Customer-Centricity in Emerging Markets: 4A's and Value Co-Creation

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Abstract:

Success cases in emerging markets show firms that have adopted a customer-centric approach, embracing local differences and co-creating solutions with local actors. Meanwhile, failures often involve firms overlooking one of the 4A outcomes that customer's value (acceptability, affordability, accessibility, and awareness). In this paper, we integrate diverse literatures related to the 4A's, market separations, and value co-creation into a conceptual framework. This framework allows firms to assess the existing context so as to identify market resource gaps and provides guidelines for developing co-created market solutions, ultimately resulting in financial success and social value.

Keywords: Emerging markets, 4A's, customer-centricity, co-creation

Track: Marketing in Emerging and Transition Economies

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The call for firms to be customer-centric is decades old (Levitt 1960). Despite firms' claimed commitment to the customer, they are still primarily product focused (Shah et al. 2006, Sheth and Sisodia 2012). Academics have responded by recommending entirely new frameworks and paradigms. For example, the 4A's framework (Sheth and Sisodia 2012) and value co-creation (Lusch and Vargo 2006) have been gaining traction in the past decade, and we believe that there is significant value in each.

Meanwhile, it is now widely accepted that firms cannot ignore emerging markets, with special attention given to serving their billions of low income consumers (Prahalad 2004; Burgess and Steenkamp 2006). Sadly, some firms are still unsure how to approach these low income consumers, while other well-intentioned companies tried and either were unable to achieve profitability, shifted their focus to middle-income consumers, or failed completely (Karnani 2011). On the other hand, success cases show more customer-centric firms that have taken time to understand and embrace local market differences and provided opportunities to co-create with local actors (Simanis and Hart 2008) resulting in value for the customer and the firm, which is the ultimate goal of customer centricity (Shah et al. 2006).

The goal of this paper is to integrate fundamental concepts related to value co-creation and the 4A's into a more comprehensive and customer-centric framework that can be applied in emerging markets to improve the success of future marketing activities. In the sections that follow, we first present Sheth and Sisodia's (2012) 4A's framework, to which we add an assessment of the market situation that uses the 4A's to identify market research gaps. Next we explain how firms can use these gaps to co-create marketing solutions that provide meaningful improvements to customers in emerging markets. We then conclude with an overview of the theoretical and practical implications of our framework.

4A's Framework

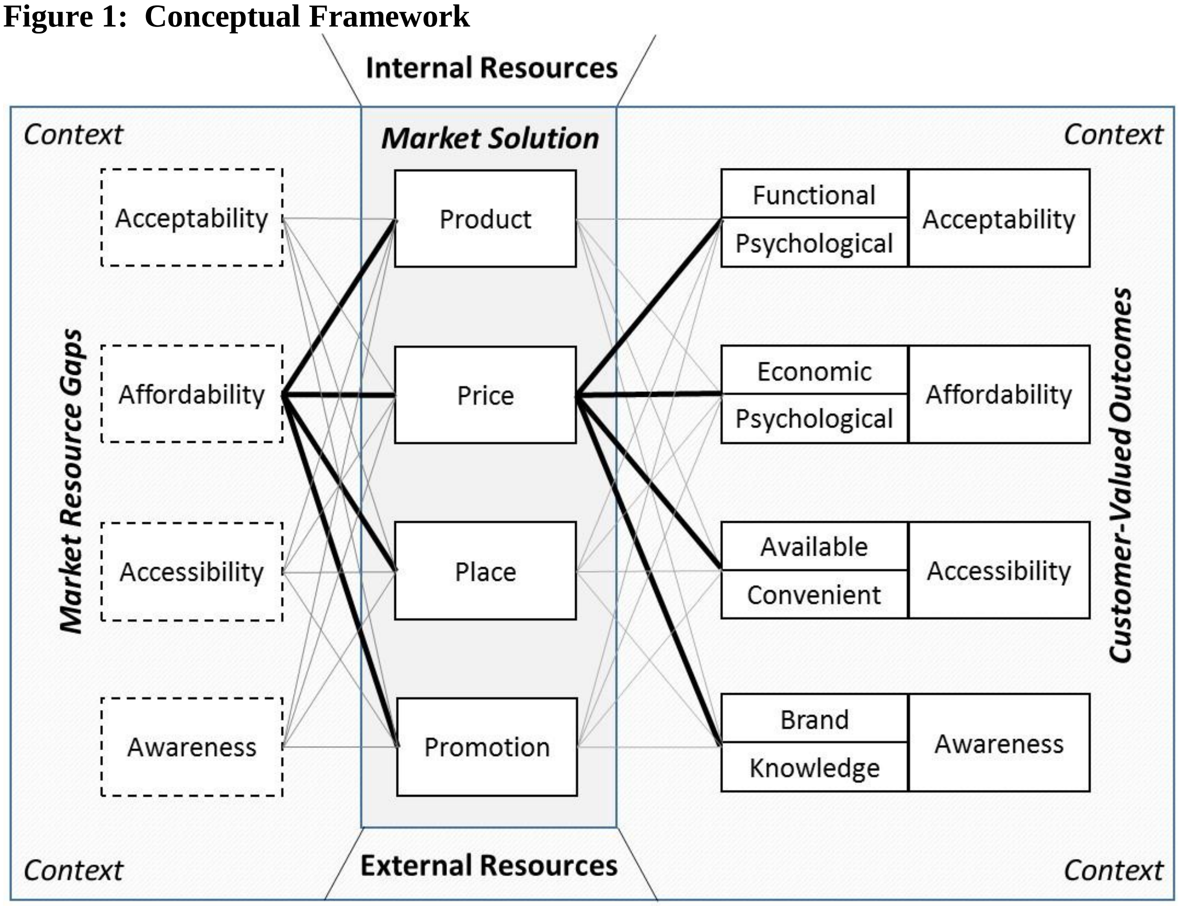
The 4A's framework represents a set of outcomes that customers value and that, when fulfilled, lead to marketplace success. The most comprehensive discussion to date of the 4A's comes from Sheth and Sisodia (2012) who incorporate 2 dimensions for each of the A's as follows:

- *Acceptability* refers to meeting and exceeding the need and expectations of customers on *functional* dimensions (e.g. capabilities, quality, reliability) and *psychological* dimensions (brand image, style, social and emotional value).
- *Affordability* refers to customers' *economic* (e.g. income, budget) and *psychological* (e.g. perceived value, fairness) willingness to pay the product's price.
- *Accessibility* refers to customers' ability to acquire and use the product and is captured by the product's *availability* (e.g. supply) and *convenience* (e.g. time and effort to acquire).
- *Awareness* refers not only to *brand awareness* (e.g. brand recall and associations) but also *product knowledge* (e.g. understanding and involvement).

Other academics have presented variants of this model. For example, Anderson and Billou (2007) as well as Sarkar and Pareek (2013) use the term availability instead of accessibility. Meanwhile, Prahalad (2012) drops acceptability and adds availability (along with accessibility), and Kamande and Jarhult (2013) suggests there are 5 A’s, including acceptability, accessibility, and availability. Among practitioners, Coca-Cola includes an A for activation, while Heinz and Tigo include an A for affinity. However, the sub-dimensions within the Sheth and Sisodia (2012) framework allow it to capture the essence of these other A’s, and as such it is their framework that we build from.

While each of the A’s represents independent outcomes, Sheth and Sisodia (2012) recognize their relatedness to one another by acknowledging that specific marketing actions can cause multiple A outcomes to co-vary (see also Kamande and Jarhult 2013). For example, in addition to affordability, a new pricing structure can influence acceptability and may influence awareness (e.g. word-of-mouth) and access (e.g. retailers likelihood to stock), causing the outcomes to move together. They also argue that all A’s are equally important to customers. If an offer is not acceptable, affordable, accessible, or known, it will ultimately fail, even if the other A’s are exceptional. Further, they conclude that success requires a high value on all A’s.

Figure 1: Conceptual Framework



*Dark lines represent paths by which 1) a single A gap (e.g. affordability) can suggest multiple P solutions and 2) a single P action (e.g. price) can affect multiple A outcomes

Comparisons to the 4P’s, the main practitioner toolbox, are inevitable. The key distinction is that the 4P’s focus on actions as delivered by the firm, while the 4A’s focus on outcomes as perceived by the customer. According to Sheth and Sisodia (2012), the 4A’s are not meant to replace the 4P’s, but rather the 4A’s “offer managers a set of conditions that must be fulfilled” (p.

47) and the 4P's provide the means to do so. This relationship between the P's and A's can be seen in the right side of Figure 1, with the various potential outcomes from a change in price indicated by bold lines. Although the 4A's framework has predominantly been used to evaluate the likely success of marketing actions, many argue that it can be used to suggest further actions (Sheth and Sisodia 2012; Prahalad 2012; Anderson and Billou 2007). Taking this logic a step further, we believe that the A's framework can also be used to 1) assess the existing market situation to identify market resource gaps as well as 2) provide guidelines for developing a new market solution to help close the gaps, each of which we examine next.

Assessing the Market Situation

It is well known that successful marketing solutions in emerging markets require an in-depth understanding of the market context. For example, emerging markets vary on macro characteristics (e.g. cultural, socio-economic, socio-political, and regulative systems, plus infrastructure and technology) and micro characteristics of low income consumers (e.g. customer knowledge, finance, household, and social-networks), and these characteristics are interwoven (for a detailed portrayal, see Pels and Kidd 2012). These contextual characteristics can be seen as resource assets or deficits (Simanis and Hart 2008).

We maintain that it is not enough to simply understand the market context, but rather the context must be translated into an assessment of market resource gaps related to the 4A's (see left side of Figure 1). This is conceptually similar to Bartels (1968) theorizing that *separations* exist between consumers and producers along physiological, economical, temporal, spatial, and informational dimensions, and that "(t)he purpose of marketing is to resolve or remove these separations and to cause or permit consumption to occur" (p. 32). We argue that his separations correspond respectively to acceptability, affordability, accessibility (both temporal and spatial), and awareness. Further, we reconceptualize Bartel's separations as *market resource gaps* for each of the 4A's. This allows us to 1) capture the notion that the market environment is made up of resources and 2) assess the gap (i.e. separation) between actual and potential levels for each A.

As an example, identifying the market resource gap for affordability should take into account the timing and regularity of customers' income in addition to total income, but that only captures the economic side of affordability. For psychological willingness to pay, firms need to consider costs associated with related solutions in that market, which may include making something themselves, borrowing from others, or going without, as well as factors like retailer price gouging, which affects the perceived fairness of prices. The results from such an assessment are market resource gaps for each A that are country/market specific and that identify resources that exist within the market for co-creation of market solutions.

Developing Market Solutions

Once firms have assessed the market resource gaps for each of the 4A's in a specific country or market, the goal becomes developing solutions comprised of actions related to the 4P's. In this section, we present an approach that includes 1) determining action paths, 2) providing meaningful improvements, and 3) integrating external resources.

As mentioned earlier, evaluating the 4A outcomes can suggest market actions (Sheth and Sisodia 2012; Kamande and Jarhult 2013). However, because we incorporate the 4A's into the situation assessment, we can use the identified market resource gaps rather than anticipated outcomes to suggest market actions. Further, given that a single marketing action, such as a new pricing structure, can affect multiple A outcomes, the resulting implication is that an identified gap on a single A can be addressed through different P's. For example, if there is a large affordability gap, lowering the price is not the only option. Instead, firms can enhance perceived value (i.e. psychological affordability) through either product or promotion. Place is also an option, as reducing acquisition time and effort can free up employable time and increase income. We demonstrate these various solutions as the bold lines between the affordability gap and 4P's in Figure 1.

Another consideration when creating solutions is determining what level of each outcome is sufficient given the existing context. Sheth and Sisodia (2012) suggest that marketers need to attain a high value on each outcome. While this seems appropriate for developed markets with excessive competition, we do not believe the same holds true for low income consumers in emerging markets. The context is too different and the gaps are too large. Instead, we argue that the offering needs to be reconceptualized to profitably achieve *meaningful improvement* relative to existing solutions. Using the Vision Springs example (www.visionsprings.org), low income consumers whose status quo involves poor vision may find that eyeglasses make a meaningful improvement if they allow them to be more productive, even if their resulting vision is not 100% precise. Such a moderation of the acceptable outcome level makes it easier for optical firms to create a profitable solution by offering a small variety of lens powers without a prescription, which in turn is less onerous for retailers to stock (e.g. accessibility), less costly (e.g. no optometrist), and by enabling more people to have eyeglasses, can increase awareness through the observability of the solution.

Finally, firms typically work in an eco-system of other actors (e.g. logistics firms, distributors, credit providers). However, in many emerging markets, these market actors are absent. A new paradigm has emerged in which firms, customers, and other non-market actors interact to co-create solutions (Lusch and Vargo 2006; Simanis and Hart 2008). This is represented in Figure 1 by the inflows of both internal and external resources into the box labeled *Market Solutions.* The community sanitation initiative in Bangladesh (as described by Weidner et al. 2010) provides an excellent example. Community members were not only involved in co-creating the solution during research and development, but also co-produced the latrines using locally available materials.

Theoretical Contributions and Practical Implications

In this paper, we integrate diverse literatures related to the 4A's, market separations, and value co-creation into a holistic conceptual framework. Cases of successes and failures in emerging markets will illustrate and support this framework, but due to space constraints, we cannot go into them here. This paper contributes to theory in five key ways.

First, we introduce market resource gaps into the 4A's framework, using the A's in a manner similar to Bartel's (1968) market separations. This makes our framework highly customer-centric, as the process begins and ends with the customer. Further, if the 4A's are used as objectives (Sheth and Sisodia 2012), firms can assess the A's pre- and post- new market actions to capture the achievement of objectives. If we further consider that a) emerging markets are evolving rapidly, b) the 4A's are dynamic over time, product life cycle, competitive action, etc., and c) firms aim for continual rather than one-time improvement, the outcome evaluation for one solution becomes part of the situation assessment for the next, thereby improving efficiency as well.

Second, while we acknowledge the importance of an in-depth understanding of the market, we add that marketers need to translate this understanding into market resource gaps. Inherent in this process is a recognition of the existing resource assets and deficits within a given market. It also takes into account current customer coping mechamisms, which may include buying sup-par offerings, borrowing from others in the community, making things themselves, or going without. However, given the innate heterogeneity in emerging markets (Pels and Kidd, 2012), it is not enough for marketers to understand the market resource gaps in a single target market, but rather they must reapply the framework in each market that they wish to target.

Third, we contend that market resource gaps, rather than anticipated outcomes, should be used to suggest action solutions, and add that marketers are not limited to a single action path if their goal is to improve on a specific gap. With many possible options, the challenge for marketers becomes determining which path not only provides the greatest potential for success (i.e. by providing the most value to customers), but also provides positive financial value to the firm so that the effort can be sustained over time. One benefit of using the 4A's assessment for solution development is the greater likelihood for success that comes from the greater customer centricity.

Fourth, we incorporate value co-creation (Lusch and Vargo 2006) into the 4A's framework. This occurs in two parts: incorporating existing contextual resources into the assessment of market gaps, and the acknowledgment that market solutions are co-created by firms, customers, and non-market actors. This may be especially important in emerging markets where local actors not only have a deeper understanding of the environment, but posess capital such as social networks.

Fifth, and especially key for emerging markets, we argue that high values on all A's are not necessary. Rather, the main goal should be to provide meaningful improvement relative to existing solutions. From a managerial perspective, providing equivalently high value products at high value (i.e. affordable) prices that are highly accessible for low income consumers may seem especially daunting. Without significant effort to redesign the entire offering, the firm would not be able to profitably serve the market. As a result, the effort would either be relegated to corporate social responsibility, re-targeted to the middle class, or foregone entirely (Karnani 2011), none of which would provide the value to low income consumers that a sustainable effort would. It is our hope that aiming for meaningful improvement rather than maximum improvement will encourage more firms to develop solutions for emerging markets, which in turn would improve the well-being of a greater number of low income consumers.

Future Research

While we agree that each of the 4A's is important (Sheth and Sisodia 2012), we struggle with whether they are equally important for all customers in all contexts. In emerging markets, the size of the gaps are likely to be larger and may show greater variance from market to market. For example, smaller gaps are likely for accessibility in urban as opposed to rural markets. The question becomes whether that makes accessibility more important for rural customers or just makes it more difficult to narrow the gap. Additionally, the critical nature of some customers' needs may render psychological dimensions of acceptability and affordability relatively unimportant relative to functional acceptability and economic affordability, but does that alter the overall importance of either of these A's? For us, the answers are unclear and deserving of greater consideration.

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