

# FRUGAL INNOVATIONS

## AN INNOVATION CONCEPT WESTERN FIRMS CANNOT IGNORE?

### OVERVIEW

The concept of “Frugal innovations” is getting relevant for academic research and firms. However, they are often associated with unserved customers living in the global south. As yet, little research has taken place to examine their eventual relevance in the developed economies of the West, even though there are some early but clear indicators of their usefulness and necessity in the context of the industrialized economies. This is also evident from the recent interest shown by the European Commission and the Federal German Government in examining the medium to long-run relevance of frugal innovations.

In this session, which should be of interest for practitioners and academics, we propose to discuss the relevance of Frugal Innovations for Western companies. We intend to deal with the question whether and to what extent firms can afford to ignore this concept without compromising their competitiveness abroad and at home in a significant manner.

### OBJECTIVES

In this session we seek to bring together academics and practitioners to discuss relevant issues to evaluate the medium to long-term potential of frugal innovations, especially from the perspective of Western firms. Incumbent Western firms are faced with a two-fold challenge:

1. The threat to lose market shares in the growing and unsaturated markets of emerging economies
2. The possibility of multinational companies from the emerging economies entering the Western markets with “good enough” products that offer a high cost-arbitrage

### BACKGROUND

“Frugal Innovation” is the term often used to refer to “products and services that seek to minimize the use of material and financial resources in the complete value chain with the objective of substantially reducing not just the price point but the complete cost of ownership/usage of a product while fulfilling or even exceeding pre-defined criteria of acceptable quality standards” (Tiwari and Herstatt, 2014). Thereby, companies can develop products that allow affordable excellence to the customer both in the Business-to-Consumer (B2C) and Business-to-Business (B2B) fields.

Frugal innovations, for which India has been identified as a lead market in some studies, have generally focused on unserved, price-sensitive customers in the developing nations. According to one study frugal innovations can reduce the price of products or services by up to 97% (Rao 2013), and therefore have a disruptive potential (Ramdorai and Herstatt 2015).

## QUESTIONS TO BE ADDRESSED

- What is the market potential of frugal innovations in the developing and the developed world?
- What is the level of importance that companies attach to the concept of Frugal Innovations?
- Is there a mismatch with the market potential?
- Are there differences in the innovation processes of frugal and non-frugal products? If yes, what are they and how do they affect the product's success?
- What are the critical success factors regarding the realization of frugal innovations in firms?
- Do companies from emerging markets enjoy a certain competitive advantage regarding the development of frugal innovations?
- If yes, why and to what extent?

## FORMAT

The session would begin with a round of introduction followed by a keynote from the session proposers presenting the state-of-the-art in the research of frugal innovations. The keynote will serve the purpose of creating a common understanding of the terminology and enable an overview of the current developments and shaping trends. This will create a platform to informally exchange ideas, experiences and opinions amongst the interested conference participants. Depending on the number of potential candidates we could also create focus groups that will deal with specific questions and generate impulses for all concerned.

## REFERENCES

Ramdorai, A. and C. Herstatt (2015): Frugal Innovation in Healthcare: How Targeting Low-Income Markets Leads to Disruptive Innovation, Heidelberg, Springer.

Rao, B. C. (2013). "How disruptive is frugal?" Technology in Society 35(1): 65-73.

Tiwari, R. and C. Herstatt (2014). Aiming Big with Small Cars: Emergence of a Lead Market in India. Heidelberg, Springer.

## SESSION LEADS

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