participate in the value chains of corporates. At the same time, it also shows how corporates can empower communities through improving their agency to take advantage of opportunities.

These initiatives have a redistribution effect that improve skills, development of local markets and strengthen entrepreneurship development (Zapata, et al., 2011). The participation of big corporates in pro-poor tourism has a net effect of improving local development and economics through the creation of jobs, businesses and local procurement (Scheyvens & Russell, 2012). Uninspiringly, efforts by private business to sustainably serve low-income communities are still producing poor results. This has not spared the tourism sector. Perhaps, adopting an integrated demand and supply, like the one proposed in this paper, would deepen the mutual attainment of profits and poverty alleviation.

Defining Sustainable Value Creation

Sustainable value creation is a business approach that balances the simultaneous generation of shareholder value, social and environment benefits (Ansari, et al., 2012; Sesan, et al., 2013). It is a core business strategy that addresses fundamental societal challenges by aligning the generation of profits and societal benefits. In this study sustainable value creation is defined in terms of achieving the double bottom line, that is profit and social benefits (Wilburn & Wilburn, 2014). Strategic alignment and fit has to be established to achieve these multiple goals (Henderson & Venkatraman, 1993). Sustainable value creation requires superior performance and profitability.

Corporates that view sustainable value creation from a moral or legal obligation only to legitimize their right to operate in poor markets are losing out. In fact, savvy leaders are looking beyond that horizon by using the sustainability lenses to search for business opportunities by incorporating sustainability perspectives into the corporate's core strategy (Dana & Christa, 2004; Espstein & Buhovac, 2010). They are devising frugal ways to lower costs and risks to levels that it becomes possible to deal with the poor (Hart & Milstein, 2003). Shifting business towards social responsibility creates long-term competitive advantages (Weinzimmer & Esken, 2016).

Conceptual Framework for Market-led Poverty Alleviation

Market-led poverty alleviation as a shared value approach to sustainability requires intimate integration and holism between business and community/market which requires transparent ground-up actionable objectives (Gross, 2015). Mutual value can be created when business, fully understanding the demand situation of the poor customers, devises matching supply-side initiatives. Mismatches in demand and supply have been observed to produce loopsided value creation. Infact many supply-driven services to the poor face serious challenges (Zeug, 2011).

In view of this, Esper, et al. (2010) proposed a demand and supply integration (DSI) framework that emphasizes superior customer value creation by prioritizing matched demand creation and supply capabilities as shown in figure 1 below. The DSI concept coordinates the firm's supply-side processes or activities that make demand fullfilment possible. It marries organizational strategy to what customers needs (Stank, et al., 2012). The DSI theory postulates that strategically managing the balance between demand creation and supply processes will simultaneously improve customer value and organizational performance.

Corporate strategic direction and action is based on the integration of operational functionalities and demand market intelligence. Such ground-up approaches can cut out wastefulness by integrating demand-focused and supply-focused processes in superior value creation.

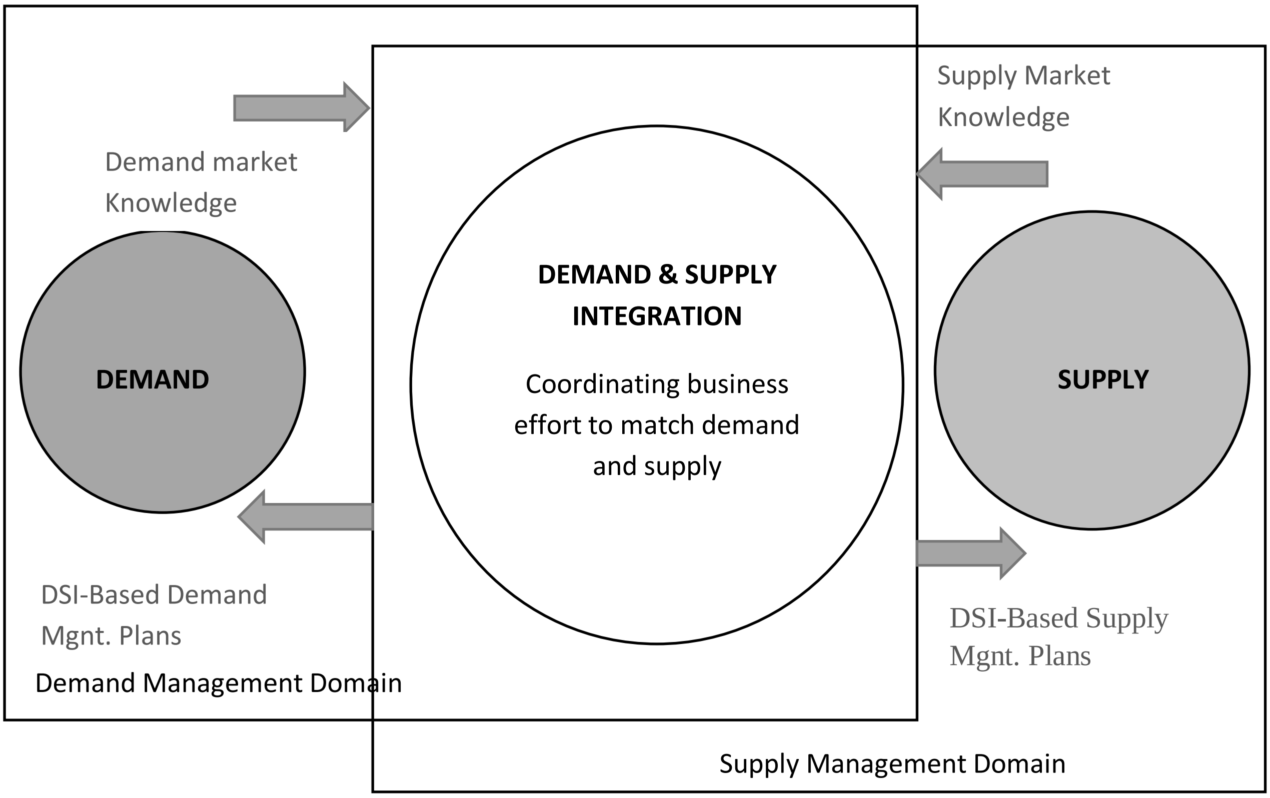

Figure 1: Demand and supply integration framework adopted from Esper, et al. (2010, p. 7)

With acute constraints in low-income markets firms cannot afford to lose resources through creating mismatches between what cusomers want and what they can provide to the market. Integrating these value creating processes can develop competencies for sustainability. The DSI framework is utilized in this manuscript to review demand-side and supply-side perpectives needed to create mutual value in low-income markets. The intention is not to build a universal design of sustainable value creation in market-led poverty alleviation in low-income markets because it will always vary from context to context. The text, however, attempts to build theory based on demand-supply perspectives for sustainable value creation widely discussed literature in the context of the bottom of the pyramid markets. The perspectives are discussed independently and combined in an integrated model. The next secttion analyses the demand-side perspectives.

Research Methodology

In order to comprehensively cover the objects of the research, extant literature from multiple disciplines was reviewed. The DSI conceptual framework was applied as it tries to match the demand and supply factors that are important for successful creation of mutual value for business and communities in low-income markets. Critical factors on the demand-side and supply-side were identified from extant literature sources. These factors were analysed and integrated to propose a framework that can be used to deepen market-led poverty alleviation and scale impacts while generating profits for firms. This research methodology was adopted as the research area is not well covered and combines literature from various sources. The area of poverty alleviation has been written from various schools of thought within the development and socio-cultural discourse. The applied research methodology is, therefore, suitable in sythesising and bring together the different aspects into the business literature. The study is therefore exploratory in nature. It remains generic but the approach can be applied to specific industries or case studies operating in low-income markets.

Demand-Side Perspectives

The poor are a unique market. They may aspire to have some products but they face several constraints to fully participate in the market. They lack knowledge, information, incomes, ability to pay, live in remote places and are often excluded from mainstream economic markets. They are generally non-consumers of several basic and non-basic goods and services. Firms that want to sustainably capture this market should deal with these demand-side challenges first before attempting to sell to poor people. Without efforts to improve the demand side through the creation employment, developing the poor's capabilities, creating income generating opportunities through entrepreneurship and increasing the poor's participation, efforts to build a market at the bottom of the pyramid will be futile (Amsden, 2010). Approaching the bottom of the pyramid people as consumers with the outdated selling approach will not yield results.

Demand Creation

There are no markets, so to speak, for the very poor (Kirchgeorg & Winn, 2006). They have to be created in order to create value. Demand creation is critical to the success of market-led poverty alleviation and the performance of operations in low-income markets (Springer, 2008). Poor customers have low capacity to pay hence long-term focused firms can create demand by capacitating the poor's effective demand through creating productive customers (Hahn, 2012). Businesses can try to achieve this through promoting income generating opportunities and building human capabilities amongst the poor (Thompson & MacMillan, 2010). The poor are endowed with indigenous knowledge or intellectual property as well as social capital that they are not profiting from (Shivarajan & Srinivasan, 2013; Linna, 2013). Business should continue to explore poverty alleviation approaches that make the poor profit from abundant resources that are at their disposal. They can promote the sale of products produced by people at the bottom of the pyramid either within the low-income segment or in higher segments such as the top of the pyramid (Subrahmanyan & Gomez-Arias, 2008). Academia and interested parties to poverty alleviation need to expose these obvious resources which may still be hidden from the poor. The poor could be incorporated into the value chains of business as suppliers of intellectual property of indigenous knowledge which they possess in abundance. Alternatively, the poor as low-end market entrepreneurs, can fuel innovation by utilizing their strong social capital from social relations and leveraging on collective resources to produce affordable products (Linna, 2013). To fully benefit, effort should be made to eliminate illiteracy so that the poor can participate in knowledge networks and gain the capabilities to combine resources available to them in value creation (Shivarajan & Srinivasan, 2013). These efforts increase the poor's chances to escape poverty while increasing chances for business sustainability. Market creation will not be achieved through transactional or arm's length relationships but though immersion and socialization with poor customers (Wilson & Wilson, 2006, p. 13). This in turn creates new market base, loyal customers with durable sources of profits while contributing to social wellbeing of the neediest.

Understanding Real needs of the Poor

Sustainable poverty alleviation will be attained through business models that address the lived needs of poor people. Some popular sustainable frameworks such as Hart & Milstein's (2003) sustainable value framework is too generic to bring congruency between business practices and the context of the poor. They identify key tenets of market creation, risk minimization and transparency in dealing with stakeholders but do not specifically look into the customer perspectives that can elevate the poor's wellbeing. Approaches that utilize the bottom-up approach in trying to research the needs and wants of the poor or even let them design solutions to their problems provides incombustible solutions (Sesan, 2012). Bottom-up research focus through activism or action research in low-income markets is encouraged for its richness in understanding the context of the poor (Mason, et al., 2013; Thompson & MacMillan, 2010; Anderson, et al., 2010). This transformative consumer-focused research directly concerned with the societal well-being is encouraged (Martin & Hill, 2012). Scholars and business practitioners are urged to step further from mere explanation or understanding of consumers but seek to influence positive consumer behaviours which improve their welfare (Crockett, et al., 2013; Gans, 2009). This can only be achieved if more is known about the poor. Research guided initiatives are likely to produce better outcomes than wishful solutions. The DSI as a framework emphasizes the importance of market information, intelligence and knowledge through researching and understanding the real market needs (Stank, et al., 2012; Esper, et al., 2010). Such a framework can lead to better value propositions in serving low-income customers whose needs are often misunderstood.

Increase Positive Social Outcomes and reduce Negative outcomes

Societies in low-income markets often times view the private sector with contempt. They view the sector as an agent of exclusionary practices rather than a partner in social welfare development (Werner, 2009). It is paramount that, while doing business with poor communities, companies should reduce negative consequences and enhance positive outcomes in order to create social value (Thompson & MacMillan, 2010). Systems that minimize negative externalities and promote positive social externalities are necessary to build fair and just value exchange platforms with the vulnerable poor (Santos, et al., 2015; Lacko, et al., 2002). For instance, corporates operating in low-income markets should promote technology transfer that systematically lower transaction costs to eliminate the poverty penalty and encourage consumption among poor consumers (Hahn & Gold, 2014). Business can massively contribute towards social advancement through the development of future local leaders (Hartley, 2009). To achieve this development feat cross-sector alliance of business, government and non-profits as co-creators should collaborate to exchange skills, knowledge and competencies in exterminating the world's biggest problem of poverty (Hartley, 2009; Mezue, et al., 2015; Penaloza & Mish, 2011; Rivera-Santos, et al., 2012; Hall, et al., 2014). Poverty as a multidimensional problem requires multiple actors who can cross-fertilize each other's ideas (Dahan, et al., 2010). Such alliances can increase potential investment returns while helping communities to find solutions to their challenges.

Employ local personnel to gain Indigenous knowledge and create employment

The treasures of low-income markets are usually shrouded or misconstrued as challenges such that multinational corporations fail to see these opportunities (Linna, 2013). In the quest for sustainable value creation in low-income markets, corporates are urged to make use of local managers with indigenous knowledge, cultures and social collateral instead of expatriates (Berger, et al., 2011). This approach achieve two important impacts, that is, the influence of local managers can act as a form of legitimizing international corporates when dealing with sensitive issues in poor communities and responsible leaders can impart life changing skills through full utilization and development of local managers (Angeli & Jaiswal, 2015; Anderson, et al., 2010).

The organization gains endogenous knowledge while local personnel accumulate life changing technical and managerial capabilities (Hall, et al., 2014). Conversely the imposition of foreign managers is unsustainable as it increases the chance of failure as they miss opportunities blanketed in unfamiliar local environments, economic systems and cultures (Hahn & Gold, 2014). Indigenous knowledge determines how value can be sustainably extracted and solutions are designed in poor markets (Dolan & Roll, 2013).

Expanding the Poor's Social Networks

Nations should establish sustained upward mobility of citizens to improve their social inclusion (Gans, 2011). However, the poor have been observed to perpetuate their exclusion through behaviours that keep them strongly connected among themselves and weakly connected to communities outside theirs (Shivarajan & Srinivasan, 2013). Social inclusion of the poor needs to be heightened. Multiple players in the community through partnerships can help the poor create numerous ties that can increase their influence, power and social capital. These ties can help break the chains of generational social exclusion while increasing the poor's participation in the mainstream economy. The engagement with outside economic actors can help the poor profit from indigenous knowledge as these connections transcend the poor's ideas beyond the confines of their geographically boundaries. These social networks can be magnified through the use of information technologies and the involvement of both for-profit and non-profits international organizations who can dramatically enhance the inclusion of the poor into global markets. Expanding social networks of the poor exposes them to various opportunities which may increase their agency potential so that they can take initiatives that can benefit them.

Focusing on Exploitation of Strengths of Strong Social Capital

The fight against poverty may seem insurmountable as glaring challenges in the bottom of the pyramid market are always intimidating. As a problem, poverty has always geometrically outgrown every effort to eliminate it (Amsden, 2010). However, instead of focusing on weaknesses, business could focus on capitalizing on the strengths of strong social capital in poor communities in order to enhance opportunities (Ansari, et al., 2012; Viswanathan, et al., 2010). Focusing on the exploitation of strengths of poor markets reduces the required investment to do business in these markets as business does not try to eliminate onerous weaknesses. Social capital built on good community rapport can create series of self-sustaining agency and value propagating networks (Ilahiane & Sherry, 2012). In addition strong social cohesion from established trust and respect can help communities resolve disputes, eliminate chances for opportunism behavior and avoid corruption (Ansari, et al., 2012). The Ubuntu values omnipresent in Africa, for example, can be capitalized to create collective value for the poor (Hoffmann & Metz, 2017). Exploiting Ubuntu values in market-led poverty alleviation can create progressive change for individuals and the community at large (McDonald, 2010).

Solving a Compelling Problem

The success of business in low-income markets depends on solving a compelling problem to the poor customers' needs. For example, Pitta, et al. (2008) suggest that the three pillar of access to finance, alliances and the right marketing mix can help establish sustainable businesses in poor markets. These pillars proffer solutions that address the real structural causes of the poor's exclusion (Gans, 2009). Therefore business risk management in poor markets can be improved through building strong brand loyalty by creating a deep vested alignment of community interest and business offering.

Community opinion leaders can be roped in for their influence (Simanis & Hart, 2008). Low-income initiatives founded on trust and shared commitment between corporates and community are likely to be sustainable than ones that are removed. In order to win the minds and souls of low-income customers, practitioners need to customize their offering to the unique needs and contexts of the poor community they target to serve. Social embeddedness and market commitment has been observed to lever firm profitable growth opportunities and poverty alleviation (Schuster & Holtbrugge, 2012).

Build Community Capabilities and Leadership

In pursuit of simultaneous profit and social welfare objectives, business should adapt community-centric approaches that embeds with the society (Ansari, et al., 2012). Community-focused business approaches build social capital that makes it easy for the involved corporate to develop community resilient capabilities. Apart from looking at poor people as consumer or producers, sustainable market-led approach to poverty should aim to skill up the capabilities and life skills of the poor most of whom are underdeveloped (Ansari, et al., 2012). The gained skills empowers them to take leadership roles in their communities and generate sustainable incomes from skilled employment. As corporates shoulder the responsibility of salvaging the hopes of people of minimal means through community-centric approaches they re-conceptualizes economic and social agency such that the major beneficiaries are the least advantaged (Hahn, 2009). The development of communities broaden the firm's market base and increase its competitive advantage. Community-driven approaches to poverty alleviation have been to be more effective as it deals directly with beneficiaries at the micro-level (Bado, 2012). It helps the poor gain social power and participate in mainstream socioeconomic activities (Moreno, et al., 2017).

Integration of the Poor into the Value Chain

Low-income markets should be sustainably integrated with global value chains for long-lasting value creation (Agnihotri, 2013). Such set-up can instill progressive intergenerational improvement in the quality of life while creating equal or better chances for existing or successive generations (Hahn, 2009).The sustainability of such endeavors is hinged on prior generations avoiding decisions that compromise the future of successive generations. This integration helps fight poverty while creating markets for the business.

Outsourcing from the Poor

The universal access to information technologies and development of skills within low-income markets has created opportunities for social impacts through outsourcing. There is a sizeable number of well-educated poor people in developing countries. Multinational corporations can outsource information technology workers, who are usually excluded from mainstream job in low-income communities. Outsourcing of jobs from poor countries will create sustainable employment which help them improve their incomes. Firms can benefit from minimized costs and improved margins (Heeks, 2013). Outsourcing of skills or produce from the poor can increase their human capabilities, propel their participation in global markets and elevate their inclusion.

Creating Entrepreneurship Opportunities

Many industries are failing to establish effective business operations in low-income markets. Creating micro-entrepreneurial opportunities in a business' value chain can help create markets at the same time capacitating the poor to lift themselves out of poverty. Successes have been registered in microfinance and telecommunication industries that reach and reap profits from low-income markets (Agnihotri, 2012; Foster & Heeks, 2013; Anderson, et al., 2010). The two industries are critical to low-income markets as they create opportunities for entrepreneurship. Chikweche (2013) opined that these industries are bound to grow in low-income markets because of their profound income raising effect to the informal economy where low-income people are major participants as consumers and entrepreneurs. Entrepreneurship is also touted as a possible solution to absolute poverty (Prahalad, 2004) as cited by Piacentini & Hamilton (2013). Corporates could develop poor communities by investing in operations that stir the entrepreneurial spirit among the poor (Sugawara, 2010). Business models that create opportunities through business partnerships with the poor are likely to mutually fight poverty while generating profit for the firms (Sugawara, 2012).

Supply-Side Perspectives

Firms can contribute to poverty reduction without sacrificing profits, but the more to be done to establish value based markets in poor communities. Supply-side perspectives should be based on a thorough understanding of the needs of the poor. It should be reflective of the context of the low-income markets and how the poor can easily access the service. Supply-side business configurations should be responsive to the demand-side limitations that would have been observed. Attempting to supply poor customers without adequately addressing what inhibits them from full participation will be detrimental to both parties.

Adapting Business Practices to the Poor's Context

Adopting the poor as customers require a total paradigm shift from parasitic western developed management practices to practices that create mutual value (Hart & Milstein, 2003). Sustainably serving low-income markets require the adoption of contemporary customer focused business practices that outperform traditional business approaches through growing markets and improve profitability. Firms should take serious steps to understand the real needs of poor people through ethnographic research approaches when they immerse in the poor community to learn the service gaps and how to design the solution for poor people's needs. The services provided to fill the identified gap should be value-adding and personalized in order to lock-on customers. When customers are lock-on, metrics like revenue per customer will go up over the length of the relationship. At the same time risks, customer retention and marketing expenses will decrease. Organizations should identify and utilize partners that have expertise and are knowledgeable about low-income markets so as to create complementarities (Subrahmanyan & Gomez-Arias, 2008). Ensure that there are gains or opportunities for all collaborative partners in the value chain ultimately working to create social as well as personal value for the targeted customers (Anderson, et al., 2010).

Differentiated Product versions

In adopting the low-income market concept firms need to discover innovative practices that increases their market share in mass markets through scaled down differentiated versions of their original products (Agnihotri, 2012). The versions are designed to meet the price sensitive segment but maintaining quality standards (Sesan, et al., 2013). The aim of this business approach is to create good markets that shape an inclusive social world (Mason, et al., 2013). Such poverty alleviation strategies that help increase the poor's incomes while firms profit from exploiting the untapped market has risen to prominence (Shivarajan & Srinivasan, 2013; Kolk, et al., 2013). To that end, corporates can play a crucial role in poverty reduction without sacrificing profits.

Leveraging on Technologies

The poor are fast adopting technologies such as mobile phones and social media. Creative and innovative firms can leverage on these technologies to make their services more affordable, accessible and available. Technological innovation in low-income markets can bring about options to profitably serve the poor (Berger & Nakata, 2013). Technologies are used as innovative platforms to reduce business operating costs so that they can offer lowered prices affordable to poor clients. At the same time technologies such as mobile phone technologies are reducing the cost of living, raising incomes of the poor resultantly improving their living standards (Agnihotri, 2012). The adoption of information technologies in low-income markets can empower poor people by increasing their access to global markets which they can leverage to explicate themselves from the yoke of poverty (Subrahmanyan & Gomez-Arias, 2008). Increased investment in technology can be a huge boost to the fight against poverty (Sesan, et al., 2013).

An Ecosystem of Partners

Poverty has been notoriously difficult to reduce such that it requires a higher degree of collaboration of multiple actors (Gunes, 2013). An ecosystem of multiple actors can devise various approaches that may decrement poverty. Partnerships such as private public partnerships or private sector partnership inclusive of the community are encouraged to provide pro-poor solutions (Bakker, 2007). Furthermore, partnership with the state in market-led poverty alleviation could contribute massively to poverty reduction through crafting and approval of policy frameworks with dynamic enablers of markets and market actors to include the underprivileged in their value chains (Varman, et al., 2012). Such frameworks to promote low-income alliances can lower risks and costs of doing business in poor markets while reducing the conflicting gap between poverty and economic objectives (Hahn & Gold, 2014; Jun, et al., 2013). The establishment of synergistic alliances help lever corporate performance and poverty elimination through embedded customer cooperation and contribution to product design and development (Hall, et al., 2014). Equally important firms should lever their existing resources and capabilities as well as those of their partners in order to lower the cost of establishing business in low-income markets (Seelos & Mair, 2007). Through partnerships, including private sector partnerships, business can overcome lack of resources by sharing complementary capabilities (Linna, 2013; Bakker, 2007). An ecosystem of partners working fr the common purpose of doing well while doing good will improve the socio-economic situation of the poor while creating a sustainable competitive edge for the firms involved (Sanchez & Ricart, 2010).

Moving Resources Allocation from Aid towards Poverty Market-led Alleviation

There is doubt that aid will deliver poverty eradication such that global leaders are channelling resources towards market-led poverty alleviation. There is a paradigm shift to poverty alleviation to which business is increasingly viewed as a key player (Jurin, et al., 2010). Business can apply better practices that solve poverty challenges because of its exposure to resources and skills (Sesan, et al., 2013). Charitable organizations are also turning away the traditional donor approach to incorporating sustainable business investment approaches to their contemporary investments (Sesan, 2012). For instance, they are injecting capital into microfinance and other microenterprises solving poverty problems through raising income levels of poor people (Hartley, 2009; Jun, et al., 2013). These enterprises are bringing people of minimal means to participate in formal economies and help them gain economic autonomy (Hartley, 2009). Chesbrough, et al. (2006) observed that businesses supported by non-governmental organizations are likely to provide commercially sustainable services. Businesses should position themselves to capture charitable resources that can lower the cost of capital and doing business in low-income markets.

Ethical Practices

Poor people are generally observed to be uneasy to try new things (Simanis, 2012). They remain non-consumers. Firms need to demonstrate genuine care and ethical practices that encourage the poor to adopt their services. While transacting with poor people, corporates need to increase the poor's representation or interests, work with them to develop solutions and show genuine care as the vulnerable segments look up to these institutions for protection of their rights (Santos, et al., 2015; Hahn, 2009). Studies corroborate that the poor are a better trustworthy clientele and have insignificant default risk than upper classes. Yet this positive behaviour seems not enough to encourage corporates to lower prices, interest and charges to the poor (Prahalad, 2005; Agnihotri, 2012). Business has to show genuine and outstanding social underpinnings of compassionate desire to serve the poor in order to gain their support.

Buffered Approach

Plunging investments directly into the low-income market might be too risky. Business need a way to cushion the risk of failure by starting from more profitable segments and then cascade into difficult segments. Foster & Heeks (2013) proposed a buffered approach to the unfamiliarity of low-income markets by penetrating into it through the top-of-the-pyramid and the middle-of the pyramid. This notion is also supported by Agnihotri (2012) who observed that some innovations in the bottom of the pyramid cascade well in the mass market of the middle class than in the income acute low-income. In that case, Anderson, et al. (2010) suggest that organizations should use distinct strategies targeting the different segments in order not to lose focus or straddle in the middle. Schwittay (2011) urges approaching the different market segments with tiered pricing strategies to achieve inclusivity (Subrahmanyan & Gomez-Arias, 2008). The practice is also corroborated by Mezue, et al. (2015). This diversfied approach helps to maintain low prices and sustain operations in the low-income segment through cross-subsidization (Tung & Bennett, 2014).

Standalone, Flexible and Decentralize Subsidiary Structure

Decisions about the structure of entering the low-income market are as important as the strategies. Creating standalone subsidiaries operating within the low-income market is advisable as they can adopt a responsive bottom up approach to solving poverty profitably than rigid and bureaucratic multinational corporations (Pitta, et al., 2008). The risk of failure can also be reduced by involving the poor as part of the team that design solutions for their market (Pitta, et al., 2008). These subsidiaries can create a lot of complementary information sharing communities across the globe such that lessons learnt from certain industries or parts of the world can be transported and transferred to inform other sectors. Organizations then take advantage of such intra and inter-organizational cross pollination of ideas (Anderson, et al., 2010). Organizing to serve the poor requires informality and flexibility which may not be achievable through centralized and commanded based organizational structures (Rabino, 2015). Creating standalone and nimble bottom of the pyramid outposts would provide a structure commensurate with the context of poor markets.

Patient Capital

Investments in low-income markets require still patient capital that nurtures the projects to scalable proportions (London, 2008). Results may not be instantaneous, they may be painfully slow and the gestation period may be punishingly long. The investment environment in low-income markets is more often than not turbulent. Minimizing risk in uncertain investments requires that firms minimize investment in fixed assets as well as reducing the required working capital (Simanis & Hart, 2008; Pfeiffer, et al., 2007). The low-income market firm may need to postpone any binding commitments such as revenue or profit share until they reach sustainability milestones. They will also have to maintain flexibility when building the business model to counter uncertainties posed by the market in terms of the ultimate model that will be sustainable (Simanis & Hart, 2008). Regular performance evaluation against set milestones for course control are required to avoid failing and help scaling up winning lessons. Scaling up low-income operations and scaling out into new geographies require propagation grounded on validated skills and lessons learnt from earlier successful investments. This ensures the reinforcement of organizational capabilities that attract capital and leverage the development of products for low-income markets (Simanis & Hart, 2008). Profits should be ploughed back and it is important to note that the potential for any meaningful dividends for both investors and the community requires a long-term investment perspective (Cremers & Pareek, 2016).

Cost Reduction

A win-win scenario where firms make a profit while improving poor people's living standards can be achieved through lowering cost structures (Agnihotri, 2013). The benefit can be expanded if the costs can be lowered for necessities or utilitarian products that serve the betterment of society. Costs can be reduced through streamlining operations, substituting expensive jobs or outsourcing functions. If such socially important services can be provided at affordable markets rates devoid of the poverty premium, the poor will be better off. To increase adoption and diffusion of services, firms need to develop products that adapt to the circumstances of the market served.

Changing Perceptions about the Poor

Traditional capitalistic stereotypes of perceiving the poor as irresponsible need to be changed if positive relationships are to be maintained between corporates and the poor communities. Perceiving low-income consumers as value-seeking customers changes how companies approach the low-income segment. The adoption of low-cost advanced technology products distributed through low-cost methods can increase the chance of adoption by the very poor of our society as it increases value to customers. There are greater chances of improving poor people's living standards through developing business models and products adaptable to their lived circumstances (Jun, et al., 2013).

Sustainability as a Core Strategy

The chance of success can be increased by embracing corporate social responsibility (CSR) into the business model targeting low-income consumers. The interests on buyer and sellers in the markets is naturally antagonistic. The tension created by such interaction especially with the less informed poor can be perceived as manipulative. Given such background, it therefore requires business entering low-income markets to build embedded good citizenship through CSR activities that address needs of affected stakeholders if the investment is to be successful (Davidson, 2009). When low-income market strategy is centred on CSR, it can increase the chance of profitability success as it legitimize the organization and create loyal customers who are cheaper to maintain and retain (Cheung & Belden, 2013).

Focused Business Research

There is wanton non-consumption of research on the needs of the poor. Research collaboration between academia, business practitioners and non-profit leaders should be encouraged in order to deepen engagement and understanding the needs of poor customers (GSMA, 2012). Such collective work can reveal subtle yet foundational success factors necessary for value creation in low-income markets (Cheung & Belden, 2013). Serving the poor requires a great deal of understanding their real needs. Research into these needs and aspirations will lead into the development of customized solutions for the poor. The research effort can capture the creativity of the poor by co-opting them into the development of solutions to their own problems. Equally important, researchers from emerging markets could be more innovative by deciding to take charge to providing endogenous solutions to their communities. Local researcher can expose, at a granular level, heterogeneous characteristics of low-income markets and social impacts of investments (Shivarajan & Srinivasan, 2013). Against these benefits, research interest and output in low-income markets is driven by western researchers who may misconstrue some of the behaviours of culturally different people. Local researchers should step-up efforts to unbundle low-income customers who are currently looked at as one lot.

Do-it-yourself and Bricolage Strategy

Sustainable approaches like do-it-yourself which significantly reduce the cost of a product can be promoted to the poor to encourage consumption. For instance in house construction, families can add rooms to the property at their own pace as and when the family grows or resources are available. Other exotic models that encourage consumption such as group access can be used in services such as microfinance (Subrahmanyan & Gomez-Arias, 2008). Similarly companies faced with resource scarcity can use the bricolage strategy to innovate on whatever is available. Sustainable development requires aggressive multi-dimensional innovation. Yet this capacity to innovate is limited in resource scarce low-income countries. Solutions imposed by developed countries have almost always missed the needs of beneficiaries. Even national, top-down innovation proved inappropriate to location-specific problems. On the contrary, bottom-up innovation are effective in providing solutions to problems in their communities. Against that background, there should be promotion of local-based innovation networks in order to address limitations to inclusive development. Research can be utilized to spread these insights for utilization by other communities across the globe (Sachin 2010). These poor communities in resource scarce countries can seize opportunities in their environments by utilizing the bricolage strategy to innovate on whatever resources are available to them. Poor communities are a source of low-cost financially viable business models. Resources constrained entrepreneurs can creatively mobilize resources that are commonly found within their environments to mitigate against the scarcity of resources while creating mutual value (Linna, 2013).

In the following section we integrate the demand and supply of the low income market and theoretical show how the matched capabilities create shared value for firms and customers. As will be demonstrated, a firm understanding of the circumstances of the typical poor as market agents would help corporates to craft the best supply-side approaches. The low-income market has potential if nurtured with the right theoretical frameworks and business patience. The DSI framework customized for the typical poor market segment can do great justice to reinforcing the eradication of poverty while making profit.

The DSI Framework for Sustainable Value Creation in Market-led Poverty Alleviation

The low-income market is very difficult to establish business hence it requires to be demand-driven to trigger supply. Firms are expected to create social value for customers while making a profit. The DSI framework is ideal for firm in this market segment as it helps them to devise strategies that are fixated at how such customer value can be created (Hilletofth, 2011). The framework helps to translate customer requirements into the business model which catalyses the creation of value (Rainbird, 2004). Low-income markets are a challenge, businesses that adopt this market require to apply the above discussed complex business approaches in delivering value to firms and customers. This requires tight integration of demand and supply functions as depicted in figure 2 below. The DSI framework has been customized for the low-income market segment whereby, DSI-based demand and supply market plans are applied in correspondence to knowledge about market demand and supply capabilities applicable to the market segment.

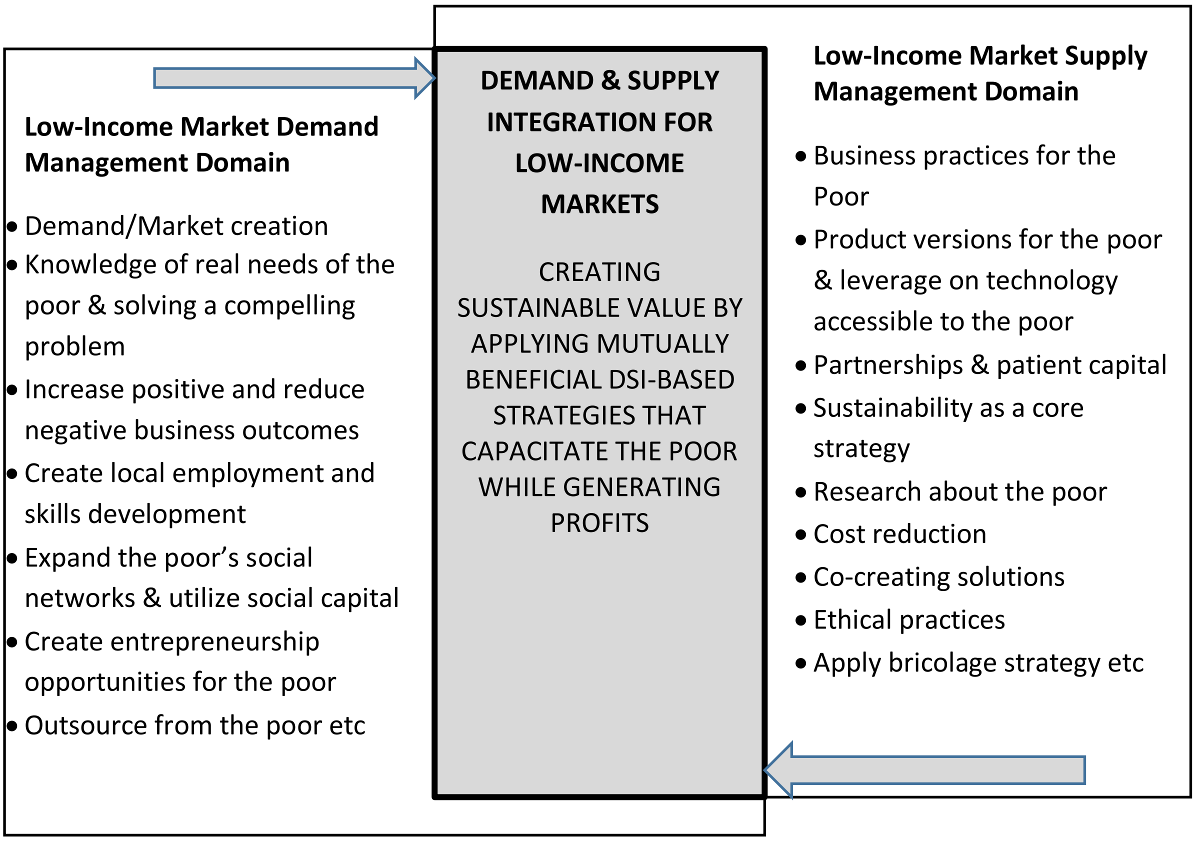

Figure 2: DSI Framework for the Low-income Market Segment (Own Observation)

A good understanding of the demand situation of the low-income market targeted is critical in order to devise responsive supply strategies (Piercy & Ellinger, 2015). The DSI framework improves firm performance and create customer value when demand-facing and supply-facing functions are balanced (Stolze, et al., 2015). By coordinating customer-focused activities with operational activities in order to fulfil demand, the DSI heightens the importance of the market orientation (Stank, et al., 2012). The framework emphasizes the importance of understanding the context and the real needs of the customers before responding with corporate strategies thereby ensuring that the right solutions are provided (Rainbird, 2004). Such a demand driven approach is more critical in constrained low-income markets where the creation of value for the firm and customers are inexplicably entangled to market knowledge about demand and supply. Thorough knowledge about the low-income markets is important for private firms to devise strategies that ameliorate poverty while creating profits. The existence of knowledge gaps either on the demand or supply side create serious inefficiencies in value creation (Dominic, 2013). The DSI ensures that there is a seamless end-to-end optimization of operations that consistently produce sustainable value for the poor customers and the firm. Rainbird (2004) noted that the DSI is dynamic and can be applied in different contexts and customized to different circumstances. A well-integrated DSI can improve competitive advantage and firm performance while weak demand-supply integration may result in suboptimal corporate performance (Piercy & Ellinger, 2015). The demand-supply relationship needs continuous optimization to sharpen from competitiveness and sustainable value creation (Dealtry, 2008).

Conclusion

Demand-side and supply-side integration is still a challenge for many organizations (Piercy & Ellinger, 2015). The theory has not been fully adopted in practice but it can be beneficial to sustainable value creation when serving poor customers. More than anything, the need for mutually reinforcing demand and supply activities is high in poor markets (Hult, 2011). Analysing low-income markets using the demand and supply integration theory provokes corporate leaders to initiate processes to thinking strategically about sustainable value creation when serving the poor. It drives organizations to have a holistic look at their demand-focused innovations and supply-based capabilities as a way of establishing competencies for serving poor customers (Dealtry, 2008). The DSI offers a theoretically sound framework to guide corporate leaders in market-led poverty alleviation initiatives. Low-income markets provide uncontested market opportunities with high growth rates than the sluggish mature markets which suffer from high competitive intensity (Kim & Mauborge, 1999; Hamel & Prahalad, 1991). Fierce competition in developed markets confines firms to compete on price and quality dimensions in shrinking markets (Seelos & Mair, 2007). Corporate leaders should envision of boundary spanning opportunities that do not exist yet in order to get out of the price-quality rat race. Low-income markets are frontiers with low hanging potential, not fruits, that can be seized if business can strike the right business strategies including price, quality, costs among other factors because of rampant under and non-consumption (Anderson & Markides, 2007; Pitta, et al., 2008). Business needs to take an embedded socialization that inculcate scrupulous business practices approach to positively change the behaviour of poor people by offering them products or services that demonstrate superior benefits to problems of fundamental importance to them (Berry, et al., 2006; Blocker, et al., 2013). The DSI model, because of its dual customer-focus and supply-focus, has the dynamism to help organization operating in low-income markets to simultaneously deliver anti-poverty goals and their profitability. Experimenting with this framework could help firms achieve the two, often divergent, objectives. The framework applies to all industries but can create greater leverage in pro-poor tourism. Applying the concept of bricolage, the tourism sector can create small local enterprises owned by low-income people that can be supported through value chain participation and preferential procurement from large-scale enterprises. This will result in transfer of skills, job creation and opportunities that local communities can use to escape poverty while big business benefit from creating source and markets for their products.

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