Capabilities for Providing Socially Beneficial Services to Consumers in Low-income Markets

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Providing socially beneficial services to people living close to the poverty line is an exceptionally complex task, due to limited disposable income for such services and little knowledge to understand the actual service benefits. In addition, service providers face capability constraints to provide these types of services. This article examines capabilities for providing services to consumers in low-income markets. Based on a multiple case study on providing drinking water as a service, we show that service providers require three capabilities: (a) adapting the service operation model, (b) converting latent customer needs into value-added services, and (c) extending the customer portfolio. These capability descriptions advance previous capability descriptions about services for low-income consumers.

1. Introduction

The market-based approach advocates the idea that organizations should not provide products and services for “free” to people living close to the poverty line (Cooney & Shanks, 2010; London & Hart, 2010; Prahalad, 2004). Instead of financing these products and services through philanthropic efforts (e.g. grants and donations), organizations ought to sell them to low-income consumers. This increases the awareness for the intrinsic value of the offering, while at the same time consumers become more self-confident to afford these products and services themselves (Mendoza & Thelen, 2008; Seelos & Mair, 2007; Viswanathan et al. 2009). While the market-based approach has gained momentum for items such as shampoos, cosmetics, mobile phones, or mobile payments (Prahalad, 2004; London & Hart, 2010), a core challenge remains in providing socially beneficial services to improving the quality of people’s lives (Garrette & Karnani, 2010).

People living close to the poverty line are often described as a demographic at “the base of the pyramid”, which relates to the base of the wealth (income) pyramid. We refer to this base as low-income consumers. Such low-income consumers are the largest, but poorest socio-economic group: approximately four billion people who live on less than $3,000 per year (Shah, 2016).

The provision of socially beneficial services such as in the case of safe drinking water, remains a complex task (World Bank, 2012). In addition, challenges to sustain water services make the safe drinking water an increasingly public concern (Sousa-Zomer & Miguel, 2016). Service provision is considered crucial to help solve such challenges in the water sector (Wehn & Montalvo, 2015), but despite anecdotal evidence suggesting to expand services, many organizations actually cease their service operations (Gebauer & Saul, 2014). For example, Indian organization, Sarvajal, expanded its water services to approximately
400,000 people, but eventually had to terminate some water service operation thereafter.

Thus, researchers have started to investigate the particular capabilities required to succeed in providing services to low-income consumers (Koh et al., 2012). Markets consisting of low-income consumers are context-specific arenas. Organizations need to understand related social and cultural characteristics and how to deal with them (London & Hart, 2004; Viswanathan & Rosa 2010) in service design and provision processes. Considering these aspects is proposed to lead to a non-linear sequence of adding, modifying and reducing service elements.

By shifting people’s roles from being passive recipients of aid to becoming actively involved in value creation. So that consumers play a vital role in such service modifications (Georg et al., 2010; Karnani, 2007). Here, scholars and practitioners have assumed that basic no-frill offerings, or cost-cutting optimisation, drive the process of adding, modifying and reducing service elements. Organizations provide only basic (core) services so that low-income consumers can afford them (Hammond et al., 2007; Mendoza & Thelen, 2008).

Organizations need to be able to develop services, which can be easily accepted and conform with the cultural and social context. Organizations must, naturally, include low-income consumers into the generation of service ideas, even if they might have difficulties in expressing their needs, because of limited education (Prahalad & Hammond, 2002). Non-governmental organizations (NGOs) with a long history of working in low-income countries, have a deep knowledge of how services are accepted and conform with the cultural and social context (Thompson & MacMillan, 2010).

Research explored capabilities for creating awareness and acceptance for services, capabilities for making services affordable and accessible for low-income consumers (Anderson & Markides, 2007). To determine affordable prices for services, organizations should segment customers according to their socio-economic characteristics and socio-cultural idiosyncrasies (Rangan et al., 2009; Vishwanatan et al., 2009). Rangan et al. (2011) distinguish income levels as low-income, subsistence, and extreme poverty customers. Marketing campaigns benefit from word-of-mouth marketing and using community leaders as opinion leaders (Karamchandani et al., 2009; Koh et al., 2012). Even if services are affordable, service quality remains important. Since low-income people spend a high percentage of their disposable income, they also have a high expectation in regard to the service execution (Gebauer & Reynoso, 2013). Organizations need to be able to fulfill these expectations in order to create a positive word-of-mouth. Word-of-mouth is reported to be a key purchasing determinant in marketing such services to low-income consumers (Karamchandani et al., 2009).

Organizations must be able to include low-income consumers and/or entrepreneurs into the value creation (e.g., service promoters, distribution partners, service delivery partners) (Karnani, 2007; London et al., 2010). Local entrepreneurs know socially-embedded business practices (Anderson et al. 2012). It is important to collaborate with other organizations from the corporate and NGO sector to leverage their capabilities (Dahan et al., 2010; Gradl & Jenkins, 2011; Koh et al. 2012; Sanchez & Ricart 2010). Illustrations are collaborations with non-profit organizations in order to share the distribution channels (Vachani & Smith, 2002).

Figure 1 summarizes these existing capability descriptions for providing commercial products and services to low-income consumers and embeds our research question: What capabilities are necessary to provide socially beneficial services to low-income consumers?
Despite such research contributions, service provision in low-income countries has still been neglected in the service literature. Therefore, it has become a research priority (Bitner & Brown, 2008; Fisk et al., 2016; Ostrom et al., 2015) combining prior research on transformative services (Anderson et al., 2012), transformative consumer research (Blocker et al., 2012), social innovations (Reynoso et al., 2015), and/or services in base-of-the-pyramid markets (Gebauer & Reynoso, 2013).

Given the interrelated nature of the capabilities, there is a need for systematic research taking a more fine-grained view on service capabilities for providing socially beneficial services to low-income consumers. To close the existing empirical and theoretical gaps, our study has three primary objectives. First, we seek to identify the capabilities for providing services through a more theoretically-driven application of the resource-based view. This view enables us to identify capabilities that appear fundamental to success (Burton, 2010). Second, we seek to provide in-depth empirical evidence on a research field, which so far has been neglected despite posing a research priority (Fisk et al., 2016; Gebauer & Reynoso, 2013; Hart et al., 2016; Kolk et al., 2014; Ostrom et al., 2015).

Third, and finally, because prior research has not formulated propositions that can be tested empirically, we aim to develop propositions related to the capabilities for providing services to low-income consumers. Our study is based on qualitative research across a broad range of low-income countries and a variety of organizations. Analyzing different countries and organizations ranging from profit-oriented companies, social entrepreneurs, and non-profit organizations is especially important in this context since they are subject to various environmental conditions that may affect how organizations provide their services.

Our article is organized according to an exploratory study. Thus, the next section does not further delve into the theoretical background, but describes the methodology applied in this study. We then introduce our results on capabilities to provide services to low-income consumers, and conclude with theoretical and managerial implications.

2. Research methodology

2.1 Data sample

As argued in the introduction, capabilities for providing services to consumers in low-income market have been described for commercial goods (Prahallad, 2004; London & Hart, 2010). Therefore, we focus on safe water services as socially beneficial services (Garrette & Karnani, 2010). Water services are interesting for two reasons. First, safe drinking water in low-income countries poses an increasingly public concern (Sousa-Zomer & Miguel, 2016). In 2015, 663 million people still have no access to safe (improved) drinking water, which still has major health implications. A few million people die every year on waterborne diseases. Most of these deaths occur among children below 5 years of age (Unicef, 2015).

Therefore, we selected providers of water services through community water systems (CWSs) as our unit of analysis. We rely on the resource-based view, which assigns relevance to resources and capabilities, as the sources of a firm’s competitive advantage (Barney, 1991; Peteraf, 1993). Resources are assets a firm owns, capabilities are a firm’s capacity to deploy resources to achieve a desired result (Helfat & Lieberman, 2002).

We used a purposeful sampling process (Yin, 1994). By screening international water programs, we identified 21 case leads to CWS providers. We collected secondary data on these 21 case leads. The secondary data were evaluated according to reliability and validity. We considered data as valid and reliable when it extended beyond self-reports and was consistent across data sources (Lincoln & Guba, 1985). 18 case leads passed this evaluation and were contacted by email, and 13 CWS providers agreed to participate in our study. We gathered data through in-depth interviews with, in total, 22 key decision makers. We used a ‘replication’ logic, rather than ‘statistical’ logic. The total number of 22 interviews was considered as the point at which theoretical saturation is reached, since our results upheld for the majority of the organizations and made sense on the basis of prior research (Yin, 1994).

We aimed for diversity among the participating organizations. However, we also needed the organizations to share some characteristics, so as to allow for comparability. Therefore, all organizations focus on CWSs, but they display different geographical locations and water treatment technology. The key sample characteristics in Table 1 show that the respondents represent non-profit organizations, social entrepreneurs, and profit-oriented companies, which operate in geographical locations including Bangladesh, Ethiopia, India, Kenya, Nepal, Tanzania, and Zambia. They use various treatment technologies (e.g., ultrafiltration, reverse osmosis, bone char filter material). We interviewed decision makers who played a vital role in the service provision. Participants’ years of experience in the water sector ranged from 3 to 17. These organizations vary also in the success of the service provision from two with few thousands up to 700 CWSs with two million customers.

2.2 Data collection

The interviews lasted about one hour, with each interview being transcribed verbatim. In the first part of the interview, we asked for details on how the water services are provided. In the second part, we asked participants to...
provide examples of specific successes and failures in the service provision. We further asked how the capabilities contribute to the success in the service provision and the lack of capabilities has led to failures. We phrased questions in an unobtrusive and non-directive manner, so as to avoid the pitfalls of excessively active listening (McCra- cken, 1988). We facilitated the emergence of capabilities grounded in the managers’ own language, rather than using pre-defined constructs. The interviews concluded with respondents describing themselves and their personal background.

### 2.3 Data analysis and interpretation

We started with a grounded theory approach to identify capabilities (Strauss & Corbin, 1998). We relied on open coding, in which we first read through the interview transcripts and then identified critical capabilities for the service provision mentioned within the transcripts. We started with an analysis of each single interview, before conducting a cross comparison of the interviews.

Specifically, we listed the capabilities identified, defined each construct, specified its characteristics, and substantiated the construct with an example of the meaning. Furthermore, we included only capabilities which fulfilled the following criteria: (1) Is the capability applicable beyond the local context? (2) Did multiple case studies mention the capability? and (3) Does the capability go beyond the general list of capabilities, so as to provide useful conclusions for theory-building? Later, we continued with developing primary organizing themes on capabilities for providing services with supporting propositions (Homburg et al., 2000).

To ensure the reliability of our findings, three independent judges reviewed the interview transcripts, and verified the accuracy of capabilities we identified. Two of the judges are service researchers, who have a background on transformative services and/or services for the base of the pyramid market. The third judge is one of the authors. Interjudge reliability (Perreault & Leigh, 1989) was above the threshold recommended for exploratory research (Rust & Coote, 1994). To enhance content validity, we also provided the participants with summaries of the interviews and with the emerging capability framework. Participants returned comments indicating their agreement with the capability framework, and on several occasions, suggested slight changes in the wording to increase conceptual clarity. We kept all organizational names confidential.

### 3. Findings

Our presentation of results considers qualitative data issues such as “... telling about data, not showing it... showing too much data, and not interpreting it...” (Pratt, 2009, p. 857).
We provide anecdotal evidence from the interview quotes. Our data reveal three critical capabilities to provide services: (a) ability to adapt the service operation model, (b) ability to convert latent customer needs into value-added services, and (c) ability to extend the customer portfolio.

**Ability to adapt the service operation model:** The capability for adapting the service operation model influences the success of the service provision. For cost reasons, organizations initially try to standardize the service operation model for water service delivery. They argue that it is more cost efficient to replicate (van Krogh & Cusumano, 2001; Winter & Szulanski, 2001) such a standardized service operation model, compared to always adapting the service operation to different contexts. As case ALPHA highlights:

We target villages with 1000 people demanding 4500 liters per day, which can be covered by a single community water system. With one single system, our direct costs are $0.07 and we could charge a water price of $0.12 per jerry can. ...Once we proof that this model works, we standardize it and replicate it in similar villages.

Organizations standardizing the service operation model are struggling later. ALPHA, for example, could not sell the predicted 4500 liters per day, instead there was a need to target larger villages. However, just targeting larger villages has to be considered carefully. Case ALPHA continues the argumentation as following:

... larger villages mean that people have to walk longer distances to our community water systems. Carrying a 20-liter jerry can is exhausting and prevents that people coming to our community water systems from households that are too far away. For reason of convenience, these people would go the unsafe water sources, which are closer to their homes. Targeting larger villages would not automatically increase water volume. Instead, it means to adapt the entire water service model... larger villages might also have competition... there is a rationale to continue with small villages.

Companies succeeding with their service provision report to address such arguments. They are able to change the service operation model by going from one CWS from which all people collect the water to a flexible configuration of CWSs, water ATMs (water storage with a tap, where people can pay for the water with prepaid cards), water kiosks, water taps, and so on. Such more sophisticated water distribution systems reduce walking distances, but also come with higher costs. Case BETA highlights:

Having four water ATMs, a water delivery truck and one water treatment system requires an investment of $14000. This is three times more than the initial investment in a single community water system. It was uncertain whether the higher investment actually pays off. We relied on the entrepreneurial skills of our water business operators to make sure that this new water service delivery model was financially viable.

Adaptation in the service operation models can only succeed, if entrepreneurial competences to manage the water businesses can be extended too. Case GAMMA provides following illustration for such a successful competence extension:

By adapting our service operation model ... the lessons we learned was to look for entrepreneurs with an extended family network. When the entrepreneur is specializing on managing the water treatment technologies, family members can already distribute water, manage water kiosks and so on....

Such a successful competence extension lead to more opportunity-driven entrepreneur, which aim deliberately on exploring new business opportunities rather than just sustaining (surviving) with their businesses. To explore the business opportunities, entrepreneurs require competences associated with becoming a trusted adviser. Their advices inform low-income customers on health issues associated with safe drinking waters. A few customers follow this advice and in turn become opinion leaders for promoting safe drinking water, finally multiplying the entrepreneurial efforts for reaching out to all consumers.

Based on these and related statements made in our interviews, we make the following proposition concerning the capability for adapting the service operation model.

**Proposition 1:** Service provision to low-income consumers will be more likely to be successful as organizations depart from standardizing the service operation model toward being more flexible in adapting the service operation models.

Adapting the service operation model means to configure parameters such as size of community water systems, water distribution approach, competences of water entrepreneurs in a more flexible way. However, it means not to adapt the actual water services. Water services might still focus on core aspects such as 20-liter jerry can as single water volume, self-pick up mode, opening hours, walking distance, and water prices. These core services derive from the obvious customer needs to have access to water. However, our second capability suggests that organizations should extend these services to become more successful.

**Ability to convert latent customer needs to additional value-added services:** Organizations need to gain a deeper understanding on latent consumer needs. Instead of focusing on the obvious need to get access to water, organizations should think about converting latent customer needs into
additional value-added services leading to an extension in the service portfolio (Slater et al., 1995). Case LAMBDA suggests:

When we focused more on latent customer needs, we got the idea for new service innovations: selling chilled water and home delivery services... Initially, we did not believe that people living close to the poverty line would pay any extra for such services. Nevertheless, we tried it and were surprised that customers really like it.

Furthermore, case DELTA highlights that the lack of value-added services leads to ceasing the water service operation:

Surprisingly, by sticking to core services, we observed that customers are buying not only less water, but even switch back to unsafe sources.

While converting latent customer needs into additional value-added services has been supported by existing research in industrialized markets (Slater et al., 1995), it questions the common no-frills approach for consumers having very little financial resources (Karamchandani et al., 2009; Markides, 2006). Organizations reported strong skepticism whether low-income consumers would pay for such additional value-added services. For example, case LAMPDA raised following concerns:

... we were not sure if people pay extra... Does cooling water really makes sense if it is outside very hot? Does the water not get warm very quickly? .... we did not believe that people living close to the poverty line would pay any extra for such services.

Despite such concerns, organizations successfully providing services explore the options of addressing latent customer needs more deeply. They gained a much deeper understanding of customer needs. For example, case LAMBDA reported following learning on providing chilled water:

We learned that when adults come back from a day of hard field work, refreshments are very welcome. Delivering 5 liters of cold water would mean that we compete with expensive soft drinks ... so there is an opportunity to charge extra for cold water.

While providing cold water as an additional value-added service is just one example, similar arguments were observed for home delivery services and more flexible water volumes. Organizations initially assumed that they would save costs by providing water services in one-size-fits-all 20-liter jerry cans. Case LAMBDA suggests:

... selling water in 20-liter jerry cans makes our service operation easy to manage and minimizes costs. Selling water bottles (e.g., 1, 5, 20, or even 100 liters) with various sizes would make our service operation much more complicated. We would need additional bottles, have to manage the return and cleaning processes for them...

However, some organizations went beyond that one-size-fits all approach. They recognized that some income segments would benefit from purchasing smaller amounts. This is valuable for those living in extreme poverty, as they can make smaller purchases when they cannot afford more. These water bottles created an additional benefit, because they could be carried by children and can be used for drinking when these children are in school or when adults are at work. Therefore, our results suggest that more flexible water volumes pay-off by creating additional revenues and increasing customer satisfaction.

Similarly, getting water delivered is a more latent customer need and organizations question whether low-income consumers would actually pay for that. Despite such concerns, organizations successfully providing services explore these options and start to offer home delivery services for some additional charges. Offering such value-added services creates learnings about the actual customers, which in turn is beneficial for the service provision. Case GAMMA demonstrates such learnings in the following way.

Once we started to offer home delivery services ... we learned that not necessarily the lowest-income consumer demand these services... Instead, home delivery services open up financially little bit more viable customer segments. These were not consumers whose cultural practice was to fetch water every day, but who had a small shop and would be willing to pay for it [home delivery services].

The capability to convert latent customer needs into services makes service provision to low-income consumers more successful. However, organizations have to recognize that latent customer needs are embedded in the social and cultural context and not easy to observe (Edvardsson et al., 2011; Vargo et al., 2009). Nevertheless, we propose:

**Proposition 2: Service provision to low-income consumers will be more likely to be successful as organizations depart from the no-frills approach and convert latent customer needs into additional value-added services.**

Adapting service operation model and providing additional value-added services are intertwined with the third capability on extending the customer portfolio. Extending the customer portfolio means tapping into consumer segments with higher and less vulnerable income levels. For example, case DELTA reported following change in the share of household customers:

In our initial villages, we target mix of household customers of 81 % people living in extreme poverty, 14 % lower-income level, and 5 % medium-income levels.
While our financing partner was happy that such a high percentage of people living in extreme poverty could be reached, our service provision became not financially sustainable. Thus, we started to target following mix later: 60 % people living in extreme poverty, 30 % low-income and 10 % medium-income.

Extending the customer portfolio also goes beyond the provision of water services to households and to start offering water services to commercial businesses and public institutions. While such an extension makes economically sense, it does not necessarily conform with the social objectives of financing partners. In many philanthropic efforts, such finance partners prioritize access to water for people living close to the poverty line. They are not keen on financing water services for higher income levels or as in DELTA’s case for financing water services for an international hotel.

When we initially submitted our financial proposal for arsenic-free water... we assumed that... [we] ... would also provide water to an international hotel. The profit we make with that hotel ... makes it much easier to provide safe water to poor people ... financially viable. However, the donor did not finance the hotel, but insisted on focusing only on people living close to the poverty line.

Organizations reported to overcome such resistance from financing partners through separating the service operation model. They promote the water provided to low-income consumers as “social” water, whereas the water sold to private businesses and public institutions as “commercial” water. Both types of water are branded differently and have different prices. As case EPSILON substantiates:

We sell around 90 % of our water as social water to people living in villages for little as $0.07 per 100-liter. To subsidize this low water price, we sell 10 % of our water as commercial water. This commercial water is sold in water bottles in larger cities for a price of $0.167 per liter.

To ensure that people benefiting from the “social” water do not re-sell this water to such commercial customers, these target markets are kept separated (e.g., geographically such as rural villages and cities, branding, or distribution channels). Traditional marketing literature would conceptualize such a market extension and/or extension of the customer portfolio as targeting various customer segments in similar markets (Lovelock & Wright, 2001). However, our data reveal that even by sounding similar, the actual market logic is quite different. Therefore, our organizations do not only think about extending the customer segments. They start thinking along the concept of ambidexterity. Accordingly, organizations recognize that by extending the customer portfolio they are actually start targeting markets with different business logics. Organizations are still “exploiting” (taking advantage of) the water market for people living close to the poverty line, but have also started to explore new business opportunities by targeting higher income segments, commercial customers, and public institutions.

There is a need to specialize on exploitation and exploration activities simultaneously (March, 1991; O’Reilly & Tushman 2004). Initially, our organizations report a sequential ambidexterity (Brown & Eisenhardt, 1997) by first exploiting the water market for people living close to the poverty line followed by exploring new business opportunities. Once the exploration is successful, organizations turn towards a structural ambidexterity (O’Reilly & Tushman, 2008) embedding exploring new opportunities and exploiting the water market into separate structures. Case ZETA substantiates this argument:

... we implemented organizational structures and processes for improving our water services targeting low-income consumers. ... making these water services more cost efficient ... Later, we asked one of our managers to search for potential new markets and customer segments, take risks, discover the new market logics, and be innovative in terms of new services. ... When the exploration of these new markets became successful, we established separate organizational structures and processes to maintain the momentum in this newly emerging water businesses.

Separating activities targeting business opportunities outside the water market for low-income consumers helps to overcome the above-mentioned bias of financing partners. Separate structures make it possible to allocate financial resources to the corresponding business activities. This ensures that no philanthropic investments are misused to finance other business activities.

Extending the customer portfolio, managing different types of customers, and creating a clear allocation of financial resources to the business activities is only possible with an IT-systems enabling an efficient customer relationship management and enterprise resource planning. In addition, IT-systems can be also used to automatize the payments and monitoring the water consumption. More successful companies reported to use electronic pre-paid cards to simplify the financial flows and to track the individual water consumption (Gebauer & Saul, 2014). Such consumption data allows organizations to manage the customer relationship more actively whenever customers change their water consumption. In addition, such systems help to improve the water delivery process. Organizations utilizing such IT-systems benefit from extending the customer portfolio by increasing the revenues and decreasing the costs. Case DELTA highlights:

To ensure that the extension of the customer portfolio does not overstretch our organizational competences,
we invested in pre-paid cards and CRM-systems. We can now track the water consumption of every individual household. Whenever we recognize now that a household has not bought water, we can send reminders and even phone them. ... Such IT-systems need investments, but they pay off through cost reductions and revenue generation.

On contrary, case EPSILON reported:

When we started to make water service delivery agreements with commercial businesses... we were very happy to generate additional revenues. ... however, we experienced immediately difficulties in keeping up with the promised agreements.... we lacked a system to monitor whether the water is delivered on time or not and whether such customers have also paid.... As a result, customers got quite disappointed in our service delivery and we lost service agreements again.

Appropriate IT-systems and a structural ambidexterity are important enablers for extending the customer portfolio. For extending the customer portfolio, we make the following proposition.

**Proposition 3:** Service provision to low-income consumers will be more likely to be successful as organizations depart from targeting only low-income consumers toward extending the customer portfolio.

The extension of the customer portfolio creates an even stronger need to adapt the service operation model. The additional customer segments and even new water markets are very context-specific making the adaptation of the service operation model even more important. Similarly, the new customer segments and markets create need opportunities to convert latent customer needs into new value-added services. Such value-added services for new customer segments might even go beyond the water market (Ansoff, 1957). Some cases report to offer energy services by using the solar panels attached to the water treatment equipment, to sell other typical retail products in their water kiosks, or to offer water testing services. Altogether, the three capabilities enhance the success of the service provision: (a) adapting the service operation model, (b) converting latent customer needs into value-added services, and (c) extending the customer portfolio.

Figure 2 summarizes these three capabilities and their underlying activities. Figure 2 also shows the proposed influence of these capabilities on the success of providing socially beneficial services on low-income consumers.

### 4. Discussion and implications

#### 4.1 Implications for Theory

Our study has four main implications for further academic inquiry. First, our study confirms that capabilities for gaining insights into customer needs play a vital role for providing socially beneficial services to low-income consumers. It means that established concepts such as customer-centricity, customer intimacy, and customer orientation (Olsen et al., 2005; Shah et al., 2006) and/or market-orientation (Day, 1994; Kohli & Jaworski, 1990; Narver & Slater, 1990) are applicable in the context of service provision to low-income consumers. Even if such concepts are challenged, because customers might lack education and...
are trapped in cultural taboos (Tashman & Marano, 2009) and markets have multiple constraints (London et al., 2010).

Second, we identify unique facets of the capabilities for providing services. These capabilities partly depart from previous arguments. The ability to adapt the service operation model jeopardizes arguments that organizations optimize their costs by standardizing their service operation model (Winter & Szulanski, 2001; Karamchandani et al., 2009; van Krogh & Cusumano, 2001). Such a standardization creates rigidities in the service operation models become straightjacket for adapting the operational model to different contexts. Therefore, it does not lead to a successful service provision. By contrast, organizations overcome standardization tendencies and invest into the capability allowing them to adapt their service operation models. Such investments include the extension of the entrepreneurial capacity for operating the water businesses. This finding is in line with the argument that the people living close to the poverty line should not be only approached as consumers, but also as entrepreneurs (Karnani, 2007; London et al., 2014). In building the entrepreneurial capacity to adapt the service operation model, organizations move away from engaging only necessity entrepreneurs, but to look more for opportunity-driven entrepreneurs, which can mobilize critical resource to manage the entire water business by an extended familial network (Naudé, 2010; Viswanathan et al., 2009). While existing research highlights the importance of integrating entrepreneurs to respond to local business practices (Anderson et al., 2012), our findings advance the understanding of entrepreneurial competences necessary to provide services to low-income countries. It is not only important to integrate entrepreneurs as service promoters, sales agents, and so on, but to develop the entrepreneurial competences to explore business opportunities actively. Service research can continue this line of thought by looking deeper into the competences associated with becoming an opportunity-driven entrepreneur (Naudé, 2010; Viswanathan et al., 2009).

The ability to convert latent customer needs into additional value-added services jeopardizes that organizations should approach low-income consumers with a no-frills approach (Markides, 2006). Of course, there have been arguments that due to the financial constraints, organizations should include micro-loan services and/or pay-per-use services into the service offerings (Karamchandani et al., 2009). These services support organizations to overcome up-front costs for products and services and to match services with volatile incomes of low-income consumers (Prahalad & Hammond, 2002). However, these services still belong to the core services, which are guided by no-frills principles (Markides, 2006). Our findings suggest that value-added services are vital for a successful service provision. Considering value-added services deepens the understanding of customers, enable a differentiation into various customer segments, open-up additional revenue streams, and, finally, strengthen the customer satisfaction leading to a stronger word-of-mouth effect (Anderson & Markides, 2007).

Extending the customer portfolio to make the service provision financially more sustainable confirms prior research (Gebauer et al., 2017 Vousvouras & Heierli, 2010), but this research discusses not comprehensively implementation challenges. An implementation challenge is, for example, the reluctance from financing partners to support such an extension. To overcome such a reluctance, organizations need to clearly separate the service operation model underlying each customer segment or even different markets. Organizations have to become an ambidextrous organization to manage various customer segments and/or markets simultaneously. They continuously exploit the business opportunities surrounding the low-income customers and explore new business opportunities emerging in other customer segments. Organizational ambidexterity has been intensively discussed as a success factor for companies in industrialized markets (O’Reilly & Tushman, 2004; March, 1991), but it is new in the low-income context.

Finally, our findings suggest that in many situations, the organizations providing services are not well positioned to unlock that potential value of socially beneficial services for poverty alleviation (Garrette & Karnani, 2010; Gebauer & Reynoso 2013; Ostrom et al. 2015). We provide a better understanding what limits and enables the organization in providing services. There is a clear need for large-scale empirical surveys to identify how capabilities influence the service provision. The propositions developed in this article provides guidance for this type of research. It could also assess service performance that would allow more normative statements concerning optimal capability configurations to be made. Future research should develop the necessary constructs for such empirical research.

Figure 2 summarizes the capability descriptions. These descriptions can guide quantitative research on the influence of capabilities on providing socially beneficial services to low-income consumers. The descriptions inform the operationalization of constructs for future empirical research. Some scales and construct descriptions already exist for capabilities. Our findings suggest that capabilities should be operationalized as a higher-order construct, including three first-order constructs: a) adapting the service operation model in a flexible way, b) converting latent customer needs into value-added services, and c) extending the customer portfolio. The operationalization of the first-order constructs could be derived from the specific aspects of these capabilities illustrated in Figure 2.
4.2 Implications for Practice

Our findings provide a managerial guideline for making water services more successful. We recommend changing existing capabilities such as standardizing the service operation model, focusing on no-frills approach for services, and targeting only low-income consumers. While these capabilities sound rationale, organizations should change them toward (i) adapting the service operation model, (ii) converting latent customer needs into value-added services, and (iii) extending the customer portfolio. The development of these capabilities is costly, but these costs pay-off in terms of making water services more successful.

Deploying these capabilities requires various activities. For adapting the service operation model, for example, organizations need to configure water treatment and distribution systems into a tailored solution for the water needs of a community. To convert latent customer needs into value-added services, companies should deliberately gain a deep understanding of the social and cultural context. They should think out of the box to come up with creative ideas for value-added services. Companies should also put a price tag on such services and charge for them separately. Finally, companies should screen for new customers and for opportunities to expand their business actively. Expanding the business enables companies to explore new business opportunities, which goes beyond the water demand of low-income consumers. To do so, organizations need to first emphasize temporal followed by structural ambidexterity. Managers have to recognize that such an expansion and the corresponding extension of the customer portfolio is only possible, if they invest into information management systems (CRM and ERP) allowing them to manage customers in a cost-efficient way.

Organizations can visualize such capabilities, together with the concrete design choices for the activities to be implemented, which we have identified in this study. They can consider implementation facets such as structural ambidexterity, charging for services, expanding entrepreneurial capacity. Practitioners can assess the relevant strengths and weaknesses according to these implementation facets. Our findings enable managers to take a closer look at their existing capabilities and make strategic decisions for further capability development.

4.3 Limitations

Of course, our qualitative study has its limitations, although some offer promising directions for future research. A natural next step would be a quantitative study testing the propositions that our three capabilities influence positively influence the service provision. Furthermore, we mostly conducted interviews with key informants from the organizations providing the CWSs. It would be interesting to triangulate with data from the actual water consumers.

We focused only on water services, but researchers could also investigate what capabilities emerge for other socially beneficial services in the poverty-alleviation context. Relevant services include, for example, solar technologies to provide electricity services. Such an application of our capabilities would provide a noteworthy contrast, revealing new insights, and also show which capability elements could be generalizable. Although these limitations and future research opportunities must be kept in mind, we are confident that our findings provide new insights for academics and practitioners alike.

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