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Article

# Customer Value Creation for the Emerging Market Middle Class: Perspectives from Case Studies in India

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**Abstract:** This paper examines the customer value creation framework and discusses the design of the key elements for product development in emerging markets. A scientometric/bibliometric scoping literature review identifies a clear gap in the current research in studying prerequisites for customer value creation in emerging market contexts. Observing experiences of Daikin and Renault in the context of India, the purpose of this paper is to identify value creation strategic choices following which comprehensive customer value offerings in products and services can be successfully created by firms across the four facets of the framework in emerging markets. Value creation strategies include having a nuanced understanding of the latent contextual needs to offer localized high-quality products that embody distinct functional attributes that provide a functional value and being responsive to specific emotional needs and epistemic experiences of the target customers in product and service offerings to deliver a greater experiential value. Furthermore, the products should adopt a localized operational excellence strategy throughout the value chain to reduce costs for competitive price offerings in order to deliver superior cost value and develop brand image and equity strategy, thereby allowing for the provision of a greater symbolic value. Experiences of successful firms demonstrate the need for extensive local research into the emerging market followed by localization of production and development of a distribution network to be able to offer customized products at competitive prices whilst maintaining the brand value. We thus extend the customer value creation framework by introducing localization as a necessary condition for successful organizational performance in emerging markets.

**Keywords:** customer value creation; local adaptation; emerging markets; India; product development; risk; MNCs; evidence-based; bibliometric; scientometric



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## 1. Introduction

The growth of emerging markets (EMs) far outstrips that of developed countries; however, each location is fraught with idiosyncratic contextual differences. Experiences of companies including Google, eBay, Panasonic, Volkswagen, and other multinationals in the particularities of the Chinese market can attest for the idiosyncratic contexts requiring strategic adjustments (Luo 2007; Wakayama et al. 2012). Rapidly growing middle-class customers in EMs with an increasing disposable income are diverse, enjoy brand awareness, and show inclinations to access a range of high-quality products at affordable prices (Dawar and Chattopadhyay 2002). These consumers have a preference for localized products that are sufficiently robust, possess maximum flexibility in product use, and can be repaired and maintained at the local level. Above all, middle-class EM consumers tend to prefer durable products with long consumption cycles to reduce overall costs throughout the lifecycle of the product (Petrick 2011; Prabhu and Krishnan 2005; Sharmelly and Ray 2021). As a result, multinational companies (MNCs) from developed countries find it difficult and increasingly risky to manage innovation and succeed in EMs, as these firms are not accustomed to striking a balance between specific product demand and affordability

criteria of EM customers (Christensen and Overdorf 2000; Hang et al. 2010). In brief, it is challenging for foreign MNCs to develop and sustain uniquely attractive propositions.

Over the past decades, sufficient research on customer value creation has been conducted (Woodruff 1997; Eggert and Ulaga 2002; Ulaga 2003; Smith and Colgate 2007; Spiteri and Dion 2004; Ramaswamy and Ozcan 2018). However, the literature is scant on recognizing particularities of consumers in EMs. Considering the majority of the world's population (over 85 percent) is in the developing world (Prahalad 2010; IMF 2020), the question for firms eager to capitalize on large markets should be on how to prioritize their innovation efforts to achieve success in EMs. However, as product innovation is risky and challenging in EMs due to many contextual factors (Gupta and Thomke 2018), conducting this research is necessary to determine whether MNCs, which are inherently known for their products embodying specified proprietary technologies and sophisticated features, should focus only on technological leadership. Or is rethinking the value creation strategy likely to prove successful for MNCs in such markets?

The paper makes multiple principal contributions. First, the study utilizes scientometric analysis to identify the lack of research conducted on customer value creation in the context of EMs. Second, we test the widely acknowledged customer value creation (CVC) framework proposed by Smith and Colgate (2007) in an empirical setting of India and identify specific strategies for customer value creation in EM contexts. Third, utilizing the case of Daikin India, the Indian operation of the Japanese multinational air conditioning manufacturing company, and Renault India Private Ltd., a wholly owned subsidiary of the French multinational automobile manufacturer, as case studies, this study contributes to the sparse literature on the important concept of value creation for customers in EMs context by applying the CVC framework. Lastly, the study advances existing knowledge because it demonstrates how inclusive value offerings made across the four aspects of the CVC framework are beneficial for firms in an EM context. It is the aim of this paper to demonstrate that CVC is rarely holistic for MNCs that aim to tap into the rapidly growing middle class customer segment in an EM context. Thus, the question guiding this research is as follows: How can MNCs create customer value successfully in an EM context? We utilize and adapt the highly recognized CVC framework by Smith and Colgate (2007) in an attempt to answer this question.

The paper is structured as follows: Section 2 presents the theoretical background of the study; Section 3 presents methodology of the study; Section 4 presents findings of the case studies; Section 5 outlines discussion and contributes to the existing literature; and finally, Section 6 outlines the conclusion, managerial implications, limitations of the study, and suggestions for future research.

## 2. Theoretical Background

### 2.1. Customer Value and Its Creation

Value refers to a price a customer is willing to pay based on the worth that a product or service offers as well as meeting the required needs or wants of the customer (Babin and James 2010; Amit and Zott 2001). If the aim of strategic marketing is to create the most optimal value that appeals to customers through differentiation, then the perception of the optimal value is the key to competitiveness in EMs. How does a firm achieve this optimal value? This question is pertinent not only in strategic marketing but in all commercial disciplines. Nevertheless, value is not only the premise of the relationship between a buyer and a seller—a full systems perspective recognizes a set of relationships between different stakeholders, for whom value is different dependent on the relationship. In this study, however, we only consider customer value creation.

Marketing researchers have identified this optimal value as customer value. To date, several propositions on framing customer value have been offered in the literature. Parasuraman (1997) assesses customer value via the division of customer type (first-time customers and defectors) and by introducing longitudinal measures for comprehensive marketing research and analysis. Despite being an important topic of research for the

last 30 years, there is no concrete definition of customer value (Gallarza et al. 2011); some seminal works have established that customer value refers to the value of a product or service in the trade-off between the investment and what the customer receives (Woodruff 1997; Salem Khalifa 2004; Eggert et al. 2018). According to Lusch and Vargo (2011, p. 1304), customer value is “idiosyncratic, contextual and meaning laden”. Consequently, customer value has two principal perspectives—utilitarian and hedonic. The utilitarian perspective emphasizes the task-related characteristics of product or service offerings, and the hedonic perspective emphasizes the act of consumption (Lusch and Vargo 2011). Unsurprisingly, the successful creation of customer value is imperative for a firm to differentiate its positioning in the market and to achieve a competitive advantage (Desarbo et al. 2001; Spiteri and Dion 2004; Sahi et al. 2018).

## 2.2. Dimensions of Customer Value

In this study, we apply a comprehensive model proposed in a seminal review paper on customer value creation by Smith and Colgate (2007). The customer value proposition framework integrates existing conceptualizations of customer value creation from the research of the past two decades and extends the concept of the traditional marketing mix. The framework, which is widely applicable to all types of business-to-customer and business-to-business products and services, suggests that firms create four main types of value: cost/sacrifice, functional/instrumental, experiential/hedonic, and symbolic/expressive values. These four key values influence customers’ choices concerning the purchase of products and brand decisions (Smith and Colgate 2007). However, to date the CVC framework has been examined in the context of developed countries. We believe that the framework is particularly useful for MNCs that intend to do business in EMs as it explains the creation and delivery of the required values along the value chain (Porter 1985) or value network (Kumar 2006) activities of a firm. Drawing on the CVC framework, we propose that an inclusive value offering across the four dimensions of the framework enables firms to outperform competitors in EMs and highlight the firm-level activities to facilitate value creation. Below, we outline the four facets of the framework.

### 2.2.1. Cost Value

Cost value regards the extent to which a customer attempts to maximize, or at least realize, product benefits while at the same time seeking to minimize monetary costs. Such costs are often involved in the product lifecycle, such as at the point of purchase or through the time of ownership and product use (Walter et al. 2003; Woodall 2003). Firms focusing on delivering a competitive cost value emphasize increasing operational efficiency, especially in production and distribution, thereby minimizing economic costs (Smith and Colgate 2007). The end customer effectively aims to reduce economic costs, risk, personal investments, psychological costs, and any other type of investment sacrifice associated with purchasing the product.

### 2.2.2. Functional Value

Functional value refers to the extent to which a product has the preferred characteristics or functional attributes, performance capabilities and usefulness or benefits (Sheth et al. 1991; Woodall 2003). Firms intending to deliver a greater functional value focus on leadership in the development and invest heavily in new technology and product development (Rintamäki et al. 2007). A product should possess proper and suiting qualities in terms of its performance, e.g., quality, durability, reliability, and it should achieve appropriate outcomes, such as effectiveness and achievements.

### 2.2.3. Experiential Value

Experiential value signifies the extent to which a product generates appropriate customer emotions and experience (Arnold and Reynolds 2003; Sheth et al. 1991). Firms that are aiming to deliver a superior experiential value focus on customer relationships and mar-

ket research to provide customized product offerings. The key features include provision of sensory, emotional, and epistemic elements in products and services (Talonen et al. 2016).

#### 2.2.4. Symbolic Value

Symbolic value regards the degree to which customers associate psychological meaning with a product (Holbrook 1999, 2005). Such associations often include a consumer's social prestige and self-expression (Choo et al. 2012). Organizations aspiring to provide a better symbolic value typically focus on advertising, customer engagement activities, and public relations (Smith and Colgate 2007). Symbolic value often appeals to self-identity/worth, attached personal meaning, social significance, and desired meaning in relation to the product/service offerings.

#### 2.3. Emerging Markets and Customer Value Creation

Value proposition frameworks tend to derive from the literature and cases of established MNCs in the context of developed market, thus creating the void in investigations regarding EM contexts. Given the high growth rates in EMs, MNCs cannot ignore the impetus of exploring and expanding their businesses to these markets. As EMs offer new business growth opportunities for both local firms and MNCs, in recent years (Sharmelly and Ray 2018, 2021), there has been an increased focus on innovation in EMs. Over the past decades, EMs spearheaded by China and India have become the global economic growth engines (Sharma et al. 2016). With high growth rates of EMs, MNCs from developed countries consider these markets to be strategically important to enter (Atsmon et al. 2012). EMs such as China and India have been leading the global economic growth in recent years, and middle-class customers who have been transformed from non-consumers to consumers because of the rising disposable income (Williamson and Zeng 2009) are among the fastest-growing customer segments globally (Kravets and Sandikci 2014). However, these customers have distinct requirements. Not only do middle-class customers demand affordability in products/services, but they also require value-adding product attributes in product offerings, including usability (Dubiel and Ernst 2013; Nakata and Weidner 2012), high quality, and sturdiness (Gadiesh et al. 2007).

However, product development is risky and challenging in EMs, as these markets are characterized by within-country cultural diversity; political uncertainty; and a lack of functioning institutions, including the absence of stable policies and regulations (Gupta and Thomke 2018). Furthermore, MNCs face a number of challenges, risks, and uncertainties when entering and operating in EMs. Perano et al. (2018), for example, demonstrate that business continuity management should be integrated into strategic planning and corporate culture in the context of developing countries characterized by risks to ensure long-term survival of the business, where the context of culture often has a significant effect on organizational performance. These markets are significantly different from developed markets in regard to the demand criteria of the customers and the prevailing socio-economic conditions, and they are characterized by risk and uncertainty (Drummond 2012; Lee et al. 2011).

Therefore, successfully tapping into EMs involves MNCs customizing their innovation strategies to be aligned with idiosyncratic demand principles of EM customers (Ramamurti 2012). This also calls for MNCs to think beyond the approach of simply offering low-cost versions of established products (Chattopadhyay et al. 2012; Agnihotri 2015; Klarin 2019) or the traditional model of selling premium products (Christensen et al. 2006).

Thus, determining value specifically for target consumers is one of the main challenges for businesses in EMs (Wakayama et al. 2012). MNCs need to design product management that more accurately reflects local preferences and values of consumers who often face various constraints, including lack of purchasing power (London and Hart 2004) and appropriate infrastructure (Karnani 2007).

The five characteristics of EMs as stipulated by Sinha and Sheth (2018)—market heterogeneity, sociopolitical governance, unbranded competition, chronic shortage of

resources, and inadequate infrastructure—make it difficult for MNEs to succeed in these markets. Thus, a number of strategies have been proposed in the literature to offset these and other negative effects that occur in EMs, which include offering reengineered products that are low-cost and reachable, maintain a cultural affinity, and are marketed appropriately (Boso et al. 2018; Meyer and Tran 2006; Dawar and Chattopadhyay 2002; Dadzie et al. 2017; Sinha and Sheth 2018).

The aim of this paper is to investigate how MNCs can offer value successfully in an EM context. We utilize the CVC framework in an attempt to answer this question.

### 3. Methodology

#### 3.1. Scientometric Analysis to Identify a Research Gap

Recent advancements in scientometrics and bibliometrics allow one to capture large volumes of data and parse these through specialist analysis tools in order to gain a bird's eye view of a particular set of published data (van Eck and Waltman 2014; Klarin et al. 2021). This method allows one to identify possible gaps in the literature through gaining a holistic outlook on a particular subject (Rossetto et al. 2018; Klarin 2020). Thus, we deemed it necessary to run a scientometric analysis of the customer value literature to conduct investigation into what customer value scholarship holistically represents.

We chose to use the entire Web of Science database (WoS), as it is considered one of the largest scientific knowledge databases (Podsakoff et al. 2008; Crossan and Apaydin 2010) and has major overlaps with its closest contestant database, Scopus, meaning that there are marginal divergences between the results of the two databases, especially if looking to compare large volumes of publications (Vieira and Gomes 2009). The search query was set as “customer value”, which returned 3182 publications that contain either of these terms within the titles and abstracts of the original works for the period of 1980 to 30 July 2021.

To gain the state-of-the-art bird's eye view of the scholarship, we utilized VOSviewer clustering software, which is based on the notion of identifying high similarity terms and placing them on a map close to each other. Having gained the results, we searched through the terms parsed into co-occurrence based on the text data extracted from titles, abstracts, and keywords of publications to find references to EM contexts (Korom 2019; Inkizhinov et al. 2021; Galvin et al. 2021). We found no reference in the results (terms occurring in at least 10 publications by default) to EM contexts, which confirmed our initial thoughts as to the lack of research on customer value in EM contexts, which is an undeniably important topic.

To further provide a more thorough investigation of EMs in the current literature, we ran the following search string in the WoS search: “customer value” AND TOPIC: “emerging market\*” or “emerging countr\*” or “emerging econom\*” or “developing market\*” or “developing countr\*” or “developing econom\*”. The filtered search returned 55 results.

Most of the results had little or no relation to the creation of customer value in EMs, including those that provide fleeting mentions of customer value whilst measuring or discussing other constructs or variables. We examined each of the results and identified only a handful of studies that directly address customer value in EMs. As such, these studies mostly tested customer value relationships with other constructs; for example, Amoako (2019) demonstrated that brand equity significantly leads to firm value and customer value, while customer value partially mediates firm value and brand equity in Ghana. A study of the Iranian automotive industry demonstrated that governance structure transformations and open innovation development lead to value creation and capture (Kashan et al. 2018). A study in the context of Mexico by Sánchez-Gutiérrez et al. (2019) showed that management capabilities in customer relationships and knowledge conversion of customer needs into specific choices have a positive effect on CVC. Ivanauskienė et al. (2012) found that during the period of economic downturn in Lithuania, the dimensions of emotional value and functional value were rated high by customers, while social value factors were rated low. Finally, a study of 249 small- and medium-sized Indian firms found that a salesperson's customer orientation directly leads to value creation and relationship

development with customers, while a sales orientation has a negative effect on value (Singh and Koshy 2011). Although studies on customer value in EM contexts do exist, they tend to affirm or simply test the same variables as they would in the context of another country. These studies fail to differentiate the market contexts from each other and identify factors that may influence customer value perceptions, especially in EMs or specific locations.

The aforementioned CVC framework lacks in-depth studies that underpin and apply the framework in an empirical context—especially in the context of EMs where MNCs must meet the precise customer demands amidst the vastly different environment settings.

### 3.2. Exploratory Case Studies in the EM Context

Due to the relatively unexplored nature of this topic, we adopted an exploratory case study research strategy (Yin 2013). A case study is an empirical enquiry that investigates a contemporary phenomenon within its real-life context (Yin 1981). This allows the researcher to obtain an in-depth insight of the context (Dyer and Wilkins 1991) and provide a more convincing demonstration of a conceptual argument and causal forces (Siggelkow 2007). The case study approach is one of the best possible ways to gain a deep understanding of how firms can organize value creation strategies in the price-conscious customer segment in a developing country. The findings obtained from this method have the potential to be more rigorous and reliable if multiple case studies are used, which can allow increased generalization across different case study findings (Eisenhardt 1989; Yin 2013). To address the research question, two case studies were applied. Case studies were based on secondary data—publicly available interviews with company representatives, including managing directors, heads of sales and marketing, and other senior managers, together with multiple sources of information, such as company data, annual reports, consultancy reports, journal articles, books, magazine, and newspaper articles. To gain the aforementioned information, we searched through ProQuest and WoS databases for the mentions of both selected companies in the context of India. We also performed a Google engine search for the subject in order to identify periodicals, articles, and other sources to analyze and deliver the findings.

The Indian context is of particular interest when exploring the domains of innovation. India is the world's second fastest growing emerging economy after China (BBC News 2019) and is increasingly being considered a new source of growth and innovation opportunities for global MNCs (Ray and Ray 2021). The case studies are of two multinationals—Daikin as the leading Japanese air conditioner (AC) manufacturer and Renault as a global car manufacturer. The two companies are different but share the common objective of tapping into the huge market potential of India. The aim of this study is to demonstrate that the four customer value propositions depicted in the framework are to be correctly aligned by an organization to the local market in order to successfully compete in India.

### 3.3. Outlines of the Case Studies

The Indian AC market has been growing at a growth rate of 18 to 20% over the last decade (ISHRAE 2017). Factors driving this growth include the rapid increase in disposable incomes of the middle-class customers, rising summer temperatures, high humidity levels, and rural electrification. Moreover, the penetration of ACs in the Indian households is just 4%, implying that there is a considerable scope for growth (ISHRAE 2017). Daikin Industries Ltd. has recognized India as one of its most significant strategic EMs to sustain lead and growth, thus establishing a wholly owned subsidiary in India—Daikin India (Daikin 2019). Despite being one of the most technologically advanced companies in the industry, initially, Daikin India performed poorly in the highly competitive Indian air conditioning (AC) market, which had more than 25 players up until 2009. Readjusting its strategic direction, Daikin targeted a large segment of value-conscious customers by offering high-quality products at competitive prices and provided an innovative range of 20 new products across residential, light commercial, and commercial segments; Daikin India became the second largest AC manufacturer in India after Voltas (ISHRAE 2017).

Renault entered India in 2005 by forming a joint venture with the leading Indian auto manufacturer, Mahindra & Mahindra (Madhavan 2013). Renault Logan was the first vehicle introduced in the Indian market. However, the car failed to attract Indian customers due to the lack of value-for-money proposition, which resulted in the termination of the joint venture. Identifying a gap in the Indian sport utility vehicle (SUV) segment, the company realized the potential of developing the Renault Duster (“Dacia Duster” in European markets), which captured over 23% market share of the SUV market (The Times of India 2014) and accounted for 86% of Renault India’s production and 100% of its exports (The Times of India 2016). With recent updates in the vehicle’s features and styling, the Duster remains the topmost selling car for Renault worldwide (Bhatia 2019; Renault India 2019).

#### 4. Findings

##### 4.1. Creating Values by Daikin India

###### 4.1.1. Cost Value

For EMs, competitive price and the ratio between quality and price remain important drivers of value (Smith and Nagle 2005; Rintamäki et al. 2007). An economic value proposition requires resources and competences focusing on minimizing economic costs. This requires firms to follow an operational excellence strategy and invest in manufacturing and distribution processes to streamline the supply chain (Tong and Tong 2006). Previously, Daikin India was only manufacturing ACs for the commercial sector in India and used to import residential ACs. However, the prices of the imported goods were not aligned well with the market demand (Sen 2013). To optimize cost structure, Daikin adopted a partial localization strategy, establishing multiple manufacturing plants in India for local manufacturing to reposition itself as an affordable brand in the Indian air conditioning industry (Ambwani 2017). Utilizing local data on varying weather patterns, power supply, and air conditioning requirements across diverse geographic locations, Daikin capitalized on local market research and customization facilitated by the India R&D center. Daikin further utilized abundance of local high-skilled engineers in the value chain.

“India is a critical market for us . . . our objective is to build products in line with the requirement of Indian consumers. Daikin has crafted a strategy to dominate Indian market with locally tailored products”. (Economic Times Bureau 2019)

Moreover, the strength of enhancing operational efficiency to minimize cost through an efficient distribution network was apparent when Daikin broadened its channel partnership, which ultimately changed the niche market into a mass market. Daikin successfully distributed a range of technologically advanced and cost-effective products through its national dedicated channel partners and Daikin-exclusive solutions plazas to make the products available and to improve services. The company expanded in various areas, possessing over 7500 channel partners, 22 supporting warehouses and sales outlets, and over 600 solutions plazas in India (Daikin 2019). Indeed, localized production coupled with lower price points for a range of locally tailored and technologically advanced products compared to competitors enabled the company to create a superior cost sacrifice value, indicating a clear economic value proposition.

###### 4.1.2. Functional Value

Creating functional value propositions for customers is often associated with developing a product for which the utility is derived from the product’s appropriate functionalities and performance quality meeting the target customers’ needs (Seiders et al. 2000; Diep and Sweeny 2008). Forecasting customer and industry demand for energy-efficient ACs set by the Indian Bureau of Energy Efficiency, Daikin developed the HFC 32 refrigerant, which allowed the company to use a smaller compressor and a coil with a size that is 30% smaller than that of other rival multinational manufacturers. This enabled Daikin to offer improved energy efficiency, which is vital to the Indian market (Press Trust of India 2017; Sinha 2015). Via the development of innovative inverter technology, Daikin India also offered a better value than that of the available range of products offered by



competitors, which is evident from their energy-efficient ACs for residential premises. These ACs regulate cooling by sensing room occupancy—a performance quality that is usually available in commercial products. These efforts enabled Daikin to achieve 85% of its revenue from the residential air conditioning segment in 2015—much higher compared to 40% in 2009 (Sen 2013). In addition, Daikin air conditioners' unique Streamer Technology has an "inactivating effect" on COVID-19 and hepatitis virus and, thus, is safe for use for both residential and commercial purposes (Daikin 2019), thereby creating functional customer value.

Moreover, Daikin India gained competitive advantage by creating superior functional value for its customers, offering a multi-split-type air conditioner, VRV-X, for commercial premises. This device allows customers to maintain individual zone control in each room and floor of a building (Daikin 2019): "VRV-X is Daikin's latest technological development...contributes to optimize energy efficiency, high quality and easier installation, thereby delivering more value to customers."

#### 4.1.3. Experiential Value

Customers, who are motivated by the experiential aspects of products, appreciate companies who create emotional value. Using sensory, auditory, and even visual clues is an effective way of creating emotional value for customers (Carbone 2004; Talonen et al. 2016). Daikin understood the importance of providing a superior user experience. Through state-of-the-art noise reduction technology that adapts to the environment of a room, Daikin ACs create positive customer experiences by curtailing noise levels. To deliver this value, Daikin utilized value chain activities associated with innovative marketing communications, including targeted advertising with the proposition of "complete silence" to signify the cutting-edge technology of the brand and appeal to buyers' decisions and personal tastes (Daikin India 2017). Moreover, Daikin created superior customer experiences by introducing Wi-Fi-enabled smart ACs—compatible with Google Home and Amazon Alexa, allowing customers to control various modes and swing and fan speeds of the ACs from anywhere as well as advanced anti-corrosion ACs that are built to last in harsh environments: "We at Daikin are committed to offer products that provide complete customer satisfaction and superior user experience. Daikin air conditioners also sense human movement and adjust the temperature accordingly... making these air conditioners comfortable and intelligent" (Economic Times Bureau 2019).

#### 4.1.4. Symbolic Value

As a value proposition, the symbolic value of a product emphasizes self-expression via customers attaching positive meanings to consumption (Flint 2006). Symbolic value proposition usually requires the creation of a brand image strategy and investing in advertising, public relations, and customer support (Smith and Colgate 2007). Daikin emphasizes symbolic dimensions by offering a range of environmentally friendly ACs powered by its patented HFC32 technology. This technology has environmental benefits of less greenhouse gas emissions and global warming potential compared to competing manufacturers' refrigerants. Furthermore, the company engaged in brand building and localized "below-the-line marketing" activities using direct newsletters, flyers, and hoardings to promote awareness and customer engagement for Daikin products. A first-ever fully air-conditioned bus shelter in New Delhi symbolizes the practice of corporate social responsibility as a means of building brand equity.

### 4.2. Creating Values by Renault Duster

#### 4.2.1. Cost Value

Companies that compete on price to help customers save costs during purchase or over a product's life-cycle focus on efficiency and effectiveness goals and invest in manufacturing and distribution processes (Ulaga 2003; Woodall 2003). To optimize cost structure, Renault implemented localization to create the required value. Renault engaged

in consumer research and immersed itself in the lives of the customers in India (Mohapatra and Roy 2015; Madhavan 2013). The product development team conducted focus groups and ethnographic studies across India to observe and understand lifestyles and the driving needs of Indian consumers (Madhavan 2013): “It identified a focus group of about 200 people whose profile matched potential buyers of Duster . . . Across five Indian cities for an ethnographic study of over two months . . . , product development team lived with the target customers.”

Renault further established a manufacturing plant in Chennai for local manufacturing. With over 60% of localized components, Renault positioned the Duster (“Dacia Duster” in European markets) at an attractive price starting from USD 12,000 in 2012. As the average foreign SUV starting price in India is around USD 30,000, the Duster created a superior economic value proposition for the Indian customers who were looking for a SUV that could deliver all of the required SUV functionalities at a competitive price. This enabled Renault to achieve the landmark sales figure of 100,000 Dusters in India by 2014. Furthermore, following an operational excellence strategy, Renault successfully made Dusters available to Indian customers through the company’s strong dealership network to provide improved service levels. The dealership network comprises over 270 nationwide dedicated dealers, covering over 90% of the Indian market (Renault India 2019).

#### 4.2.2. Functional Value

Companies that compete via superior creation of functional value attempt to reduce risks and minimize utilitarian-level sacrifices recognized by customers in buying, owning, and using a product (Babin et al. 1994; Sheth 2011). The case of the Duster reveals that, analyzing the growing demand for SUVs, Indian families with children consider it as a safer option of commuting; thus, the Renault Duster carved a niche in the Indian market. The Renault Duster created a new customer segment with demands for a robust and reliable SUV that comes with all of the required practical benefits, including product design, engine capacity, strengthened suspension, and off-roading capabilities. Renault authorized a product development team of Renault India to emphasize a customer-driven product development strategy. As a result, the Duster was customized according to the Indian demand and road conditions that were relevant to European customers. The Duster for the Indian market underwent 41 structural changes, including internal features, such as improved rear air conditioning for passengers, inclined and more comfortable rear seats, door warning lights, a dual-tone interior, and engine tuning. Such product offerings enabled the Duster to rank as the second largest player in the Indian utility vehicle segment after the Mahindra Scorpio (Ciferri 2013; Madhavan 2013). According to Renault India’s Vice President of sales and marketing, Rafael Treguer: “Duster has been the first ever segment-defining vehicle from the Renault India portfolio. Over the years, Duster has achieved a cult status and has been instrumental in Renault’s growth in India” (PR Newswire 2017).

#### 4.2.3. Experiential Value

An experiential value proposition can be created by focusing on the provision of an appropriate experience, pride of ownership, and emotions for customers (Arnold and Reynolds 2003; Turley and Milliman 2000). Renault focused on providing customers with a superior user experience in terms of buying and driving the Duster. Understanding the sheer importance of learning about the demands of Indian value-conscious buyers in regard to SUV driving requirements, Renault India combined the emotional appeal of driving a safer, rugged SUV with the maintenance elements of a smaller sedan car in the Renault Duster. As a result, the Duster is driving the success of Renault Group in India and other EMs (Renault UK 2017; Mohapatra and Roy 2015). Customers identify SUVs as bigger in size, unwieldy, difficult to maneuver in congested cities, and high on maintenance costs. Taking efforts to understand consumer psychology, Renault designed the Duster with flared wheel arches, a muscular body, roof rails, a raised suspension, and big tires—all

visual indicators creating the image of owning and driving a robust SUV. At the same time, with a compact size and fuel efficiency, the Duster does not possess the many limitations of a typical large SUV and creates a superior driving experience for EM customers.

#### 4.2.4. Symbolic Value

Renault's localized marketing strategies included a pre-launch communication strategy and promotional activities, such as releasing a video on Renault's Facebook page showing a man weeping with the proclamation "our sincere apologies to those who brought a sedan" to signal to its targeted customers the prestige and status of having an SUV compared to a sedan. Furthermore, on the basis of Indian consumers' passion for cricket, Renault became associated with Indian cricket by becoming one of the sponsors of the Indian Premier League (IPL) and offering a Renault Duster to the "Man of the Series" player to increase brand exposure. Such symbolic meanings are important and self-expressive for drivers of the Duster. More traditional methods of promotion included focused media activities, such as television and radio commercials and widespread digital platform activities (Madhavan 2013; Mohapatra and Roy 2015). The marketing campaign "Gang of Dusters" (PR Newswire 2017), which brings together Duster owners and enthusiasts to share road-based adventures, created further marketing presence in media outlets, and Renault addressed the symbolic value proposition of motivating customers via self-expressive aspects of consumption (Rintamäki et al. 2007; Smith and Colgate 2007).

### 5. Discussion and Propositions for Future Research

As demonstrated in the above-discussed cases, Daikin is valued by Indian customers for its affordability (cost value); superior product functionalities; and performance quality, such as energy efficiency, regulation of cooling by sensing room occupancy (functional value). It is also a means of self-expression via positive meanings, as consumers associate themselves with the use of a range of environmentally friendly ACs and Daikin's corporate social responsibility practices in India (symbolic value). In addition, it is also valued for the superior user experience that is created through the proposition of "complete silence" (experiential value). Similarly, the Duster is valued by Indian customers for its extremely competitive price compared to other foreign SUV makers (cost value); its design; internal features; and practical benefits, such as engine capacity, strengthened suspension, and off-roading capabilities (functional value), which are essential in the Indian context. These means of self-expression symbolized by the prestige and status of having an SUV and the association of the Duster with Indian cricket (symbolic value), as well as the pleasure that is created by the driving and owning of a Duster (experiential value), were the keys to success in the EM context.

The findings of these case studies are in line with the suggestions on customer value creation found in the literature—for example, Vakulenko et al. (2018) revealed that in the parcel locker, a self-service tool that reshapes the delivery and return experience in e-commerce, functional customer value is related to the functional aspects of parcel lockers, which include ease of use, high service speed, and reduction or removal of cues when using the parcel locker service. Experiential value is related to the user-friendly, interesting, and safe service experience offered by the parcel locker service, and cost/financial value is related to the low cost of the parcel locker service (Vakulenko et al. 2018). In a related attempt, drawing on a conceptual study on customer value in the context of a consumer cooperative, which is becoming an increasingly significant company form in retailing, banking, and insurance, Talonen et al. (2016) uncovered how functional value, cost/economic value, experiential/emotional customer value, and symbolic value can be created. The authors suggest that in consumer cooperatives, economic/cost value is created through the delivery of economic benefits to customers, such as offering the lowest prices; functional value is created by offering better and efficient services; emotional/experiential value is created by providing customers with a feeling of security and familiarity; and, finally, symbolic value is created through local cooperatives supporting their community's

development and future, which creates positive social prestige for cooperatives among consumers. Similarly, [Rintamäki et al. \(2007\)](#) draw on secondary data—publicly available examples from the retail industry—to understand the key dimensions of customer value creation: cost, functional, emotional, and symbolic features. The authors suggest that in the retail industry, costs/economic value is created by the retail giant Wal-Mart, offering the appropriate monetary worth of products and services to customers through its “always low prices” strategy; emotional/experiential value is created by retailers like Barnes & Noble through providing customers with a comfortable ambience in bookstores that have in-store cafés for shoppers to relax and have an enjoyable shopping experience; functional value is created by offering the appropriate functional or physical performance attributes in products and services, such as the British retailer Tesco, which meets the target customers’ needs; and symbolic value is created by the British retailer Body Shop. Customers of the Body Shop emphasize the importance of self-expression, associating with the company’s principals of supporting community trade, opposing animal testing, promoting human rights, protecting the environment, and attaining self-esteem ([Rintamäki et al. 2007](#)).

In EMs, especially India, the connotation of the value of money is immense, as is the value of brand perception, especially for the growing middle class ([Cavusgil et al. 2018](#); [Nguyen et al. 2011](#)). MNCs intending to expand to EMs will have found that localization of products through the localized value chain activities is essential ([Luo and Zhang 2016](#)). Going beyond the traditional approach of low cost, or otherwise not differentiating customer bases in different markets, Daikin and Renault positioned their unique product innovations through a localized operational excellence strategy in R&D, production, and distribution ([Walter et al. 2003](#); [Woodall 2003](#)). This allowed both companies to obtain a comprehensive understanding of Indian customers and gain cost value. Accordingly, we formulated the following proposition:

**Proposition 1.** *The localized excellence strategy in R&D, production, and distribution creates cost-related customer value in EMs.*

Daikin undertook a considerable amount of local market research and technology development, establishing the India R&D center. Similarly, Renault empowered the Indian product development team to focus on India-specific product development strategies in developing the Duster. Such knowledge base was utilized to develop product features and performance qualities of functional value that are deemed to be beneficial to the target customers ([Anderson et al. 2006](#); [Flint et al. 2002](#)).

**Proposition 2.** *Localized market research, technology development, and customization create functional customer value in EMs.*

Renault and Daikin effectively responded to the very specific emotional needs and epistemic experiences of the target customers, delivering greater experiential value ([Holbrook 2005](#); [Lapierre 2000](#)) and taking measures to understand customer psychology and creative marketing communication methods.

**Proposition 3.** *Understanding local preferences, local customer psychology, and deploying local communication methods creates experiential customer value in EMs.*

Lastly, extending digital marketing communication platforms and off-line interventions, including non-traditional “below-the-line” marketing activities, the two companies offered a greater symbolic value ([Liu et al. 2005](#); [Menon et al. 2005](#)).

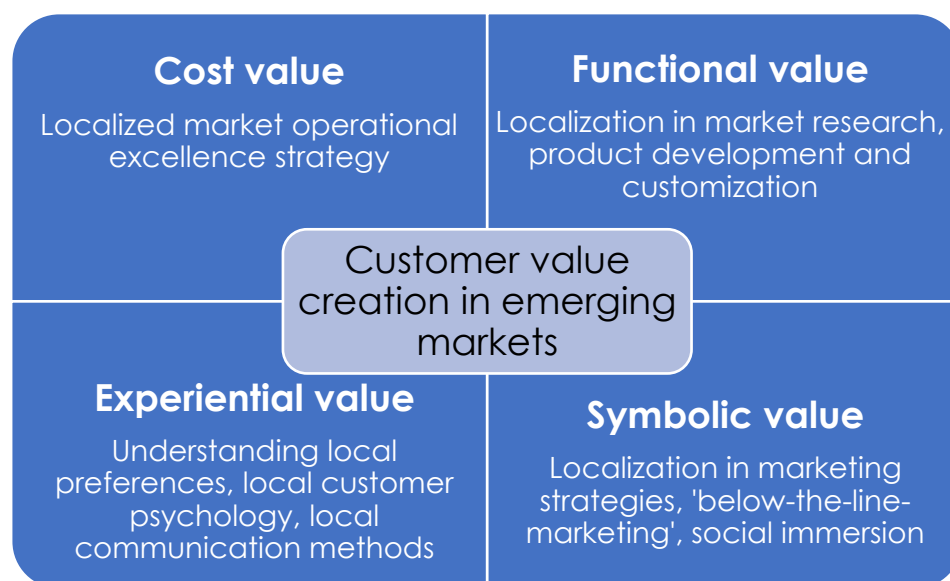
**Proposition 4.** *Localization in marketing strategies, below-the-line-marketing, and social immersion creates symbolic customer value in EMs.*

The value offerings and value creation strategies of Daikin and Renault are summarized in Table 1.

**Table 1.** Value offerings and value creation strategies of Daikin and Renault.

Value Dimension	Value Offerings	Value Creation Strategies
Cost value	- Daikin as a quality affordable brand in the Indian AC industry.	Localized operational excellence strategy, including local manufacturing and expanded channel partnerships for distribution.
	- Duster as an affordable SUV at a similar price to that of a sedan.	Over 60% localized components by local production, strong dealer, and distribution network.
Functional value	- Smaller, energy efficient products for residential AC segment. - Performance quality of cooling regulation by sensing room occupancy, maintaining individual zone control feature, and “inactivating” COVID-19 and hepatitis viruses.	Local market research, technology development.
	- Robust, reliable SUV with benefits of a compact design, 41 structural changes. - Performance quality of engine capacity, improved suspension, and off-roading capacity.	Empowerment of Renault India in customer-driven development, local product customization strategy.
Experiential value	- Superior user experience through noise reduction technology that adapts to the room environment.	Innovative local market communication methods.
	- Remarkable user experience in driving of a safer, rugged SUV with maintenance comparable to that of a smaller sedan.	Understanding local customer psychology.
Symbolic value	- Self-expression through environmentally friendly ACs.	Brand equity, “below-the-line-marketing” activities and CSR practices.
	-Signaling prestige and status of driving and owning an SUV. -Increasing brand exposure.	-Localized marketing strategies and initiatives, extending digital marketing platforms.

The contributions of this paper are the application of the framework proposed by Smith and Colgate (2007) to the empirical context of an EM, India, and the specification of the value creation strategies used to create customer value, as shown in Figure 1.



**Figure 1.** Customer value creation in emerging markets.

While the original CVC framework posits that organizations ought to create and envision unique positioning and their associated products and services, we suggest that individual markets need to have accustomed CVC positioning, which may not fully reflect the holistic CVC positioning of the organization. In other words, it is simply insufficient for organizations to establish its positioning according to the CVC and apply it uniformly throughout the world. The context of each individual country, especially those in the largest Ems, requires an adapted, localized CVC proposition to succeed. This is in accordance with research on the need for MNCs to adjust strategic positioning within each individual context framed as “contextual intelligence” (Khanna 2014; Khanna et al. 2005; Johnson and Tellis 2008).

This paper contributes to the existing literature in four ways: First, using scientometrics analysis, we confirmed the research gap in this important field of study. Second, we supplemented the limited literature regarding the important concept of CVC by extrapolating the study to the EM context of India. The studies that explored CVC were mostly of conceptual nature and/or based their research on the context of developed countries. Considering the importance of testing the conceptual framework in an empirical setting, there is no better context to test than India, as it remains the second largest EM. Third, we contributed by identifying localization as an important variable in each of the four facets of CVC and value creation strategies. Without tapping into the local resources, it would not have been possible for Daikin and Renault to identify and satisfy the idiosyncratic needs of consumers in this particular EM. Finally, the aforementioned four categorizations of values are not mutually exclusive. Rather, offering an inclusive value across the four dimensions led to a competitive advantage for both companies in this risky and uncertain environment.

## 6. Conclusions, Managerial Implications, Limitations, and Future Research Directions

We show that the customer value creation framework proposed by Smith and Colgate (2007) is not only applicable in the context of developed countries, as evidenced in the current literature, but also in the context of emerging markets. Using the case studies depicted in the paper, we demonstrate that localization of each of the dimensions of CVC to the context will lead to a successful integration of the products and services in the EM context.

Several managerial implications can be drawn from the findings of this study. First, product innovation alone no longer provides adequate differentiation opportunities and

competitive success in today's fast changing, risky and competitive marketplace. Managers of prospective firms embarking on product innovation should target the creation and provision of offering better customer value in a truly creative fashion to ensure business success. Second, the focus of CVC on EM innovation is to deliver value through the four dimensions in a localized manner. Managers should provide superior functional value in product/service offerings after gaining a genuine understanding of latent customer aspirations, and high-quality products that embody distinct functional attributes and benefits should be differentiated. Similarly, firms should provide greater experiential value, being responsive to the precise emotional needs and epistemic experiences of the target customers. Similarly, MNCs should convey greater symbolic value in line with their brand image strategy. Firms should offer competitive cost value in line with their operational excellence strategy, especially in R&D, production, and distribution when aiming to gain market share in EMs. Third, equipped with this knowledge, prospective firms can design and implement better marketing strategies to recognize positioning in the target market and advance relationships with target customers to increase revenues.

Similar to all research studies based on secondary data, this study has limitations that present opportunities for future research directions. First, the study was a qualitative case study based on secondary data from two firm cases, and, therefore, the applicability of the findings is limited. Future research studies should test the findings of this study by gathering primary qualitative and quantitative insight, as well as including further case studies to examine customer value creation. Second, due to the differences regarding socioeconomic environment and culture, the findings of this study, which focuses on Indian customers, may not be fully applicable to customer groups in other geographical regions. India was chosen as the country focus as it is one of the largest emerging markets with a rising middle-class population. Therefore, it may also be helpful to conduct future studies in other market settings to investigate customer value. Third, it would also be informative to compare customer value creation strategies among other emerging markets other than India to test the propositions on a wider sample size in order to advance our understanding of customer value creation strategies. Lastly, it may also be helpful to include firms of varied sizes to explore customer value creation strategies and their successes or failures.

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