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DISRUPTIVE INNOVATIVE PRACTICES VERSUS SOCIO- ECONOMIC DYNAMICS

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Abstract

The world economy holistically works on demand and supply and this demand supply economics is being practiced and nurtured even before India realized an era of globalization. Today the need, purchasing power parity, urge to stand apart, have made people of this country to explore, enhance, spend and experience the varied options available to make their needs fulfilled and which can be represented to their circle of wish. The Companies ranging from automotive, food and beverages, FMCG and many more have cleverly assessed this change in socio-economic need of the consumers. To cash on this surge demand dynamics have now made these organizations to introduce newer products, services, revamp their offerings, reassess and make optimum utilization of resources and ultimately bridge the gap of this never-ending demand and supply dynamics.

1.Introduction

India has come from an era where the market suppliers were ruling the demand and supply of products and services were flown to market as per will, infrastructure and capability of the manufacturer's. Over the time when globalization came in, consumers were looked as partner instead of being treated as only consumers. Need based, swift change, growing customer base and more demanding nature of consumers made the companies to rethink, redesign and even reassess their organization's mission, vision and values.

Ideally the word disruption has been taken into many different contexts by different entities which are directly or indirectly associated with value chain, be it original equipment manufacturer or supplier or vendor or direct consumer. Disruption to market, product, service is now a day being considered as an easy go approach to excel and dominate the market by creating some sort of disruption. Product and service providers have realized that changing the ideology of consumer towards a product or service of their liking is tactically very time and money consuming process wherein the success rate to shift a customer from their likeable product to another product is very minimal. Considering this, manufactures have now left the only option left from them is to create disruption in market and thereby creating a temporary magnetic effect wherein the consumer by its own will get attracted and engage with the product or service.

Once consumer shows some interest to this phenomenon, companies will get a ready platform to showcase their offerings which not only attract new customers but also may lead to grabbing other customers which are loyal to other product or other brand. In recent times the organizations which have got a whooping success rate by adopting this disruption techniques have set an example and build a roadmap also for other competitors too. Competitors feeling the wave of this disruption method have ultimately forced themselves to think on the same lines and revamp their line of business or rather change their way of business.

Taking the ideal definition of disruptive innovation explained by Clayton Christensen in book "The Innovator's Dilemma", the word disruption was never meant to disrupt the current market and consumer base, rather it was designed and approached to focus on less demanding customers or put a footfall in altogether new market. The word disruption being altogether a process and not being a new product or service, however many more companies who have been engaged in this process of disruption citing reasons of exploring new market or customers have hit the saturated and full grown loyal customers also. This disruption process may run into a cascading effect or sometime

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reaches the cannibalization effect where in it becomes a difficult situation of companies to handle and come out of the horizon. Disruption is visible and felt its existence from the times when personal computers users were moving to laptop and compact tablets or smartphones.

2. Literature Review

According to Harvard Business Review from December 2015 issue, disruptive theory catering to different practices adopted by many small and even large-scale organizations have changed the overall thinking horizon, its spread and its vicinity. over the time this has been considered as victim of its own where the organization have become victim of their own strategies and operations perspective. The theory studied by many have mostly considered disruption merely a business strategy which can give them an edge over others and increase their product or service viability amongst its peers. This wrong interpretation of the power of disruption methodology have been widely criticized terming it as shortcomings of the theory itself.

Ove the time, many people across different organizations, consultants, marketing strategy makers used the keyword disruption whenever there is change in demand, or any market gets flooded with specific type of product or service or any well-established product feels the sharp decline in its appeal or its use. An ideal example portraying this concept which is widely being misunderstood would if any small scale having minimal resources comes up with an offering and targets an untouched market or specific market with a price tag lower than a well-established brand, then that incumbent feels the need to improve its offerings. This creates a scenario where a mainstream brand would start losing its customer base and a new entrant which ideally never targeted established market would start see trail of loyal customer of other brands following them. Now here the competition would surge, and mainstream customer would start exploring the strategic ways to regain its position. The ultimate effect which mainstream brand has felt would term this a disruption has occurred in market.

Mostly large-scale organizations target most demanding and highly profitable customers or segments where they visualize demand low end markets or new market footholds where demand either does not exist or have very minimal demand are largely overlooked by incumbents. Ideally incumbents do not pay much attention to this segment, this creates a platform for other small-scale industries or new entrants where they target this untouched market having low demand. This opens an altogether a new window where in traditionally non-consumers turns into a category of demanding consumers. In initial period artificial demand is being generated by new entrants by marketing strategies, promotions, advertisements and subsequently demand is later driven by consumer itself. The difference between the offerings by a new entrant is very much targeted at market where quality standards of product and service are comparably lower than of an incumbent. The established brand does not feel the heat competition unless they realize the quality standards are close to their offerings. Till this time disruption is not being materialized, the moment or period arises where these low-end foothold consumers migrate to mainstream market, the power of disruption begins and slowly it expands its legs to a cascading effect across the established and mainstream market.

To bring this with a hypothetical example, two well-established brand offers its product to 120 customers in village having a population of 200 people. The remaining 80 people are not categorized as customers since there is no demand from those 80 people. Brand A has a share of 40% (as 48 customers) and Brand B has a share 60 % (as 72 customers). These 80 people which are never been targeted and considered as low-end market are deprived of the offerings of both brands because of the high quality and high price of the product. A new entrant specifically targets these 80 non-consumers market by offering a product which may not have quality comparable to both brands, but it appeals to these untouched markets because of its need and its price point. At this point of time, out of 80 customers 60 have turned into consumer from a non-consumer zone. This has expanded the total market from earlier 100 customers to 180 customers. Now here disruption fits into its true context as it has not created any kind of footfall in established market. Unless and until the loyal customers of both brands feels the comparable quality is being offered and are being satisfied by product offered by new entrant, they will stick to their brands. Once the new entrant matches the equal quality with low price point and value for money, loyal customers would start considering new entrant as substitute of earlier brand. The available market size is now 180 customers, Brand A having 48 customers would have share of business as 48 customers out of 180 which would be 26.67 % instead of earlier 40 % and brand B would have share of business as 72 customers out of 180 which would come to 40 % instead of earlier 60% and new entrant would have 60 customers out of 180 which would come to 33.33%. This way it creates a hypothetical or

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theoretical disruption which is ideally a post effect of market disruption wherein the customer base has been enhanced by increasing the customer reach.

(Figure 1 Source https://en.wikipedia.org/wiki/Disruptive_innovation

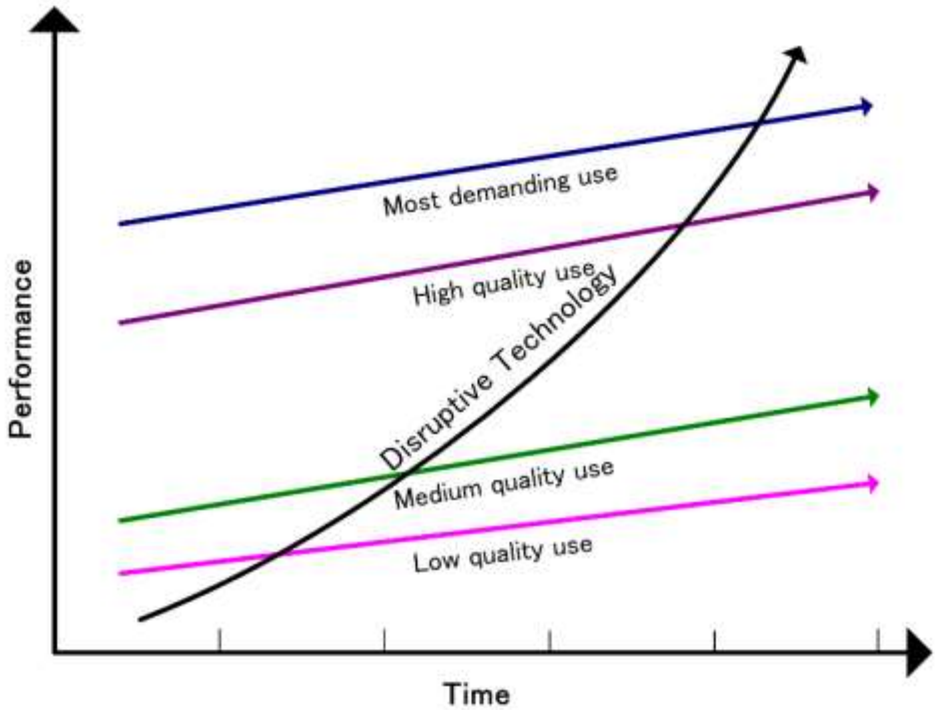

Figure 2 Source : December 2015 article for the Harvard Business Review, Christensen and co-authors Michael Raynor and Rory McDonald)

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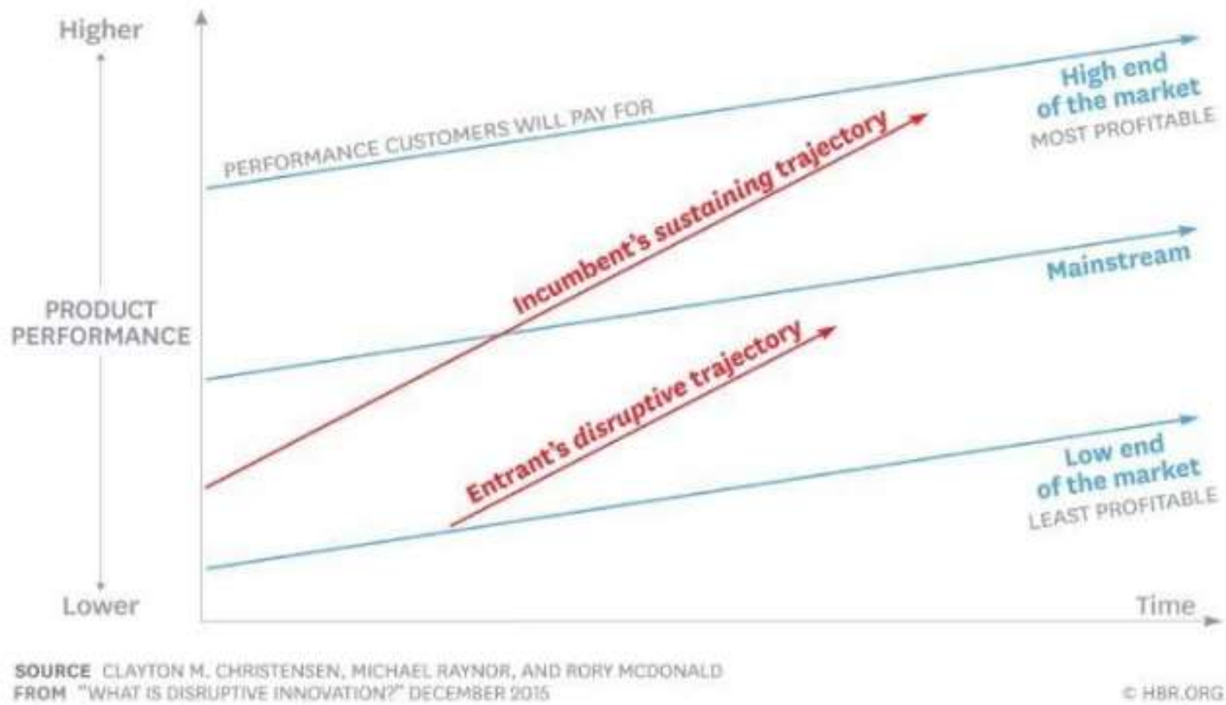

3. Research Objectives

- To know and understand the implications of disruptive innovative practices.
- To distinguish between the disruption innovations and disruptive innovative practices.
- To analyze the impact of disruptive innovative practices on market.

4. Research Methodology

The study is grounded on secondary data and information collected from various sources. The data has been collated from varied published papers and other sources like Wikipedia.org, Harvard business review, to analyze and carry out in depth study. To accomplish research objectives, descriptive research design has been used.

5. Why Disruptive Innovative Practices has become a need for Organizations.

The dynamics of the demand and supply, sharp variation in need of customers, swift movement from need based services to luxury-based services has provoked many organizations to be more lean, fast and adapt the demand of customers. In view of fast growing economy and a race to be the first one to face customers, the easiest approach organizations have considered is to wobble the market by tapping those low footholds or customers who never have been considered under the ambit of business.

A classic example of this can be explained by case of FMCG Major Godrej under the name of Godrej Protekt handwash where it has disrupted the liquid handwash business by launching an affordable handwash at a price point which is 200 to 300 % lesser than available categories and SKU's of other brands handwash. The overall disruption which has been done is not only contributing to the price, packaging but also the experience of handwash which customers engage with. Here the focus which organization has done with market penetration for those customers who were earlier deprived by basic hygiene practices like handwash. The cascading effect of this new affordable magic handwash has not only added new customers with increase of market share but also it has now migrated many of the premium and mid-level customer base to shift from pet bottle type readymade handwash to Make your own handwash. This Magic Handwash has evolved the disruptive innovative practices where customers will make their own handwash by a mixing a specifies amount of water in powder based handwash.

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6. How Disruptive innovations is different from disruptive innovative practices.

Disruptive innovation is aimed at altogether a new product or service which has never been existed in market. The innovation by its virtue itself will lead to a disruption in its overall lifecycle and is bound to affect competitors and market dynamics in a direct or indirect way. Innovation in any kind of offering originates from its need where target market, customer focus, adaptability, and its survival fall on grey area and success of the same becomes a challenge. On the contrary the innovative practices are aimed at low footholds, focusing on the same product or service but being offered in a contemporary way and targets the untouched market and customers thereby increasing the market penetration of the product.

7. Impact of Disruptive innovative practices.

The case of Eatigo an app-based table reservation at restaurants clubbed with discounts clearly speaks about how this innovative practice has fulfilled the gap of untouched market and offerings by restaurants. This innovative practice aims to help and connect empty stomachs to empty tables. The very basic eating out pattern depicts that each restaurant will have some empty tables during their respective business hours and business days. Eatigo took this gap of empty tables and get its fulfilled by offering a win-win situation for both customers and restaurants. Taking an example, the inventory, resources in terms of food, attendants, stewards, cleaning staff, chef's, kitchen inventory etc. sits ideal during opening hours and closing hours of restaurant, Eatigo bridges this gap by offering some discount to patrons and thereby giving a business to restaurant to fill and utilize the empty tables which subsequently increase the business. A 5 Star rated hotel restaurant will see 50 % of their tables being empty at opening hours and customers which were never being considered under a gambit of prospects will now foray into additional customers which ultimately increases the available market size since Eatigo gave a substantial discount for attending the table reservation at a specific time (time where restaurant realized zero utilization of their resources). This way both patrons and restaurant win over a situation of their need.

The impact of such kind of practices at first sight may not lead to any kind of negative impact, but over the period, loyal customers will start moving form mainstream customers to a products or services offered by new entrants in volume-based parameters.

8. Conclusion

Socio economic dynamics, swift change in customers demand, volatile demand and supply undercurrents and newer technological advances has given a platform to both matured brands and startups to fill customers demand in a contemporary way. To be in race and in eye of customers radar, each organizations study, explore, and bring innovative practices within their domain to tap the market and increase their share of business. However, by adopting such practices it may reap benefits in short term, but it may lead a cannibalization effect where their own business model will either consolidate, absorb and eat their own market share. Organizations need to think holistically and evolve in practices which should fulfil the need of customers but at the same time the approach should be focused on creating a value chain across the product lifecycle. This kind of involvement by varied business models will always create a sustainable and long-term business and largely fulfils most of socio economic needs of customers.

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