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## Co-creation of value at the bottom of the pyramid: Analysing Bangladeshi farmers' use of mobile telephony



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### ABSTRACT

Existing literature offers scant evidence of how BoP (bottom of the pyramid) consumers with limited product knowledge and interaction with product designers and marketers can co-create value. The current paper addresses this issue by analysing Bangladeshi farmers' use of mobile telephony. The findings suggest the value-in-use is facilitated or inhibited by product features, socio-economic practices, individuals' capabilities and the appropriation of mobile telephony. The paper demonstrates how BoP customers can co-create value with or without direct support from marketers and offers a theoretical framework for the co-creation of value and contributes to the current understanding of BoP market dynamics.

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### 1. Introduction

“Customer value serves as the foundation for all effective marketing activities – both as the key to the formulation of successful marketing strategy and as the crux of our hopes for its ethical justification” (Holbrook, 2006, p.715). Value creation is no longer regarded as lying solely in the producers' offerings, but rather it is regarded as a function of producer–customer engagement (Sawhney et al., 2005; Kristensson et al., 2008; Möller, 2006). The concepts of value creation and co-creation have received significant research attention since the seminal article of Prahalad and Ramaswamy (2004) and its inclusion in Service-Dominant (S-D) logic (Vargo and Lusch, 2004). Service marketing literature states that organisations offer value which is eventually experienced and enjoyed by the customers (Grönroos, 2008; Saarijarvi et al., 2013; Vargo and Lusch, 2008) and hence organisations ought to comprehend that the use of interactions as a basis for co-creation (Prahalad and Ramaswamy, 2004). However, recent service marketing literature emphasises that there is no consistent

understanding of value creation and co-creation (Pfisterer and Roth, 2015; Grönroos and Voima, 2013) indicating the need for further studies. Furthermore, the perspective of value has to be considered holistically such that value is reflected in terms of consumers' roles (Grönroos and Voima, 2013) and experiences (Heinonen and Strandvik, 2009) and as a part of an extended social system (Epp and Price, 2011). The recently developed consumer/customer dominant logic further reinforces these arguments (Anker et al., 2015; Heinonen et al., 2010), although lack empirical studies to emerge as a robust theoretical model.

For BoP (bottom of the pyramid) segments, who have limited skills, knowledge and financial resources and dwell in a more collectivist and communal environments (Dey et al., 2011; Meso et al., 2005; Weidner et al., 2009; Sridharan and Viswanathan, 2008) the co-creation of value can be even more complex and fascinating. Hence, the process by which poor communities with little exposure to modern living obtain value from the use of mobile telephones calls for greater research attention. The current paper aims to contribute to this research by investigating the market dynamics at BoP, as it looks into the consumer led value co-creation in the context of rural Bangladesh.

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## 2. Literature review

The literature review looks into the concept of value co-creation of mobile telephony in light of the socio-cultural appropriation of technology.

Customer value is defined as the difference between the total utilities customers obtain from a product and the total costs they pay (Peter and Olson, 1993; Raval and Grönroos, 1996). Holbrook (2006) suggests three major aspects of value: it is a result of interaction between a subject and an object, the subject–object relationship is relativistic and it depends on contextual variables. The definition and the concept of value can be multifaceted; however, there is a general consensus among researchers that value should be measured by the difference between the utility and cost.

Prahalad and Ramaswamy (2004) challenge the traditional value chain concept of Porter (1985), as it does not explicitly consider customers' role in the value creation process. They argue that all parties involved in the production and consumption processes exchange resources and ideas to create value and hence value creation is not the result of producers' endeavour alone. This is also argued by Vargo and Lusch (2008) who suggest that customers are involved in the value creation process. Although one of the fundamental assumptions of SD logic (Vargo and Lusch, 2006) is based on the co-creation of value, more recent scholarly works (Anker, et al., 2015; Heinonen, et al., 2013) have criticised the notion due to a lack of emphasis given on consumer led value creation. Heinonen et al. (2010) propose CD (consumer driven) logic to highlight the fact that the value creation is multi-contextual and depends on the dynamics of consumers' lives and ecosystem. Saarijarvi et al. (2013) suggest that customers should not be viewed as passive targets of marketing activities, but as active operant resources that can create value. It is argued that by involving customers in the product development and innovation processes, marketers can enhance their product value. The question is who then co-creates value? Value-co-creation should be characterized through the roles of the customer and the firm and recognition of the value spheres that include the firm and the customer (Grönroos and Voima, 2013). Co-creation can only occur when two or more groups influence or interact with each other (i.e. customers and the organisation) (Grönroos and Voima, 2013). Thus, the process of this marketer–customer collaboration for improved innovation, design and development of products has defined the co-creation of value. Contemporary scholarly works in this field further support this notion and seek to establish this holistic understanding of customers' involvement in the value creation and co-creation processes (Raval and Grönroos, 1996; Prahalad and Ramaswamy, 2004; Ramaswamy, 2008).

Evidently then the creation, delivery and utilisation of value are not necessarily a linear process (Humphreys and Grayson, 2008). Two forms of value have been identified and defined in the economics and marketing literature: value-in-exchange and value-in-use. Value-in-exchange is realised during the point of sale, while value-in-use derives from the extent to which customers satisfy their needs/wants. Value-in-use depends upon customers' perceptions, abilities, skills and knowledge and is perceived by customers in their internal processes, through their interaction with the suppliers/service providers and/or while consuming the product (Grönroos, 2008; Vargo et al., 2008). The co-creation of value is applicable more to value-in-use, as it takes into account the actual consumption experience rather than financial worth (Grönroos and Voima, 2013). Hence, a customer needs to have available information, knowledge, skills and other resources to gain optimum

outcome from the use of a product (Normann, 2001).

Nevertheless, value co-creation still remains an elusive concept. While scholars in this field hold different opinions regarding the nature and modality of value co-creation, existing models (Prahalad and Ramaswamy, 2004; Chen and Nath, 2004; Anderson and Rosengvist, 2007) offer a wide range of perspectives on this process. The DART model suggested by Prahalad and Ramaswamy (2004) provides the basic foundation in this regard and suggests dialogue, access, risk reduction and transparency as the four necessary conditions for value co-creation. Payne et al. (2008) suggest a process-based framework by identifying the three major processes in value co-creation: the customer value-creating process, the supplier value-creating process and the encounter process. Hence, value can be created at the customer end, at the supplier end and/or during the encounter between the two. Most of the academic literature focuses primarily on value creation induced by suppliers and/or conducted at the encounter stage. Partial understanding of community engagement (Hollebeek and Brodie, 2009; Pongsakornrungrasri and Schroeder, 2011), and individual and situational factors (Takenaka and Ueda, 2008; Sandström et al., 2008) that influence the creation of value in remote situations (that do not involve direct personal interaction between marketers and customers) can be found. The underlying assumption is, users become more inventive to find better and cheaper ways of using a product and enjoy more value in use. More recently Roberts et al. (2014) shed light on value co-creation independent of firms' levels of engagement and they argue that people's desire to innovate and co-create can be driven by their desire for hedonic intent and skills development. Gamble and Gilmore (2013) discuss five typologies of value co-creation with some attention to user-end adaptation and innovation. However, the typologies are mostly dependent on Internet based interaction between producer and consumer and thereby lack relevance to BoP segments who have limited access to the Internet and may have different scopes and practices for interaction. Most BoP markets are not regularly accessed by marketers due to their remote locations and apparent lack of financial feasibility. They offer a rich setting for studying remote and localised value co-creation.

Value can also be co-destructed. Due to contextual limitations, resource constraints (both operant and operand) at the customer end, or inappropriate design/marketing strategies by the producers, the value-in-use of a product may be diminished (Plé and Cáceres, 2010; Smith, 2013). For instance, lack of technical knowledge and financial constraints have been identified as the major impediments to ICT use at the BoP (Dey et al., 2011, 2013). Hence, if the technology designed for the wealthier or for Western customers were offered to BoP segments, there could be diminished value-in-use. Current academic literature, however, offers scant empirical evidence of value co-destruction, particularly in BoP contexts.

Edvardsson et al. (2011) have added an interesting dimension to the study of co-creation of value. By expanding on the principles of services dominant logic (Vargo and Lusch, 2006), Edvardsson et al. propose that value is socially constructed and context dependent. They also suggest the studies on the co-creation of value should apply social construction theories such as structuration theory which argues that social practices are produced and reproduced in an iterative manner. Human agency and structure are inextricably linked with each other. The central concept in Giddens' structuration theory is the “duality of structure”, that structure is both enabling and constraining (Giddens, 1976, 1979, 1984). The theory of social structuration, brought to information management by Orlikowski (1992) and DeSanctis and Poole

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