Chapter 10

Potentials of Frugal Innovation to Combine the Social and Economic Objectives in the Marketing of Social Enterprises: The Case of EinDollarBrille e.V.

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ABSTRACT

Social enterprises strive to address social problems and pursue economic goals. In doing so, they also have to deal with the question of how to structure their marketing approaches to balance social and economic marketing goals. Frugal innovation often aims to address social problems with solutions that are affordable and of high quality. At the same time, these innovations are embedded in economic structures and aim to generate profits. Thus, it is assumed that such innovations influence the design of marketing strategies. This case study reveals how the social enterprise EinDollarBrille e.V. combines social and economic aims in its marketing approach based on a frugal innovation. The findings are consistent with previous research that social enterprises should try to overcome seeming contradictions of marketing goals. It is proposed that social enterprises could consciously pursue strategies that create synergy between their dual aims. Thereby, frugal innovations can be advantageous.

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INTRODUCTION

In developing countries, such as most nations in Africa, poverty, health problems, and a lack of proper education remain ongoing social challenges (Beegle et al., 2016). Social enterprises as “organizations seeking business solutions to social problems” (Thompson and Doherty, 2006, p. 362) provide solutions intended to meet the needs of disadvantaged groups in such developing countries inter alia. In line with Thompson and Doherty’s (2006) definition, social enterprises pursue a social mission while simultaneously trading in the marketplace and earning profits. The contrast in these objectives results in an organizational structure that has interrelated dualities and that influences marketing approaches (Mitchell, Madil & Chreim, 2016; Satar & John, 2016). Social enterprises face the challenge of balancing their social and economic objectives and stakeholders. They have to foster stability and growth and position themselves as both collaborators and competitors appropriately. For instance, social enterprises seem to consciously limit their investment in marketing to maintain their image as a social enterprise. Nevertheless, as organizations with business models that aim to generate revenue, they have to cope with competitors as well. This might be a reason why their marketing emphasizes the quality of their solutions rather than their social mission. Also, creating awareness to establish cooperation and, even more, to receive grants and funds is another key marketing objective. Social enterprises have to remain true to their social purpose while simultaneously fostering business growth (Mitchell et al., 2016). This tension between their dual aims explains why marketing seems to be challenging and rather unconventional for social enterprises (e.g. Powell & Osborne, 2015; Shaw, 2004; Bull, 2006). Nevertheless, focusing on marketing can lead to profitability and the advancement of social missions (Choi & Majumdar, 2013; Glaveli & Geormas, 2018).

In the literature that speaks concerning solutions to social challenges, the topic of frugal innovation is considered. Tiwari and Herstatt (2012, 2014) define frugal innovations as new or significantly improved products, services, processes, or methods. Targeting customers who demand products with significantly lower costs, frugal innovations aim to reduce the total cost of ownership by minimizing the use of resources in the entire value chain. Another characteristic of frugal innovation is its value proposition and quality standard. Furthermore, frugal solutions tackle customers’ specific requirements with robust and high-quality solutions (Tiwari and Herstatt, 2012, 2014). Based on their key features, frugal innovations often improve living standards by providing affordable solutions to address social challenges while simultaneously seeking to generate revenue and fulfill economic objectives. Therefore, frugal innovations are assumed to be a fruitful approach to manage the tension inherent in seeking to fulfill both social and economic objectives. According to Weyrauch and Herstatt (2016), frugal innovation has three key features: substantial cost reduction,
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