



## **INNOVATIVE BUSINESS MODELS: EMERGING MARKETS PERSPECTIVE**

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### **ABSTRACT**

*Innovative business models now a day's ensure competitive advantage, sustainability and growth. Marketing organizations need to have sound business models besides, being rich in resources, technology, and image for effective exploitation of emerging market economies. The current study is an Endeavour for exploring various innovative business models across different sectors of emerging markets. Also, implications, challenges and suggestions regarding innovative business models in emerging markets would form part of the given study as well.*

**KEYWORDS:** Innovative, Business, Models, Emerging, Markets.

### **INTRODUCTION**

Emerging markets being, in a state of transition from closed to open economies, witness humungous, investment opportunities from local marketers as well as foreign investors. Emerging markets offer vast growth opportunities for marketing organizations with nearly, 80 % of world's population and a share of 20% in global economies (Heakel, 2015). Availability of cheap raw materials, labour, tax holidays, less competition, drive marketing organizations to set up facilities across major sectors of emerging markets.

### **BUSINESS MODELS.**

Marketing organizations need to create innovative business models for operating in emerging markets. Several innovative business models that are operating in emerging markets are presented below:

**Araboh Dot Com:** Araboh.com is an online retailer of Arabic language books, CD'S and DVD'S for customers in Arab countries. Araboh.com focuses on sensitivities of Muslim culture and

ensures decent reading material for its clients. Araboh.com clientele include both developed and emerging markets customers with more customers in United States of America. However, business model for Middle East is what differentiates it from other online retailers. Araboh.com also have specialty of children focused literature apart from adult merchandise.

**Big Pipe:** Big Pipe is an 8125 mile undersea fiber optic cable project launched by Gulf Bridge International that will connect Middle East and India with Europe. The pipe has a carrying capacity of 20 times that of broadband technology currently serving Middle East with 10 terabits per second of speed. Gulf Bridge international will wholesale its transmission capacity to all telecom companies and internet service providers of the region. The cost of the project is \$ 445 million.

**Virgin Health Bank:** Virgin Health Bank venture in Qatar is operated by British conglomerate Virgin Airlines, Mobiles and Books. Virgin Health Bank QSTP-LLC collects processes, stores and supplies units of stem cells derived from umbilical cord blood donated by parents. Such cells are useful in treatment of leukemia, lymphoma, sickle cell anemia and beta thalasemia. The price for collecting, processing and storing stem blood units is \$ 3550. Out of 19 million stem cell cord blood units reserve in world, Qatar contributes only 45. Virgin Health Bank use religious leaders, education and awareness programmes for communicating and encouraging benefits of donating stem cord blood units (Harvard Business Review, 2011).

**M-PESA:** M-PESA is a low cost mobile money transfer developed by United Kingdom based Vodafone and operated by Safaricom, Kenyan leading mobile network. Consumers register themselves with an authorized M-PESA dealer, gas station, local shop, food market. Once registered, they can deposit, withdraw cash at the authorized agent and can transfer money electronically to any mobile user, even if the recipient is not a Safaricom subscriber. Consumers pay a fee of US 40 cents for person-person transfers, 33 cents for withdrawals under \$33, 1.3 cents for balance enquiries. Vodafone manages individual consumer accounts on its own server and Safaricom deposit its consumer's balances in pooled accounts in two regulated banks. Consumer base reached 9 million since, its launch in March 2007. Consumers transact business at 17,900 retail outlets with more than half in rural areas. More offerings like bill payment, business-customer payments such as paychecks, microfinance loan disbursements, humanitarian aid, and international money transfers were included in Safaricom services. M-PESA accounted for 9% of Safaricom's total revenue. Vodafone has launched similar services in Tanzania, South Africa, Afghanistan and planning to introduce in Egypt, Fiji, and Qatar (Eyring, et al., 2011).

**SunEdison:** SunEdison help commercial and industrial businesses to hedge against electricity tariffs by investing in their own solar park. SunEdison operated 18 MW Tirunelveli solar power plant in Tamil Nadu in February, 2014. SunEdison selected site, obtained permits, design and built the solar park. The businesses get benefit from Accelerated Depreciation Benefit (tax incentive) and India's Open Access Program (quota obligations). The Accelerated Depreciation Benefit allows businesses in India to receive 100% depreciation on solar assets in first year purchase. The Open Access Program allows developers to sell Renewable Energy Credits to large energy consumers with Renewable Purchase Obligations. The Tirunelveli Park has a capacity of 18 MWp which is split into 12 blocks @ 0.75 MWp and 9 blocks @ 1MWp. Investors can purchase these blocks separately. The AC- side of the park includes inverters, meters, transmission lines, compound walls, security, monitoring stations fully installed and operational. The DC-side is expanded piece by piece when investors sign up for a block. Till March 20, 2014 2.5 MWp have been commissioned. The whole park is managed by Renewable Operation Centre that provides asset management, monitoring and reporting services (Meier, 2014).

## **IMPLICATIONS.**

Exploring business opportunities in emerging economies offer mutual benefits for both marketers and emerging economies. Marketers would access cheap raw materials, labour; face less competition; earn high profits; tax exemptions. On the other hand, emerging economies would witness high employment rate, growth, development, high standard of living, increase in per capita of income, quality products, brand consciousness, consumer awareness, etc. Business models focusing on utility, telecommunication, and transport infrastructure would stimulate growth and investments in other sectors of economy leading to stable employment rate, price; savings, investments; capital accumulation, thus, progressive economy. Consumers would have access to quality products, services; better bargaining power; brand awareness, consciousness; better perception of value; more alternatives available etc. Employees would have more job opportunities; better living standard, work culture, bargaining power etc.

## **CHALLENGES.**

Emerging markets though, presenting green pastures for investors, industrialists, however, pose few challenges, while exploring opportunities. Infrastructure like electricity, telecommunication network, highways, railway lines, etc are either unreliable or work in progress in most of the markets. Distribution network issues like multiple agents in between manufacturer and customer create unnecessary delays, leading to customer dissatisfaction, disloyalty, and negative word of

mouth. Uncertainty, about customer perception of value whether in terms of quality or cost often create ambiguity while formulating marketing strategies regarding product concept, price. Government regulations regarding labour standards, environment, pricing, raw material access, etc, often lead to litigation, penalties, license cancellation. Also, government instability in most of the emerging markets poses a serious threat to the survival as well as sustainability of foreign marketers.

## **SUGGESTIONS.**

Marketers must design business models compatible with the existing business environment of an emerging economy. Business models conforming to the utility, transport, communication and distribution infrastructure should be approved and encouraged. Marketers must conduct surveys, observations, interviews about customer perception of value, behavior and preferences. Corporate legal luminaries must be consulted before venturing in to any emerging economy to have proper assessment about regulations, procedures, and norms. Democratic set up, government stability, governance, need to be investigated before making any strategic decision of operating in an emerging economy.

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