



# Disruptive innovation in low-income contexts: challenges and state-of-the-art national research in marketing

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## Abstract

The low-income market has become the focus of many companies since the economic growth of emerging countries has been highlighted nationally and internationally. Thus, the development of innovations for this segment has also become a central issue in academia and management. Literature on disruptive innovation presents assumptions that justify its analysis in light of the low-income market. Thus, this article analyzes the concept of disruptive innovation in this market. For this purpose, the article is divided into two parts: the first focuses on a theoretical review of disruptive innovation, whilst the second presents a review of national publications dealing with this concept. The national literature review shows that few studies have been concerned with addressing these concepts in Business Administration and Marketing, especially considering aspects of the low-income context.

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**Keywords:** Innovation; Disruptive innovation; Marketing; Low income

## Introduction

The need for business growth combined with global integration strategies reflects potential interest in low-income classes, known internationally as the bottom of the pyramid (BOP). In this sense, the Brazilian market presents many opportunities (Barki & Parente, 2010; Nogami, Vieira, & Medeiros, 2012). Moreover, due to the varied needs encountered in emerging markets, companies are expected to develop low-cost innovative solutions (Prahalad, 2012; Viswanathan, Jung, Venugopal, Minefee, & Jung, 2014). Thus, this article situates the low-income market and its nuances in the context of innovation.

The BOP market includes four billion people who have income, information, and infrastructure restrictions (Prahalad, 2005). These people are predominantly located in Asia, Africa,

and South America, although in North America and Europe there are also people in such conditions (Kaplinsky et al., 2009). Due to conflicting classifications and nomenclatures that satisfy different contexts (Nogami & Pacagnan, 2011), this article considers the BOP as this large contingent of four billion people around the world.

Innovations in low-income markets do not follow traditional formats (Govindarajan & Trimble, 2013). Cutting-edge technologies and the development of next-generation products require environmental conditions that are not disseminated to the entire population of countries considered as emerging (such as Brazil). In addition, low-income consumers are quite heterogeneous, even within a particular region. When extrapolating their characteristics in different countries, variability is even more pronounced (Hall, Matos, & Martin, 2014).

The BOP market presents different challenges for the development, dissemination, and adoption of innovation, since it has different constraints (Nakata & Weidner, 2012). One is a lack of income to purchase innovative solutions through products and services, considering that the most basic needs of food, housing, and health must be satisfied and practically comprise all household income (Silva, Parente, & Kato, 2009). Innovative

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products with high technology tend not to be a priority for low-income consumers (Viswanathan & Sridharan, 2012), except when the need for social recognition and status is highly valued by the individual. These exceptions are more often observed in the middle class.

In addition to having a low income, budget instability also jeopardizes financial planning. Often, people in this category do part-time jobs aside from their main job to supplement income. However, being unstable means that these jobs become a constraint to long-term planning and financial security (Parente, Limeira, & Barki, 2008).

Another constraint is a lack of information and knowledge. Restricted internet access and difficulty in reading more formal texts can limit consumer information (Abdelnour & Branzei, 2010; Viswanathan, 2016). Consequently, the low-income consumer is devoid of knowledge about technology (Hang, Chen, & Subramian, 2010). In many cases technology products require prior and advanced knowledge about their features and accessories. A lack of information and knowledge consequently generates a lack of confidence, which is essential for consumers when adopting innovations (Viswanathan, Shultz, & Sridharan, 2014). Thus, these constraints are assumptions that should be considered when addressing the issue of BOP innovation.

The particular concept of innovation addressed in this article is disruptive innovation (Christensen, 1997, 2013). Although it has not been developed with a focus on the BOP, disruptive innovation has characteristics and premises adherent to the environment found in the low-income market. Considering increasing interest in research on low incomes and innovation, as well as highlighting the importance of (re)establishing epistemological limits about the definitions of the themes (Brem & Wolfram, 2014; Nogami & Pacagnan, 2011), this article seeks to fill a theoretical gap about the uses of the disruptive innovation concept in the context of the BOP, particularly in national publications.

Thus, this article introduces the concept of disruptive innovation within a contextual logic that involves the low-income market. The study is divided into two main parts: The first is a theoretical review of disruptive innovation and its synergistic characteristics in the low-income market; the second is a bibliographic review of national publications on the studied themes.

## Disruptive innovation

Developed in 1997, the concept of disruptive innovation has as a central significance in answering why large companies that seek innovation in traditional markets suffer from market myopia and are overtaken by new entrants that launch new and innovative solutions – that is, disruptive technology (Christensen, 1997, 2013). Disruptive technology can exist in products as well as in services and business models (Markides, 2006). Despite having been developed in an area of high technology (Southwest United States), this concept shows similarities with the contextual conditions of the BOP, since it basically relates lower technology to less-demanding consumers (Christensen & Raynor, 2003). To

explain this phenomenon, the author separates the technologies into sustaining and disruptive.

Sustaining technology relates to radical or incremental improvements to established products that are valued by conventional consumers in main markets. Sustaining innovation entails progressive improvements, providing solutions to customers who require better performance (Christensen & Raynor, 2003). This innovation can be considered mainstream, and relates to the leading position of companies that are already at the top. A new company can hardly compete with large counterparts when using this type of innovation. For this reason, the concept of disruptive innovation is introduced (Christensen, 2013).

Disruptive technology is innovation in products, services, and business models that offer different solutions and alternatives to the market, and are mainly directed at non-traditional consumers. Disruptive innovation changes social practices and ways of living, working, and interacting (Christensen, 2001). In other words, it is not the technology itself that matters, but its use. These innovations are initially directed toward an audience that is different from that usually targeted by (“traditional”) sustaining innovations.

Disruptive innovation begins with meeting the needs of a less-demanding public and gradually gaining strength until it starts to meet the needs of more-demanding customers. It therefore becomes a threat to large companies that focus on sustaining innovations (Corsi & Di Minin, 2014). Disruptive innovation can be characterized as a new entrant in an existing market or as a driving force for the development of a new market (Markides, 2013).

Such innovation initially has lower performance compared to the main attributes of sustaining technologies. When technologies start to perform like sustaining technologies, they begin the disruption process, unsettling and threatening companies established in the market. Their main attributes include: being generally more convenient to use, having a lower prices, simplicity, reduced size, and being well positioned in the BOP market (Corsi & Di Minin, 2014; Yu & Hang, 2010).

It is assumed that disruptive innovations are primarily commercialized in emerging markets because their characteristics do not meet the expectation of traditional markets or upper-class customers (Baiyere, Haken, Westgeet, & Ratingen, 2011). Thus, Marketing should be more responsible for studying disruptive technologies than R&D areas. Identifying unmet needs and developing non-traditional solutions for customers are responsibilities assigned to Marketing. Disruptive innovation represents a solution to an unmet need.

Thus, sustaining innovation is directed to the top of the pyramid (TOP) and disruptive innovation is directed to the BOP (Rigby, Christensen, & Johnson, 2002; Ray & Ray, 2011). However, disruptive technology should be commercialized on a large scale to achieve profitability, like any other market that works with low profit margins. The essence of disruptive innovation is the ability to cause large companies established in developed markets to fail, which explains its name (Christensen, 1997; Corsi & Di Minin, 2014).

Fig. 1 maps the trajectory of disruptive innovation and sustaining innovation. Arrow A represents products, services, or

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