Marktgerechte Produkte für Indien

Erfolgsfaktoren und Herausforderungen

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Project “Global Innovation”

- Internationalization of R&D
- Frugal Innovations
- Bottom of the Pyramid
- Outsourcing/ Offshoring
- Outward FDI by Indian Firms
- Indo-German Economic Matters
Success in India means catering to aspirations

“This village is highly advanced! They are fully aware of our national progress. They want Marutis, cellular phones, colour TVs....!”

By: R.K. Laxman
But “over-engineered” products face trouble
What “frugal innovation” is not!

“It will be a problem demolishing it, sir. Why not just put a board ‘low cost housing complex’ and leave it?”

By: R.K. Laxman
New Micromax A75 – The affordable DUAL SIM ANDROID phone.

KNOW MORE
**Concept of “frugal Innovations”**

**Definition**

Frugal innovations seek to minimize the use of material and financial resources in the complete value chain with the objective of substantially reducing the cost of usage and/or ownership of a product while fulfilling or even exceeding pre-defined criteria of *acceptable* quality standards. (Based on: Tiwari and Herstatt, 2012a)

**Conceptual background**

![Diagram showing frugal innovations and related concepts such as disruptive, lean, and inclusive innovations.]

**Basic characteristics**

- Affordability for “non-consumers”
- High volume opportunities to compensate for “thin” margins
- Robustness to deal with infrastructure deficiencies
- Fault resistance to cope with unsophisticated users
- Low costs of usage, maintenance & repair

Source: Tiwari and Herstatt (2012)
Supporting preliminary studies

Summarized Findings from 5 Cases

Common Features

- Importance of an attractive value proposition
- Need for robustness
- Emphasis on user friendliness
- Need to reduce the overall cost of ownership
- Potential for volume-based business

Selected Implications for propositions

- Solutions for problems “rooted in the present”
- High price sensitivity of the targeted customers
- Often absence of legacy systems → “product vacuum”
- Local in-house R&D capabilities and access to cutting-edge knowledge at low cost (“open innovation”)
- Sophistication of solution not rooted in “the newest and most advanced technology” but in a “comfortable, robust, and affordable solution capable to uplift the standard of living to the next better level”
Core insights

- Frugal innovations go much beyond the mere “low cost” approach targeted at end-consumers. These target the “price-sensitive” customer including in B2B areas.
- Quality perceptions and image concerns (value proposition) play a key role in the acceptance of frugal products.
- The relevance of frugal products (economic developments, environmental concerns, and ethical issues) seems to increase the appeal of such products to industrialized nations, an under-researched topic so far.
“Consumption is the sole end and purpose of all production; and the interest of the producer ought to be attended to, only so far as it may be necessary for promoting that of the consumer.”

Adam Smith (1776)
Thank you for your attention!

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In own cause

- Setting up of a Center for Frugal Innovation to engage in:
  - Research
  - Education
  - Consulting

- Organization of a symposium on frugal innovation in Hamburg on 18\textsuperscript{th} of November
  - Actual business practices
  - Industry/academia collaboration

- A symposium on the India Challenge for “Hidden Champions” at India Week Hamburg (10\textsuperscript{th} Sept. 2013)