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Mohit Anand et Philippe Monin

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Résumé de l'article

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Innovation Processes in Emerging Markets: Empirical Evidence from the Indian Insurance Industry

MOHIT ANAND
FORE School of Management

PHILIPPE MONIN
EMLYON Business School

Résumé

Comment les organisations innovent-elles pour répondre aux enjeux des marchés émergents ? Sur la base d'une recherche qualitative à cas multiples, nous étudions quatre cas d'innovation dans l'industrie Indienne de l'assurance. Dans une première étape, nous identifions sept processus d'innovation : *démystification, 'technologisation', distribution de masse, 'commodification', assemblage, indigénisation* et *segmentation.* Dans une seconde étape, nous suggérons que ces sept processus d'innovation agissent comme réponses génériques à trois enjeux typiques des marchés émergents : le *management du sens et des valeurs*, *l'accessibilité* et le *caractère abordable* ('abordability') d'une offre. Nos résultats contribuent à mieux comprendre l'innovation dans les marchés émergents.

Mots clés : innovation, services, marchés emergents, base de la pyramide, assurance, Inde.

Abstract

How do organizations innovate to respond to emerging market issues? Building on a multiple-case research design, we study four cases of innovation in the Indian insurance industry. In the first stage of our analysis, we identify seven innovation processes: *Demystification, technologization, bundlization, indigenization, retailization, commoditization* and *segmentation.* In the second stage, we find that these seven processes serve as generic responses to three typical issues: *management of meanings and values*, *accessibility* and *affordability* that firms face in emerging markets. Our findings contribute to a better understanding of innovation processes in emerging markets.

Keywords: Innovation; Services; Emerging Markets; Bottom of the Pyramid; Insurance; India

Resumen

¿Cómo innovan las empresas para responder a los problemas propios de los mercados emergentes? A partir de una investigación basada en múltiples casos, estudiamos cuatro casos de innovación en la industria de servicios en India. En la primera etapa identificamos siete procesos de innovación: *desmistificación, tecnologización, combinación, inculturación, 'retailización', comoditización y segmentación*. En la segunda etapa, encontramos que estos siete procesos sirven como respuestas genéricas a tres problemas típicos: *la gestión de significados y valores, el acceso* y la *asequibilidad* que las empresas enfrentan en mercados emergentes. Nuestros hallazgos contribuyen a una mejor comprensión de la innovación en mercados emergentes.

Palabras claves: Innovación; Servicios; Mercados Emergentes; Base de la Pirámide; Seguros; India.

With developed world markets becoming increasingly mature and saturated, emerging markets (hereafter as EMs) such as Brazil, Russia, India, China, Indonesia, etc. have become key sources for innovation and growth (Cavusgil et al., 2013). Arnold and Quelch (1998: 9) noticed that multinational companies (hereafter as MNCs) have often erroneously adopted a 'less developed countries' mindset to address EMs, assuming that these EMs are at an early stage of the same development path as followed by advanced or developed countries' - this is often referred to as an 'imperialist mindset' in that MNCs must think and act like westerners (Prahalad and Lieberthal, 1998; Peng, 2001). Fortunately, many MNCs are progressively moving beyond the traditional view of the transnational model (Bartlett and Ghoshal, 1989) and are striving to invent new strategies to address the opportunities and challenges in emerging economies (London and Hart, 2004). Of late, researchers have urged the need to elucidate on the processes by which innovative business models emerge in EMs (George et al., 2012), and have emphasized the socio-political behavior of MNCs in EMs, i.e. the interactions between MNCs, state and society in EMs (Hadjikhani et al., 2012). Our paper engages in the ongoing debate about MNCs' global capabilities and local innovative strategies in EMs. Specifically, we wish to identify and analyze service innovation processes that MNCs develop in emerging markets, through joint ventures with local partners.

In the recent past, the literature on innovation was primarily concerned with innovations related to technological artefacts or, in other words, new products and we know much less about innovation processes that are inherent in the development of new services (Droege et al., 2009; Menor and Roth, 2007: 825). Moreover, much of the empirical research on service innovation to date has been conducted in developed countries (Droege et al., 2009). Yet EMs foster a different genre of innovations vis-à-vis matured markets (Khanna et al, 2005: 64). EMs often address large populations, a large proportion of which have low incomes. Moreover, they still have to cope with issues such as poor infrastructure, weak institutions, scarce technological skills and know-how etc. (Peng et al, 2008; Dawar and Chattopadhyay, 2002).

Our study adopts an exploratory and inductive research strategy (Yin, 2009; Eisenhardt, 1989). Based on primary and secondary data, we analyze four cases of service innovation in the Indian insurance industry that all aim at low-income groups - often referred to as the 'BoP' (bottom of the pyramid) market. Three of the four cases fall purely under the BoP and rural market category, whereas the remaining one - though targeting low-income customers - is also positioned for the middle income urban population that has some awareness and understanding of insurance. In the first stage of the analysis, we identified seven innovation processes, namely: Demystification, Technologization, Retailization, Commoditization, Bundlization, Indigenization and Segmentation. These processes were observed across several cases, and each process aimed at addressing some central issue or challenge in the market. In the second stage of our analysis, we clustered these seven innovation processes around three overarching issues: management of meanings and values, accessibility, and affordability.

Our contributions are twofold. First, we go beyond the few empirical observations - quantitative (i.e., Alam, 2007) and qualitative (i.e., Wooder and Baker, 2012) - that have particularly examined service innovation in EMs. Beyond dominant stage models of service innovation, we identify seven generic processes for new service development that are likely to be found – and used by managers - in many emerging countries. These innovation processes are generic because they are intimately tied to three broader issues that many if not all MNCs face in EMs: management of meanings and values, accessibility and affordability. Second, our perspective on innovation, that can be qualified as an *'emerging market-centric'* perspective, contributes to the on-going debate among international business scholars and practitioners on the dialectical global / local forces that shape MNCs' strategies.

Service innovation in emerging markets

Service innovation research. For decades, product innovation (also called research on New Product Development) has been leading the development of innovation research, and it was not until the mid 2000s that service innovation (also called research on New Service Development) emerged as an important research field in its own right (Miles, 2006), with important reports by consulting firms (IfM and IBM, 2007), reviews of existing works (DeJong and Vermeulen, 2003; Droege et al. 2009) or economic contributions (de Vriess, 2006; Drejer, 2004). In their article "Fundamentals of service science", Maglio and Spoher (2008: 18) wrote: *"service innovation is poorly understood (e.g. Gadrey and Gallouj, 2002). To remedy this, we and others have been cultivating service science, aiming to create the basis for systematic service innovation*". Most of the empirical studies to date have been conducted in developed countries and established stage-based models of service innovation, for instance in the U.S. financial industry (eight linear stages, Bowers, 1989) or among Australian service firms (10 stages, Alam and Perry, 2002).

Service innovation in emerging markets. What is true in developed markets is also true in emerging markets: with the exception of financial services, most empirical studies of innovations in EMs have examined product innovation. According to the World Resource Institute (2007), organizations (both multinationals and large national companies) have been innovative in meeting the needs of consumers and producers, especially in such sectors as housing, agriculture, consumer goods, and financial services. Examples include innovations that target customers at the low-income segment, for example 'Jaipur Foot' and 'Aravind Eye Care' solutions in India, and business models such as 'Casas Bahia' in Brazil or 'Cemex' in Mexico (Prahalad, 2004).

Not surprisingly, the few empirical studies on service innovation in developing countries have often adopted the same stage-based approach. For instance, using a quantitative approach, Alam (2007: 49-) compared how a ten-stage new service development model was implemented among financial service firms in the USA and in India, and found significant cross-national differences. Notably, firms emphasize different sets of developmental stages, and differences in the interaction between customers and front-line personnel are an explanatory factor. With a qualitative perspective, a recent special issue by the *Journal of Product Innovation Management* (29(1): 2012) examined the creation of new products and services for and with the Base of the Pyramid. For instance, Wooder and Baker (2012) examine the launch of a new mobile money transfer and payment service in Kenya, applying at the same time a stage-like life cycle model with five phases: value creation, value delivery, value capture, value defense and value sustainability. Aside theoretical contributions, more managerial contributions have also flourished, and in India have notably been published in the *ASCI* (Administrative Staff College of India) *Journal of Management* (see for instance Krishnan and Jha, 2011 on the influence of deregulation in India on service innovation in five leading Indian firms: Bajaj, Tata, Titan, Bioccon and Pantaloon). In short, all these empirical contributions have provided evidence that service innovation in EMs typically differs from service innovation in more developed markets. What is missing though is an overarching framework that would relate common service innovation processes to issues that are typical of emerging countries. Our intuition is that EMs share – up to a certain degree – several characteristics that should influence the way MNCs locally innovate in their provision of service.

Emerging markets and bottom of the pyramid (BoP). EMs can be defined as economies with high growth potential, but without the sophistication of the institutional framework seen in developed markets (Meyer and Tran, 2006). Although a source of potential growth, these markets also present a unique set of environmental features and challenges for firms from developed countries (Hoskisson et al, 2000; Baack and Boggs, 2008). First, EMs have large populations, a substantial proportion of which lives below the poverty line, currently defined as $2 USD/day (based on 2005 Purchasing Power Parity). It is estimated that 2.6 billion people or 47 per cent of the world population lives below the poverty line with almost all this percentage residing in the emerging and developing markets of Asia and Africa (World Bank, Development Indicators - Poverty Data, 2008). Therefore any research looking at characteristics of EMs inevitably includes a perspective on the low-income or the poorest of the poor segment of this market, often referred to as bottom or base of the pyramid (hereafter as BoP).

The concept of BoP was initially articulated by Prahalad and Hart (2002) and Prahalad and Hammond (2002). It refers to the 4 billion people at the bottom of the economic pyramid with an annual per capita income of less than $1,500 (PPP in US$), the minimum considered necessary to sustain a decent life (Prahalad and Hart, 2002: 3). Second, EMs often show a huge socio-economic divide across their urban and rural areas. The latter suffers from disparities on basic development parameters such as infrastructure, health, education, sanitation, financial inclusion, etc. Third, EMs are often embedded in specific ecosystems in which institutional voids (Mair et al. 2012) or institutional deficiencies often disrupt or impede formal connection between actors (Pitta et al., 2008; London et al., 2010). In short, EMs present an altogether different set of characteristics that should impact innovation processes.

Strategies in emerging markets. For more than a decade now, EMs have been called the new frontier in international business and strategy research (Ricart et al., 2004). MNCs (and also large national firms) had traditionally focused on serving the upper-middle class (top of the pyramid) and the emerging middle-class markets - often referred to as 'low hanging fruit', and ignored the vast majority of people considered too poor to be viable customers (De Soto, 2000). The central view was to market products that had proved useful in developed countries and many MNCs and large local firms that emulated their MNC competitors have suffered from a deeply-etched dominant logic that restricted their ability to see a vibrant market opportunity at the BoP.

Yet EMs call for a different genre of innovations vis-à-vis matured markets (Khanna et al., 2005), in order to bring the desired products and services to the un-served and under-served market segment. In *The Innovation Sandbox,* Prahalad (2006: 9) suggested that generating the capacity for low income customers to consume is based on four simple principles best described as the 'Four As': *Access, Awareness, Affordability and Availability.* Anderson and Billou (2007) and Anderson and Markides (2007) further interpreted this '4A approach' by developing a framework for strategic innovation that specifically addresses BoP and rural segments in EMs. And Vachani and Smith (2008: 53-) illustrated innovative distribution strategies in EMs to insure the 4th A, the one of Availability. That said, although the 4A approach – a largely managerial recipe - is widely accepted as a way of identifying key challenges in serving the poor effectively and profitably, the very processes by which the 4As are innovatively realized remain largely unexplored, especially in a nascent service industry such as microinsurance. In addition, successfully addressing the 4 As raises particularly tough challenges for MNCs, as only those that are grounded in the reality of their customers' lives will understand their priorities. Eventually, the lack of specific empirical research on service innovation processes by MNCs in EMs leads us to formulate our research question as follows: **How do organizations innovate to respond to emerging market issues?**

Context and research design

Research context: service innovation in micro-insurance. Banking and insurance are of special interest to service scholars. It is estimated that 2.5 billion adults, just over half of the world's adult population, do not use formal financial services to save or borrow (Chaia et al, 2009). In developing countries, between 50 and 80 percent of adults have inadequate access to financial services (World Bank, 2008), hence the need for innovative business models that can provide low cost and innovative financial services (savings, credit, insurance, etc.) with effective and novel means of accessibility, particularly in remote and rural areas. Not surprisingly, studies on microfinance have burgeoned and elaborated on the impact of microfinance on the poor. The ongoing debate revolves around the following two issues: does microfinance favorably impact the socio-economic condition of the poor (in terms of poverty reduction, income generation, human development and empowerment)? And are microfinance institutions sustainable in the long term and able to scale up and widen their outreach? (e.g. Hermes and Lensink, 2011; Roodman and Morduch, 2009). In sum, *"the phenomenon (of microfinance) is emerging, multifaceted, and engaging for management scholars who are prepared to roll up their sleeves, cross disciplinary boundaries, and move between levels of analysis"* (Khavul, 2010: 59)

Compared to (micro)-finance however, studies on (micro)-insurance are rather scant and often limited to industry reports. And in these studies, microinsurance is often and primarily accounted for as a by-product, i.e. as one among many offerings in a bouquet of micro financial services. *We strongly believe that the current insufficient understanding of microinsurance is a curse.* Remember that poverty is not just a state of deprivation; it is also about latent vulnerability, namely the impossibility to project oneself beyond the very short-term. Essentially, microinsurance is about providing greater economic and psychological security to the poor, i.e. reducing the potentially detrimental consequences of exposure to multiple risks and cushioning against the impact of disasters (NABARD, 2008).

Microinsurance typically refers to insurance products designed for low-income people. The word 'micro' represents the relatively small transaction size or low premium, a concept similar to microfinance with small ticket loans. Microinsurance differs from traditional insurance in many ways, such as the size of premiums, the coverage scope, the product features, distribution, policy administration and target customers. The global microinsurance market could cover up to 4 billion people living on less than $4 USD/day (based on 2005 PPP), which amounts to USD 40 billion in direct premiums (Swiss Re, 2010). For insurers, this translates into an opportunity to tap into new market segments and support the economic and insurance growth of EMs.

Microinsurance is still in its infancy. Several industry and research organizations are analyzing the scale, scope and impact of microinsurance through pilot projects. ILO-MIF (International Labour Organizations' Microinsurance Innovation Facility) has examined several ongoing pilot studies in EMs to generate knowledge to support microinsurance development. Thanks to innovation grants, several cases are prepared (termed 'learning journey') and key issues and challenges as well as innovative means of serving the insurance market are examined. For instance, ILO's cases include a migrant worker's personal accident and health insurance aiming at covering Chinese migrant workers and streamlining the procedure for non-local claims processing and settlement (ILO-MIF, 2010). Another pilot study examines a cattle insurance project using RFID (Radio Frequency Identification) technology in rural parts of India to monitor and reduce fraudulent claims. That innovation will ultimately benefit farmers as they will pay lower insurance premiums (ILO-MIF, 2011).

Besides the typically low income of customers in EMs, two other dimensions contrast emerging and developed markets as regards to microinsurance: low awareness towards financial products and poor accessibility particularly in the rural areas. Several initiatives to innovatively reach and service the poor with financial offerings, especially with the development of mobile telephony and card-based technologies for remittance transfers and payments have been reported, such as 'M-PESA' mobile payments in Kenya (Mas and Radcliffe, 2011), 'WIZZIT' in South Africa and 'No Borders' in Ecuador, El Salvador and Mexico (Mendoza and Thelen, 2008).

Research design. Given the relatively unexplored nature of the phenomenon under study, we adopted an exploratory and inductive research strategy (Eisenhardt, 1989; Yin, 2009). Qualitative research, rather than traditional quantitative empirical tools, is particularly useful for exploring implicit assumptions and examining new relationships, abstract concepts, and operational definitions (Weick, 1996). An exploratory methodology has been recognized as being particularly useful for researchers interested in examining strategies in emerging economies (studies by scholars such as Hoskisson et al., 2000; Prahalad 2004, London and Hart, 2004; Sanchez and Ricart, 2010; London et al, 2010 are testimony of this). In addition, qualitative research has provided some critical insight into innovation (Galunic and Eisenhardt, 2001).

Below, we report on a sample of four cases that we used to uncover the innovation processes that insurance players literally invented to address the Indian insurance market. These cases of innovation in the Indian insurance industry post-liberalization in early 2000 were not selected randomly, but based on the adoption of the three following criteria: (1) the cases had to offer truly *novel and hitherto non-existent* innovations in the Indian insurance industry; (2) the cases had to *highlight different facets of service innovation* (product, marketing, distribution, delivery, etc.); and (3) *multiple and reliable sources of data* should be available.

Case studies are rich empirical descriptions of particular instances of a phenomenon that are typically based on a variety of data sources (Yin, 2009). In our case the data was collected from both primary and secondary sources. Personal interviews ranged from senior and middle management at their head and regional offices respectively, to field and sales staff at local offices as well as existing and prospective customers, cooperative officers, self-help groups (hereafter as SHGs), and rural entrepreneurs whom we met during field visits. We interviewed 48 participants across 10 cities and villages (spanning 6 Indian states and a union territory).

Other sources of data include direct observations through field trips, internal documents of the companies related to innovation (such as survey reports, learning diary, findings from pilot study, consultant presentations, etc.) sourced from and accessed with due permission of the companies, physical evidence (e.g. insurance product brochures, proposal forms, specimen copies of policies, marketing posters, premium payment coupons, etc.). Secondary data also include archival records, write-ups on the innovations from the public domain, complementary information from the insurance regulatory authority, etc. There is no such thing as an ideal number of cases to conduct an exploratory qualitative research. Having in mind both the required diversity of innovation cases and the manageability of the data, we selected 4 case studies. The identification and selection of cases started in early 2009 and ended by mid 2011. On average each case took around 7-8 months from initial contact with the company official to completing the data collection.

Research setting: the deregulated Indian insurance industry. The insurance industry in India was liberalized in 2000 with the enactment of a Parliament of India act called the *IRDA Act, 1999*. The *Insurance Regulatory and Development Authority* (IRDA) is an autonomous statutory body that protects the interests of holders of insurance policies and regulates, promotes and ensures orderly growth of the insurance industry. The *IRDA Act 1999* allowed private local and foreign players to enter the insurance sector with up to a maximum foreign equity of 26 per cent in a private insurance company that has operations in India.

Since then, the Indian insurance sector has witnessed a tremendous transformation: the number of players in the sector has increased from 6 in 1999 (all public players with one monopolistic player in life-insurance and 5 players in non-life insurance) to 48 in 2011. Out of the 42 new entrants, 37 are international joint ventures (IJVs) between foreign multinational insurance companies and local players diversifying in the insurance sector. In our study, we explicitly examined innovations brought by IJVs. The insurance market grew at a robust CAGR (Compound Annual Growth Rate) of 27.1% during 2001-2008 (Ernst & Young, 2009), proof of the massive potential of this industry to grow even further. And the premium volume grew from USD 8.4 billion in 1999 to USD 78.3 billion in 2009 (Swiss Re, 2011). The entry of new players increased competition and triggered the introduction of several novel and unique products and services for the industry hitherto non-existent prior to liberalization of the industry.

The deregulated Indian insurance industry provides an ideal quasi-experimental setting to examine MNCs' innovations while entering an EM, as the characteristics of the Indian insurance industry are very similar to many other EMs. Four of them are noteworthy. (1) People's *awareness regarding insurance was very low*, primarily due to high illiteracy rates coupled with minimal marketing campaigns by the seven public sector players before 2000. For those who were aware, the perception of insurance coverage was quite negative because of certain cultural and religious factors (such as a belief in destiny or karma) as well as the optimistic risk-taking approach that the Indian society broadly retains. For this reason, Indian customers prefer to buy traditional financial investments such as equity stocks, mutual funds, bank deposits, or other attractive savings-linked products. Those who bought insurance did it merely as a tax saving option (e.g. Unit Linked Insurance Plans (ULIPs) by ICICI Prudential, health insurance, etc.) or as a compulsory obligation (e.g. vehicle for third-party liability cover, travel insurance). (2) *The distribution channels and processes were particularly ineffective and limited*: marketing, selling and servicing insurance to customers restricted the market mainly to urban areas. Coupled with bureaucratic and complicated procedures to buy insurance and delays in claim settlements, it further fueled negativism and mistrust towards insurance[1]. (3) Moreover, the *low demand* for insurance was aggravated by the low income levels of the vast majority of the Indian population that cannot afford the standard high premium insurance plans. (4) Finally, in the *absence of customized insurance plans* catering to different market segments (e.g. BoP, rural, agriculture, health, etc.), existing products were considered rigid, expensive and unsuitable.

Service innovation processes in the Indian insurance industry

Our paper finally focuses on four cases of service innovation in the Indian insurance industry (see Table 1 below), namely: *Mallassurance* (life and non-life insurance products), *Max Vijay* (savings-linked life insurance), *Sarve Shakti Suraksha* (group life insurance for dairy cooperatives) and *Grameen Shakti* (life insurance product with refund of premium).

The objective was to analyze *how* the players innovated and *what* issues they responded to while innovating. In the first stage of our analysis, we delved into our extremely rich material and listed many innovation tactics. It took us months to cluster and merge together these tactics and eventually identify seven families of innovation processes: *Demystification, Technologization, Retailization, Commoditization, Bundlization, Indigenization* and *Segmentation*. Table 2 below provides definitions for seven innovation processes and lists the ones that were found in each case. Below we present the findings for each innovation process.

Demystification. Demystification can be defined as a process of '*reducing or eliminating complexities and vagueness attached to insurance*'. Information and simplification, notably, contributes to demystification. Information contributes to the education of prospective customers about the general concept of insurance (what is insurance? why is it needed? how does it work? What are the benefits and value?).

This is largely done by organizing insurance seminars and workshops and engaging in group discussions with the view to ward off any apprehensions, queries or misconceptions about insurance and its processes. Providing information about insurance helps to 'un-complicate' things and reduces 'mysticism', vagueness and negativism often attached with insurance. Through such lectures and awareness campaigns, the players aim at instilling trust and faith in insurance (and the company), which at the starting point is often low, if not missing among prospective customers. Examples include organizing lectures or seminars for self-help groups (SHGs), microfinance firms (MFIs), rural banks (Grameen Shakti) and dairy cooperatives (SSS).

Simplification includes the definition of what is and what is not covered under the policy. It also relates to the reduction of complicated insurance procedures, notably the collection of the documentation related to underwriting, claim settlement, policy renewal or cancellation, etc. One-page proposal forms (Max Vijay, SSS, Grameen Shakti), on-the-spot enrolment and issuance of welcome letter (Mallassurance, SSS), or absence of medical or age proofs required at the time of enrolment (Max Vijay, SSS) are examples of such simplifications.

1. The distribution dimension is of special interest to service innovation in EMs and especially in the microinsurance industry. In the marketing literature, distribution is conceived as the provision of availability. This literature assumes a developed world marketplace of intense competition and a highly developed communications and distribution infrastructure. The developing world, particularly its rural markets, is almost entirely ignored. Swiss Re's Sigma report (2010) identifies distribution models, infrastructure availability and institutional support among the critical challenges faced by microinsurance practitioners. Identification, availability and support of appropriate intermediaries remain major concerns for risk carriers as existing distribution channels tend to be weak. Market access (ineffective delivery and distribution channels) is one of the key challenges of operating in EMs, and this problem is further amplified when a sizeable, poor population is scattered over a large land mass (such as in China, India or Brazil) in rural and remote areas.

TABLE 1

Strategic issues in the industry and innovations

Insurance	MALLASSURANCE	MAX VIJAY	SSS	GRAMEEN SHAKTI
Insurance company (IJV) Partners	Future Generali Insurance Future Group (India) Generali Azzucurani (Italy)	Max New York Life Insurance Max (India) New York Life LLC (US)	Bajaj Allianz Life Insurance Bajaj Finserv (India) Allianz SE (Germany)	SBI Life Insurance State Bank of India BNP Paribas (France)
Kind of innovation	Marketing and distribution	Delivery and distribution	Product and delivery	Product and delivery
Strategic issues in the industry	Approaching customers who might be hesitant or reluctant to buy insurance or approach an insurance company in a cost-effective way	Providing a simple and low cost insurance product to millions of economically weaker sections of society with an effective, credible and convenient distribution channel	Designing a customized, low cost and simple insurance product to be sold through an effective delivery channel enabling the insurance to reach millions in the rural population	Designing a product that evokes the benefits of insurance for millions of low income rural customers, with effective sales and distribution points to serve them
Case details	Mallassurance provides a new way of marketing and selling simple and low cost insurance products, selling it over the counter to people frequenting shopping malls. Along with the use of automated insurance kiosks, sales in the mall provide instant policy information and issuance.	Max Vijay is an affordable and flexible life insurance-cum-savings product with premium payments adopting a 'pay as and when you can' approach. Sold at unconventional distribution channels like local grocery stores, it leverages on Hand-Held Terminals and mobile telephony for instant premium transactions and other services.	This flexible and simple life microinsurance-cum-savings product is being sold as a group policy to members of Dairy Cooperatives and Federations. The generic group policy can be customized by each union with regard to risk coverage, premiums and payment terms, as well as benefits and conditions.	Grameen Shakti is a group life insurance plan with a 'refund of premium' benefit at the maturity of the policy if there is no claim. It provides low cost lifetime coverage to groups of economically weaker sections of society and is sold through regional rural banks, cooperatives, microfinance firms (MFIs), SHGs, NGOs, etc.

TABLE 2

Innovation Processes by case

Insurance	MALLASSURANCE	MAX VIJAY	SSS	GRAMEEN SHAKTI
DEMYSTIFICATION Reducing or eliminating complexities and vagueness attached to insurance	Use of malls and insurance kiosks to sell simple insurance products as tasters, often with promotion saying that buying insurance is as easy as buying onions. It indicates that the insurance process is fast, simple and easy for customer.	Minimal documentation process: one page proposal form. Novel use of DVD box. Premium payment through mobile and HHTs generates instant premium receipts and provides transparency to customer, thus minimizing insurance-related hassles.	Product plan and features are kept simple and easy to understand. One page form is all it takes to sign up. Moreover being a group policy the dairy union (group) decides the risk cover, premium payments and other policy conditions.	Simple product features with easy underwriting and claim settlement process. Organizing group sessions with rural bank, SHGs or MFIs facilitates discussion to ward off any perceptions or apprehensions about the product.
TECHNOLOGIZATION Using technology to address the shortcomings of insurance offerings	Web-based system FG Connect and automated insurance kiosks provide instantaneous insurance quotes, receipts and policy issuance.	Uses of mobile telephony, premium top-up coupons and HHTs devices provide instant transaction receipts and other information.	—	—
RETAILIZATION Leveraging on the retail industry to market, sell, distribute and service insurance.	Organized retail formats such as malls and hypermarkets are used to sell, distribute and service insurance.	Selling and servicing insurance through unorganized retail stores, telecom outlets, photostation shops, etc.	—	—
COMMODITIZATION Marketing, distributing and selling insurance as any other consumption item sold by a vendor.	Positions insurance as a commodity being offered in the mall and sold over the counter to the shoppers.	Local retailers keep and sell insurance like any other FMCG commodity in their shop.	—	—
BUNDLIZATION Clustering insurance with other products or services to upgrade its value proposition and saleability.	Insurance products are often bundled and sold through promotional offers, discounts or as free tasters to the customers as part of their shopping bill.	Bundling life insurance with savings-cum-investment product. Insurance is positioned more as a savings product than as an insurance product (the logo says: Max Vijay, Insurance savings box).	Life insurance is packaged with a saving component that appeals to the dairy farmers, as it provides prudent risk coverage along with investment.	The insurance is positioned as one offer among a bouquet of financial services being sold, such as bank account, fixed deposit, loan etc.

TABLE 2 (continued)

Insurance	MALLASSURANCE	MAX VIJAY	SSS	GRAMEEN SHAKTI
INDIGENIZATION "Indian-ization", adaptation of insurance to local conditions	Indians still don't have the required pull / motivation to buy insurance on their own, so insurance companies need to gain closer access to the customer in the fast-emerging Indian environment of organized retail malls.	Max Vijay includes a savings product since Indians prefer to buy savings-linked insurance plans. Accessibility is increased with the use of unorganized retail shops present throughout the country in venues where the majority of Indians shop.	Mindful of the fact that Indians prefer to save, the microinsurance product includes a saving component within the life insurance coverage. Moreover using dairy cooperatives and unions as a conduit is a novel way of selling and delivering the product.	Designing product features such as the sum insured and the policy duration according to the group's need. The refund of premium was launched due to customer discomfort with the absence of a maturity benefit if a claim doesn't arise.
SEGMENTATION Being responsive to the needs of various segments of the market.	-	Designing insurance products that primarily focus on the low income segment of the populace in rural and semi-urban India.	Targeting dairy federations and unions to sell and deliver a microinsurance product that has been customized for and by them.	The product is customized according to the needs, preferences and paying capacity of different self-help groups.

Simplification (Mallassurance)

We have made this product (insurance) a little complicated. We believe that if we explain a product, and do not try to sell them big things on day one, it would help. …We want to expose the product to them and make it as simple as possible. We are building a kiosk wherein you can put in money and buy a policy on the spot. (Future Group CEO, Interview to CNBC - August 6, 2008)

Simplification (Max Vijay)

The posters and the Bima Gullak (insurance piggy bank) at our store help to increase curiosity and awareness among customers and passers-by [...] Amitabh Bachan (a Bollywood superstar) holding a DVD (Max Vijay insurance is sold and packaged in a DVD box) also increased awareness. At first they thought it was his new movie, but then much to their surprise they realized that it was an insurance policy (for which he is the brand ambassador)… People may not buy it, but at least it increases the desire to know what the fuss is all about. (Distributor)

Education (SSS)

Another challenge (of microinsurance) is the educational challenge. Insurance is a concept that is well known in western markets. For somebody who is living on two dollars per day, these people have other worries on their mind than thinking about such a complicated construct as insurance service. So explaining insurance through Bollywood sketches in India, local songs, theatre performances or comics is something we actually invest in quite a lot, in order to get across the concept of insurance and the various details of how a particular insurance product is actually working (Head Microinsurance at Allianz SE. Allianz Press Article, October 28 2010)

Technologization. Technologization can be defined as the process of '*using technology to address the shortcomings of insurance offerings'*. This process essentially uses novel or existing technology to target the marketing of insurance. An example is the case of Mallassurance, where insurance kiosks use FG Connect software to provide automated information about product selection, as well as about the purchasing and issuance of insurance coverage. Another example is Max Vijay's delivery and distribution of insurance product and premium transactions. Here, hand-held terminals (HHTs), mobile telephony, and top-up cards are used to pay for subsequent premiums. The use of these technologies also helps to reduce transaction or administrative costs which are otherwise associated with conventional delivery channels (insurance offices, salaried staff, etc.), and makes insurance available in close proximity to customers.

Using technology (mobile and ICT) to reduce costs (Max Vijay)

Premium coupons resembling mobile talk time top-up cards can be bought from local FMCG/retail shops. The policy holder then calls the Max Vijay toll free number, thereafter providing the policy number and premium coupon scratch card code, and the policy premium receipt is acknowledged via SMS. It provides customers with the flexibility to top-up their accounts anytime during the tenure of the policy, starting at Rs. 10 ($0.20) to Rs. 2500 a day.

Hand-Held Terminals (HHTs) provide the infrastructure necessary for cash payment at network agent locations (e.g. a local retail store or mobile shop). The parent company Max New York Life has entered into an agreement with IBM to provide end-to-end technology support to facilitate the use of HHTs, enabling data transfer to the back end through GPRS. This facilitates on-the-spot receipt on premium paid. The real-time flow of information and instant confirmation boosts customer confidence and provides instant gratification, as the process is quick, fair, transparent and cost-effective at every step. (Sourced from interviews, observations, physical evidence, official product brochure and sales advertisements).

Leveraging technology for enhanced customer experience (Mallassurance)

The company is coming up with 'automated insurance kiosks' similar to ATM machines. The goal is to use technology to provide a seamless consumer experience at all points of sales and service. The web-based system FG Connect serves as the single log-in platform for all our multi-channel distributors including mall advisors, allowing them to generate quotes, issue receipts and perform auto-underwriting and policy issuance for low ticket size policies over the counter. (Regional Manager, Learning and Development, Mallassurance)

Retailization. Retailization can be defined as the process of *'leveraging on the retail industry to market, sell, distribute and service insurance'*. This process makes use of existing and omnipresent retail stores both in the (apparently) unorganized sector like local mom-and-pop stores in both urban and rural areas (Max Vijay), as in the organized sector such as malls (Mallassurance), which are primarily located in urban and semi-urban centres. The idea is to ride the coattails of the booming retail industry, with its extensive and unmatched reach across the length and breadth of the vast country (reaching where banks, post offices and even roads cannot). Insurance products like most FMCG / retail products are therefore positioned and sold as an 'over the counter' pre-underwritten product (Mallassurance, SSS). The premise behind partnering with retail shops is that people may or may not go to a bank or insurance office, but they 'have' to go to local grocery stores to buy food - a basic necessity to survive. It is interesting to note however that retailization as an innovation process is explicitly identified in only two cases (Mallassurance and Max Vijay), even though the significance of this process was strongly reflected across other cases in interviews with management.

Leveraging on emergent industries

The insurance industry could leverage on the success and presence of other industries to their advantage by creating an opportunity for delivering products and services through multiple and alternative distribution channels. (Interview with the managing director of LIC, Life Insurance Corporation of India - November 5th 2009)

From retail purchase to insurance purchase (Mallassurance)

One of our regular customers wanted some help buying an expensive watch for his son, as a gift for passing his exams. While proposing the brand of watch, the Mallassurance officer suggested that he buy an endowment policy (insurance coverage that pays a lump-sum amount at the policy maturity date or at the death of the insured, whichever is earlier) for his son, thus ensuring his future. Though he didn't buy it right away, he expressed his interest in knowing more about the product. He requested that the sales executive come to his home for further discussion. We sold the endowment policy to him for his son two weeks later. So you see… extending sales of watches to insurance… Now we'll try to see if we can sell him auto or health insurance. (channel development manager)

Accessibility: Insurance virtually on the consumers' doorstep (Max Vijay)

The distribution approach adopted for this product is designed to make insurance available in the most remote areas of the country. The company has tie-ups to sell this product through multiple and unconventional distribution channels, including 'kirana stores' (neighbourhood grocery stores), telecom outlets (selling mobile pre-paid cards, telephone calling booths and mobile repair shops), and electronic and photo-station shops where customers usually go to buy FMCG/retail products. Such distribution channels significantly challenge the norm and sophistication which is usually associated with the insurance business. (Sourced from interviews, observations, physical evidence, official product brochure and sales advertisements)

Commoditization. Commoditization can be defined as the process of *'marketing, distributing and selling insurance like any other consumption item sold by a vendor'*. This process is somewhat similar and linked to retailization, yet it stands out as a distinct innovation process because here insurance is positioned, marketed and sold as a commodity like any other consumption item such as rice, milk, vegetables, or soap. It was noticed that often the product is sold along with other grocery items (in the case of Max Vijay and Mallassurance).

Tangibility: Insurance in a box (Max Vijay)

The Max Vijay policy is packaged and made available in a DVD box and assembled along with other grocery/ FMCG items on the retail store's shelf. For the first time in the history of life insurance in India, insurance is available in a box. This gives tangibility to a product that is in essence a 'service', in addition to providing instant product recognition.

Insurance as a commodity like grocery or FMCG goods (Max Vijay)

The product is visually very simple and easy to understand, so even an illiterate person can understand it... So we don't oversell it, as it is only one of the hundreds of commodities that we are selling here. It's not our only source of income. (Distributor)

There are customers who literally come to the retail shops to buy grocery items and, while asking the vendor for products, will ask for premium coupons or top-ups through HHTs… This was something unheard of and unseen before… and is truly out of the box thinking by our company. So it's like buying a commodity: rice, milk, flour, lentils, Max Vijay premium coupon, bread, eggs etc. can all be on a list that the consumer makes. (Interview with Territory and Relationship Manager, Department Distribution for New Markets, Max New York Life Ins. Co. Ltd. - June 17th 2010)

Positioning insurance as a commodity (Mallassurance)

Future group attracted over 250 million visitors to their retail outlets in 2010. This offers a significant opportunity for the company to tap into their existing customer base and try to sell insurance products through Mallassurance distribution channels. And why not… if we are selling customers thousands of merchandise and consumption items through our malls and retail stores… insurance can also be positioned accordingly and sold. (Manager, Learning and Development)

Closely related to commoditization is the well-known process, in the field of product innovation, of miniaturization. *Miniaturization* is the process of reducing the size of the product, providing simpler product features, and of course lowering the price, hence increasing affordability and consumption. *Sachetization* is one way to miniaturize the product: it refers to the single unit-use of sachets of consumer goods such as shampoos, hair oil, soap, snacks etc. In many ways, minimum premium payments through ITC or mobile technology and without imposed and regular schedules, is a service-specific miniaturization process

Bundlization. Bundlization can be defined as the process of *'clustering insurance with other products or services to upgrade its value proposition and saleability'*. Insurance as a stand-alone product is often unattractive to customers. Combining insurance with other products and services strengthens its marketing and selling capability and tempts customer to consider buying it. Bundling elevates the meaning and value proposition attached to insurance. Examples include clustering insurance with savings and banking products (Max Vijay, SSS, Grameen Shakti), offering a discount or selling it as free 'taster' on the shopping bill (Mallassurance).

Savings and insurance is not the same as insurance and savings (Max Vijay)

> *If the product is savings-oriented and if there is some aspect of insurance, perhaps the customer may buy, but if it is purely an insurance product with some traces of savings, then don't even consider selling it to customer (interview with the Vice President, Strategic Projects, Max New York Life Ins. Co. Ltd. - March 10th 2010)*

Bundling insurance with retail billing / shopping (Mallassurance)

> *Often the company uses the Mallassurance channel to bundle insurance products with the customer's retail business. This is particularly the case for loyal and high value customers. Sometimes it involves providing free or discounted insurance cover in the form of a scheme or retail bill offered to selected customers… This strategy is used to create attention and, in a way, lure shoppers to extend their patronage beyond retail, to insurance business. (Manager, Learning and Development)*

Indigenization. Indigenization can be defined as a process of '*Indian-ization or adaptation of insurance to local conditions'*. This essentially means 'Indianizing' the features of insurance to enhance receptivity and the perceived benefits and value for the customer. For instance, it includes 'synchronizing' insurance processes and services with the local and prevalent systems, such as being ready to market insurance in dairy cooperative societies between four and six in the morning in villages, in order to be in-sync with the milk collection cycle of dairy farmers at the village cooperative (SSS case). Indigenization here also means being receptive and mindful of local sensitivities and being sensitive to the socio-cultural and religious sentiments of the customers, i.e. managing their belief systems rather than questioning them.

Synchronizing insurance companies' with other organizations' processes (SSS)

> *It is we (insurance company) who have to synchronize with their (dairy cooperatives) processes and not the other way around. For instance, in banks we cannot dictate how the processes should be carried out; instead we must follow and adjust to their processes... we say 'this is your (dairy cooperative) process I'll follow your process, I'll synchronize my process with yours'. This is how they are motivated, and they are also very supportive' (interview with Manager Bajaj Allianz Life Ins. Co. Ltd.)*

Local market orientation (Max Vijay)

> *A 15-member senior management team was created, devoting time to go into the field themselves to get the feel of the nerve of the market, to know what's really happening […]. What can we do for the underserved population of this country? That is the way the idea came […]. Let's first get their sound bites. What is it that they want?' (Interview with Director and Chief Distribution Officer, New Markets SBU, Max New York Life Ins. Co. Ltd. - June 28th 2010)*

Segmentation. Segmentation can be defined as the process of *'being responsive to the needs of various segments of the market'*. This involves designing and introducing custom-built products oriented for a particular segment of the market, such as for dairy groups, SHGs and for the low income percentage of society (SSS, Grameen Shakti, and Max Vijay). Segmentation allows for the creation of a focused and dedicated insurance product, process or service for a given group of customers. This helps to streamline costs related to product design, marketing and often selling group policies in bulk.

Designing customized insurance for rural areas (Grameen Shakti)

> *Opportunities are plenty (in rural areas) you know. You can double your business every year in villages, as there are also some very resourceful people (rich). You need to approach them with different, top -end products for farming or family-related insurance etc. So they need different product features... (Assistant Manager - Krishna Grameena Bank - February 15, 2011)*

Designing customized insurance for dairy farmers (SSS)

> *This is the first time that an insurance company has offered a customized insurance solution for the needs of our members (dairy farmers). We are glad to be associated with them (insurance company), as this will*

encourage the rural population of Punjab to better mobilize their savings. It will also give them an opportunity to participate in investments and secure their future financial requirements. (General Manager, Ludhiana Milk Union, Allianz article, January, 2011).

Designing customized insurance for the underserved segment (Max Vijay)

Max Vijay has been designed specifically for the underserved segment of the society... keeping in mind the lifestyle, income patterns and needs of the rural and semi-urban population... Deeply rooted in the understanding of this segment, Max Vijay combines the best of insurance and savings and gives customers a means to aggregate his earnings in a structured and well-planned manner. (Max New York Life Ins. Co. Ltd., Press Release - July 24th 2008).

Innovation processes as generic responses in emerging markets

In the second stage of our analysis, we examined whether, *beyond insurance and beyond India,* these innovation processes could be theorized as generic responses to general issues that MNCs face in many, if not all EMs. Building on extant work related to some of these processes, notably Anderson and Markides (2007) and Anderson and Billou (2007), yet with our focus on service innovation, we finally clustered the seven innovative processes around three issues: management of meanings and values, accessibility and affordability. Table 3 below illustrates how the innovation processes can be seen as generic responses in EMs.

Management of meanings and values is about generating and cultivating the 'insurance need'. In EMs, insurance is not taken-for-granted. We found that five innovation processes contribute to the management of the meaning and values associated with the idea of insurance: demystification, commoditization bundlization, indigenization and segmentation. They all provide partial responses to questions such as: What does insurance mean to the customer? Will insurance be needed to cover the customer's livelihood (i.e. crop and cattle insurance) in addition to life? Does the customer need health and life coverage? Will it be a savings-linked product? How will this product help to improve (or at least maintain the status-quo of) the customer's life and assets (be it health, home, cattle, crops, savings, etc.). Developing awareness is a crucial part in the management of meaning and values. In the case of insurance, developing awareness is imparted by organizing lectures, group discussions and seminars, while simultaneously promoting product propositions. Taken together, these innovative processes change meanings and dispel myths associated with insurance, and improve the values and perceptions attached to insurance.

Accessibility comes as an intermediate issue in EMs between management of meanings and value and affordability. Even if the customer foresees the need and value of insurance and possesses the financial ability to buy it, in the absence of an effective delivery and distribution channel for servicing insurance (at both the pre and post sales stages), the whole exercise is futile. Accessibility here means making insurance available to prospective customers through diverse, convenient and cost-effective delivery and distribution channels. Our cases suggest a significant variation in accessibility options for insurance, ranging from demystification to technologization, retailization and indigenization.

Affordability is a paramount issue in EMs, since consumers are extremely price sensitive and certainly more than in many developed markets. This does not mean that they will accept low-quality products at a low price; on the contrary they demand high quality at an attractive price point. The challenge is to provide a delicate '*price-performance*' balance for low income masses in markets where every penny is frugally spent. We found that technologization, retailization, commoditization, bundlization and segmentation played a significant role in building affordability in the Indian insurance industry. Of course this is not to say that affordability is not relevant for consumers in developed markets, it certainly is. But for them it is likely *among* many other factors, while for the vast majority of consumers EMs, affordability is *the* most important factor. Affordability therefore sits at the top of the typical issues that firms face in EMs. We mean that even if the customer's meaning and value (generating or cultivating need) towards a product or service (insurance in our case) is well managed, and it is readily or conveniently accessible, until and unless the product is within the price range acceptable to the customer, addressing the first and second issues remains a futile exercise. Almost all our cases demonstrated that cost was ultimately the core consideration of customers buying the product, whether it was the initial premium of Rs 1000/- (US$ 20) for Max Vijay with subsequent add-on premiums starting as low as Rs. 10/- (US$ 0.2), or the minimum premium amount of Rs. 45/- and Rs. 500/- (US$ 10) per annum within the group insurance policy under Grameen Shakti and SSS respectively.

This sensitivity towards cost was not only restricted to the low income or rural market, it was also critically (if not equally) relevant for urban and semi-urban markets. This is aptly reflected in Mallassurance operations, where the insurer markets 'small size' insurance tickets that are attractively priced at Rs. 99/-, 199/, 299/- etc. The need is not only to reduce the insurance ticket size (which subsequently reduces the insurance premium and margin), but also to *re-engineer the price and payment structure* by collecting the insurance premium on a daily, weekly, monthly, quarterly or bi-annual basis as opposed to the conventional practice of a one time or annual premium with traditional insurance policies.

Figure 1 summarizes our findings: the seven service-based innovation processes serve as generic responses to

TABLE 3

Innovation processes as generic responses to typical issues in emerging markets

TYPICAL ISSUES IN EM / GENERIC RESPONSES	MANAGEMENT OF MEANINGS AND VALUES	ACCESSIBILITY	AFFORDABILITY
DEMYSTIFICATION	Building insurance awareness among customers with lectures, group discussions, and seminars, while simultaneously promoting product proposition. Simplification increases customer confidence and builds trust. This helps to reduce the vagueness and mysteriousness of the insurance concept and dispels negativism.	Leveraging on unconventional distribution channels like unorganized retail stores, dairy cooperatives, malls, MFIs, SHGs, insurance kiosks, rural banks, agricultural cooperatives, etc. amplifies the reach and presence of insurance in virtually every corner of the country specifically in rural areas, i.e. accessibility	–
TECHNOLOGIZATION	–	Mobile telephony, IT-enabled services, insurances kiosks, premium scratch cards (top-up coupons) and HHTs provide instant premium transactions and receipts, along with anytime/ anywhere insurance information that is particularly beneficial for distant customers.	Using technology helps to reduce cost on the supply side and enhance affordability on the demand side. HHTs, mobile telephony, and insurance kiosks provide instant information and premium transactions in a cost-effective way, while also handling low premium transactions.
RETAILIZATION	–	Marketing, selling and servicing of insurance through various retail formats (local FMCG vendors, malls, telecoms, photostat outlets, etc.) increase insurance visibility and availability, i.e. accessibility, even in the remotest parts of the country.	Employing trusted and omnipresent retail stores for servicing customers pre/post sales reduces administrative and fixed costs of insurance companies usually associated with conventional issuing channels, such as branch offices, agents, permanent staff, etc.
COMMODITIZATION	Positioning insurance as a consumption item by selling it over the counter like any other tangible commodity, be it in malls (promoting insurance in grocery stores) or at local kirana stores (using DVD boxes). The intent is to make customers believe in the very idea of 'consuming' insurance.	–	Positioning insurance as a consumption item often miniaturized. For example, providing premium top-ups (like mobile top-ups) as low as Rs. 10/- (US$ 0.2), and selling mini versions of insurance products as tasters at Rs. 99/-, 199/- etc. enhances affordability.

TABLE 3 (continued)

TYPICAL ISSUES IN EM / GENERIC RESPONSES	MANAGEMENT OF MEANINGS AND VALUES	ACCESSIBILITY	AFFORDABILITY
BUNDLIZATION	Applying a 'push' model wherein insurance needs to be bundled with financial or non-financial products and services commensurate with the needs and preferences of the customer. This tends to elevate the meaning and value proposition attached to insurance	–	Insurance as a stand-alone product is often unattractive to customers. Bundlization strengthens saleability. Of course, bundling insurance with non-insurance products and services increases the overall price. Nevertheless and ironically, the customer perceives it as 'attractive' since it provides additional benefits to insurance and hence insurance *now* appear 'affordable'. So here attractiveness lures in affordability.
INDIGENIZATION	'Indianizing', i.e. localizing insurance features generates greater receptivity towards its benefits and value. Examples include a 'refund of premium' benefit if there is no claim, or promotion and sales that are synchronized with the dairy cooperative farmers' own rhythm of labor.	Leveraging on local distribution channels that are reliable and trustworthy for both insurance companies and customers. Examples include local retail stores where the majority of Indians shop, cooperative banks, dairy cooperatives, MFIs, SHGs, NGOs etc.	–
SEGMENTATION	Designing and introducing products oriented for a particular segment of the market, such as microinsurance (life) for the low income segment, dairy groups, and SHGs contribute to increasing the value of the proposition.	–	Segmentation allows for the creation of a focused and dedicated insurance response targeted at a given group of customers. This helps to streamline costs related to product design, marketing and selling, hence increases affordability.

typical issues that firms face, in relation with the broader society-level (Indian) environment, the (insurance) industry in general and the typical features of customer behaviour in EMs. Demystification and indigenization contribute to the management of meanings and values and to accessibility, two generic issues that are related to customer behaviour and the Indian insurance industry (negativism, etc.). Technologization and retailization respond to issues of accessibility and affordability that stem primarily from the insurance industry and the broader environment. Finally, the three remaining processes: bundlization, segmentation and commoditization address issues that are largely driven by customer behaviour and the market environment, and aim at enhancing accessibility and affordability of insurance among the Indian people.

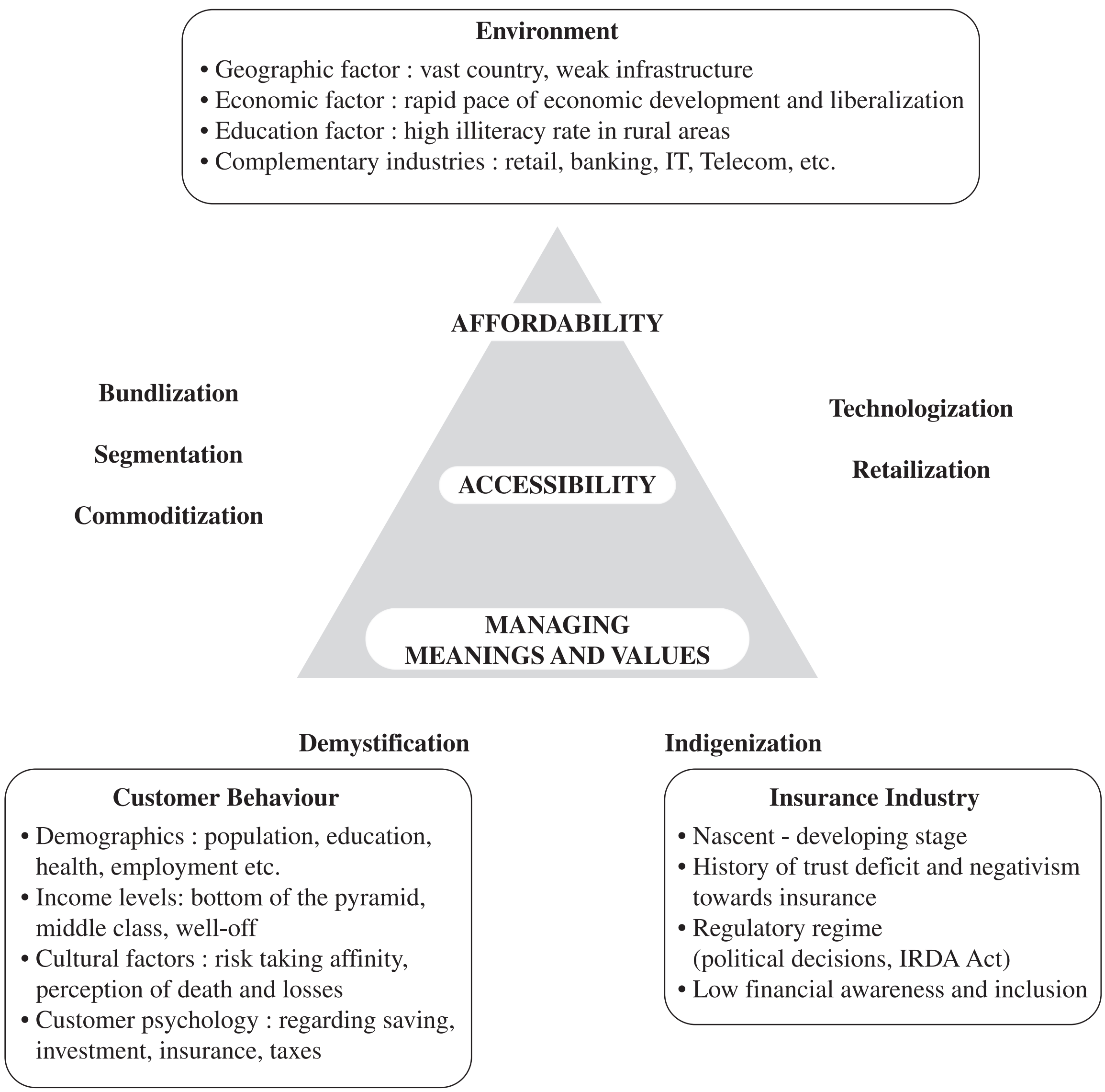
CONTRIBUTIONS

In this research, we have attempted to better understand how organizations respond to typical issues that they face in EMs. We found that seven innovation processes can be seen as generic responses to three issues in EMs. Our findings eventually contribute to innovation and international business studies.

Contributions to service innovation research. Service research has predominantly examined stage-based models of new service development in developed markets (see Alam, 2007 for a review). We have provided a complementary perspective to this dominant stream. Namely, we have argued that a *process perspective* brings additional insight into the way MNCs innovate in services. In detail, several features

FIGURE 1

Innovation processes as generic responses to typical issues in EMs



of our findings are noteworthy. First, while existing approaches describe stage-like models to service innovation, our findings suggest that innovative firms develop complementary processes *simultaneously*. Second, we find that *each innovation process can address more than one typical issue of emerging markets*. For instance, technologization and retailization both contribute to increasing accessibility and affordability. Third, most of the organizations' innovations relate, not surprisingly, to the *management of meaning and values*, a typical dimension in EMs that service scholars have not clearly established and studied.

Contributions to international business research. While some of the seven innovation processes that we have identified and explained may have been described before in international business (see notably Prahalad, 2006 and followers on the 4As), we believe that this research is the first to *explicitly tie innovation processes with typical issues that firms face in EMs*. By doing so, we move beyond an illustrative / managerial account of MNCs' successes and failures in EMs and offer a perspective that relates typical EM issues to a portfolio of seven (and possibly more) typical responses, i.e. innovation processes. Second, we also find that there seems to be a *logical and temporal order to the process of innovating in emerging markets*, whereby only once has the process of meanings and values management been successful, i.e. potential customers accept the idea of the need for and purchase of insurance, then accessibility and affordability come into question. Third, the three broad issues that emerge and to which innovation processes respond to indeed support the argument that a mere 'western mindset' would not accommodate what we *observed*. The innovations that we have described go beyond local responsiveness, defined as adaptation to local needs and preferences, to local infrastructures, etc. They may be more adequately described as local inventions. It implies that innovations from EMs cannot only be transferred to other EMs for replication and adaptation, but also have the potential to become world-class products and services that can succeed in developed countries, further supporting the notion of reverse innovation (Immelt et al., 2009).

Contributions to research on innovation strategies in EMs. As a minor result, our research further supports the major role of IJVs as drivers of innovation in EMs, a well-known result among international business scholars interested in the role of IJVs in international strategies (for instance Zhou and Li, 2008; Hadjikhani et al., 2012). In our case, the many IJVs that were created following the deregulation of the insurance industry combined the western partners' knowledge and experience of the insurance technology globally with the Indian partners' understanding of the local market, and led to truly innovative offerings. Another contribution deserves to be noted. Our findings extend our understanding of the nascent concept of '*affordability innovation*', which is not only relevant for EMs but can also be transplanted to developed markets. The application of frugality and constrained (scarcity)-based innovation strategies seen in EMs can provide many lessons for western multinationals and for corporations operating in developed markets. This is particularly true in these tumultuous times of recession and economic downturn in the global economy. By implementing or aiming at frugal innovation, companies can disrupt their business models by using existing capabilities but at a lower cost, modify their organizational capabilities, and/or create new capabilities (Prahalad and Mashelkar, 2010). Our study empirically enriches the ongoing research on the concept(s) of 'frugal innovation' or 'Jugaad innovation'.

Limitations. As a caveat, it is wise to mention some inherent limits to this study. The cases are relatively new and in the early stages of market diffusion, hence the impact and success of these innovations are not yet known. *Whether they are fully sustainable and scalable to reach a wider customer segment remains to be seen.* Therefore their real impact needs to be ascertained and analyzed over a long term period of at least 5-7 years. Also, our study focuses solely on the business strategy perspective of firms targeting EMs, however its impact on poverty alleviation or on other socio-economic benefits is not explicitly assessed. Indeed we were more interested in identifying '*how*' the companies innovate in these EMs than in studying '*what*' the impact of such innovations is. Finally, we have focused on innovations ushered by IJVs that were all new entrants in the insurance space, hence inherent limits to the generalizability of our findings to other industries, countries or types of firms.

CONCLUSION

This paper advances the novel yet fast developing field of EM strategy that is relevant for scholars interested in innovation studies and international business, and offers an '*Emerging Market-centric*' innovation perspective that explains how organizations use different innovation processes to respond to three typically EM issues. Management of meanings and values, accessibility and affordability are supported by several (we found seven but there might be more) innovation processes that carry a distinct hallmark when compared to innovation processes in developed markets. This is not to say that management of meanings and values and concerns with accessibility and affordability could not also be issues in developed markets. But their salience is likely to be higher in emerging economies, as are the supportive innovative processes specified in this paper. We have also suggested that service innovation processes aim not only at providing innovative solutions for customers, but also in triggering the further evolution and development of the industry in EMs. Finally, we believe that the Indian (insurance) market reflects many of the typical issues of other emerging markets with a similar development trajectory (Brazil, Russia, China, etc.).

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