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**To Adapt or to Design: The Emerging Market Dilemma for
Automakers**

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Abstract

Multinational automakers tend to be biased towards adapting products designed for their primary markets to emerging markets. The preference for such adaptable product design approach arises from scale economies associated with product design, development and production costs. However, the growing importance of emerging markets combined with the recognition of their idiosyncratic needs have led manufacturers to consider an alternative product development approach that simultaneously incorporates the needs of both the markets, which we term as customized simultaneous design approach. By modeling the trade-off between the consumer-side disutilities and the cost-side scale economies in the presence of demand uncertainty, we derive the optimal extent of commonality between products for both the markets and compare the attractiveness of the two product development approaches. Our insights from analytical and numerical analysis show that when consumers are very picky and market uncertainty is low, the customized simultaneous design approach outperforms the adaptable product design approach. Counter to the practice of introducing primary market products with minimal customization into emerging markets our study demonstrates the need for more customization, especially in small, but uncertain markets. Our research has important implications for automakers, in integrating the diversity in tastes while choosing a product development approach for multiple markets.

Keywords: New Product Development, Emerging Markets, Automotive Industry, Customer Disutilities

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