Chapter-2

INTERNATIONAL MARKETING STRATEGIES OF INDIAN FIRMS

2.1 Concept of Global E-Commerce

When a company becomes a global marketer, it views the world as one market and creates products that will only require weeks to fit into any regional marketplace. Marketing decisions are made by consulting with marketers in all the countries that will be affected. The goal is to sell the same thing the same way everywhere.

*Global e-Commerce or Internet International marketing* can be defined as the application of marketing strategies, planning and activities to external or foreign markets. International marketing is of consequence to firms which operate in countries and territories other than their home country or the country in which they are registered in and have their head office. The factors influencing international marketing are culture, political and legal factors, a country's level of economic development and the mode of involvement in foreign markets. The reasons why a firm would engage in international markets are numerous, including the maturity within domestic markets or increasing general market share, sales or revenue.
Culture

Social norms, attitudes towards buying foreign goods, and the working practices of foreign markets are all cultural factors when opting to invest in foreign markets. Social norms affect business practices, since social norms are one factor in the demand for a product. In the tobacco industry, for example, adolescents in developing countries are often the focus for the marketing and advertisement campaigns due to their vulnerability. Tobacco companies will often use symbols and fabrications in western society associated with smoking as a means of attracting these prospective consumers. In Western societies, sexuality and sexual topics are often used in marketing communications (such as advertising, for instance). However, in a comparatively more conservative society (such as India for instance) social attitudes may shun the use of sexual topics to advertise products.

Political and legal factors

The following political/legal factors are of bearing in international marketing:

- Government attitude to business
- The level of governmental regulations, red-tape and bureaucracy
- Monetary regulations
• Political stability

Not all governments are as open to foreign investment as others, nor are all governments equally favourable to business. Typically, a firm may opt to invest in an economy in which the government is more inclined to support business activity in a country. In other words, the "business-friendliness" of a foreign government is paramount in this instance.

Additionally, some economies are more "liberal" and less regulated, by comparison to other economies. Excessive regulations can be a hindrance on a firm, since they contribute to additional costs to a firm. Conversely, regulations can aid in assisting firms, by easing the path of doing business. A firm seeking to invest in foreign markets must gauge the regulatory arrangement of the economy it is looking to invest in. Monetary regulations, akin to the above points, can hinder the ability to do business. A high level of monetary regulations can hamper foreign investment within an economy.

Lastly, the political stability of a country is also a key factor in foreign investment decisions. Nation-states experiencing continual coup-d'état can appear unattractive to invest in, since the continual changes in political system can compound the inherent risk in investing. Typically, a firm would opt to invest in a country which had a stable mode of government, in which handovers of power were peaceful and non-violent. Even if a country is not a liberal
democracy, the level of political stability within a country may supersede the political system (or, more accurately, the perceived immorality of a government’s policies/constitutional structure) of a given nation-state.

**Level of economic development**

The level of economic development of an economy can affect foreign investment decisions. Within the field of developmental economics, differing modes of economic development can be identified. These are:

- Developing economy
- Newly-Industrialised country
- Industrialised country (also known as a developed country, advanced economy or first world economy).

A developing economy has a comparatively low general living standard (as defined by material lifestyle/level of material possession). Moreover, a developing economy may also be at subsistence level, or possess a large share of its Gross Domestic Product in primary industries. Accordingly, a developing country would not be a profitable market for high-end consumer goods, or fast-moving consumer goods commonly found in developed/advanced economies. Exports of machinery (related to the extraction and processing of raw materials) may be viable for a
developing economy, due to primary industries possessing a large share of national income.

A newly-industrialised economy is an economy which has experienced high recent economic growth, and thus has experienced a rise in general living standards. Coupled with the rapid economic growth, the emergence of a middle class leads to the development of a consumerist culture in the society. A newly-industrialised economy would consequently possess a small general demand for high-end consumer goods, but not to the extent of an advanced economy. A newly-industrialised economy may export manufactured goods to other countries, and often possess secondary sector industries as a high percentage of its economic output.

An industrialised economy is typically identified via a high Gross Domestic Product per capita, a high United Nations Human Development Index rating and a high level of tertiary/quaternary/quinary sector industries in the context of its national income. Thus, the high general living standard denotes the highest generalised demand for goods and services within all modes of economic development. Commonly, developed/advanced economies are high exporters of high-tech manufactured goods, as well as service sector products (such as financial services, for instance). Other factors in international marketing include:
Globalisation:

The greater economic ties/links between economies has presented a prime opportunity for firms trading internationally. The advantages to an international marketing firm are that regulations and costs are lower, which can promote the use of outsourcing to foreign economies. The disadvantages to a firm in a globalised economy include negative public relations resulting from the exploitation of low cost labour, concerns surrounding environmental degradation, etc.

Regional trading blocks

Within the past few decades, numerous regional trading blocks have emerged, as a means of encouraging and easing closer economic ties between neighbouring countries. Common examples of such blocks include the European Union, the North American Free Trade Agreement (NAFTA) and the Association of South East Asian Nations (ASEAN). Other examples are:

- CARICOM (the Caribbean Community)
- EFTA (European Free Trade Association)
- ECOWAS (Economic Community of West African States)

Regional economic blocks often permit free (and thus less inhibited/restricted) trade between member nation-states. As such, a British firm would find trading in Germany less problematic (and
vice versa, as both the United Kingdom and Germany are both EU member states) by comparison with a British firm trading with Mexico or Thailand. Such trading blocks can also, conversely, place restrictions/regulations on trade. To use the earlier example of the EU again, the EU may place regulations on the packaging, labelling and distribution of a product. Consequently, a UK firm trading in Germany would have to adhere to the European Union regulations, in order to trade legitimately within the European Union.

The benefits of eMarketing over traditional marketing:

**Reach**

The nature of the internet means businesses now have a truly global reach. While traditional media costs limit this kind of reach to huge multinationals, eMarketing opens up new avenues for smaller businesses, on a much smaller budget, to access potential consumers from all over the world.

**Scope**

Internet marketing allows the marketer to reach consumers in a wide range of ways and enables them to offer a wide range of products and services. eMarketing includes, among other things, information management, public relations, customer service and
sales. With the range of new technologies becoming available all the time, this scope can only grow.

Interactivity

Whereas traditional marketing is largely about getting a brand's message out there, eMarketing facilitates conversations between companies and consumers. With a two-way communication channel, companies can feed off of the responses of their consumers, making them more dynamic and adaptive.

Immediacy

Internet marketing is able to, in ways never before imagined, provide an immediate impact. Imagine you’re reading your favourite magazine. You see a double-page advert for some new product or service, maybe BMW’s latest luxury sedan or Apple’s latest iPod offering. With this kind of traditional media, it’s not that easy for you, the consumer, to take the step from hearing about a product to actual acquisition. With eMarketing, it's easy to make that step as simple as possible, meaning that within a few short clicks you could have booked a test drive or ordered the iPod. And all of this can happen regardless of normal office hours. Effectively, internet marketing makes business hours 24 hours per day, 7 days per week for every week of the year. By closing the gap between providing information and eliciting a consumer reaction, the
consumer's buying cycle is speeded up and advertising spend can go much further in creating immediate leads.

**Demographics and targeting**

Generally speaking, the demographics of the Internet are a marketer’s dream. Internet users, considered as a group, have greater buying power and could perhaps be considered as a population group skewed towards the middle-classes. Buying power is not all though. The nature of the Internet is such that its users will tend to organise themselves into far more focussed groupings. Savvy marketers who know where to look can quite easily find access to the niche markets they wish to target. Marketing messages are most effective when they are presented directly to the audience most likely to be interested. The Internet creates the perfect environment for niche marketing to targeted groups.

**Adaptivity and closed loop marketing**

Closed Loop Marketing requires the constant measurement and analysis of the results of marketing initiatives. By continuously tracking the response and effectiveness of a campaign, the marketer can be far more dynamic in adapting to consumers’ wants and needs. With eMarketing, responses can be analysed in real-time and campaigns can be tweaked continuously. Combined with the immediacy of the Internet as a medium, this means that
there's minimal advertising spend wasted on less than effective campaigns. Maximum marketing efficiency from eMarketing creates new opportunities to seize strategic competitive advantages. The combination of all these factors results in an improved ROI and ultimately, more customers, happier customers and an improved bottom line.

Disadvantages

The following are considered as disadvantages of the eMarketing:

- Differences in consumer needs, wants, and usage patterns for products
- Differences in consumer response to marketing mix elements
- Differences in brand and product development and the competitive environment
- Differences in the legal environment, some of which may conflict with those of the home market
- Differences in the institutions available, some of which may call for the creation of entirely new ones (e.g. infrastructure)
- Differences in administrative procedures
- Differences in product placement.
2.2 Deciding On And Designing Global Marketing Programme

The designing of global marketing programme consists of 5 steps, beginning with the market & environment research. After fixing the targets and setting the strategies, they will be realised by the marketing mix. The last step in the process is the marketing controlling. In most organizations, "strategic planning" is an annual process, typically covering just the year ahead. Occasionally, a few organizations may look at a practical plan which stretches three or more years ahead.

To be most effective, the plan has to be formalized, usually in written form, as a formal "marketing plan." The essence of the process is that it moves from the general to the specific; from the overall objectives of the organization down to the individual action plan for a part of one marketing program. It is also an interactive
process, so that the draft output of each stage is checked to see what impact it has on the earlier stages - and is amended.

The “Four P’s” of marketing: product, price, placement, and promotion are all affected as a company moves through the five evolutionary phases to become a global company. Ultimately, at the global marketing level, a company trying to speak with one voice is faced with many challenges when creating a worldwide marketing plan. Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide.

**Product**

A global company is one that can create a single product and only have to tweak elements for different markets. For example, Coca-Cola uses two formulas (one with sugar, one with corn syrup) for all markets. The product packaging in every country incorporates the contour bottle design and the dynamic ribbon in some way, shape, or form. However, the bottle or can also includes the country’s native language and is the same size as other beverage bottles or cans in that country.

**Price**

Price will always vary from market to market. Price is affected by many variables: cost of product development (produced locally or imported), cost of ingredients, cost of delivery (transportation,
tariffs, etc.), and much more. Additionally, the product’s position in relation to the competition influences the ultimate profit margin. Whether this product is considered the high-end, expensive choice, the economical, low-cost choice, or something in-between helps determine the price point.

**Placement**
How the product is distributed is also a country-by-country decision influenced by how the competition is being offered to the target market. Using Coca-Cola as an example again, not all cultures use vending machines. In the United States, beverages are sold by the pallet via warehouse stores. In India, this is not an option. Placement decisions must also consider the product’s position in the market place. For example, a high-end product would not want to be distributed via a “dollar store” in the United States. Conversely, a product promoted as the low-cost option in France would find limited success in a pricey boutique.

**Promotion**
After product research, development and creation, promotion (specifically advertising) is generally the largest line item in a global company’s marketing budget. At this stage of a company’s development, integrated marketing is the goal. The global corporation seeks to reduce costs, minimize redundancies in personnel and work, maximize speed of implementation, and to speak with one voice. If the goal of a global company is to send the
same message worldwide, then delivering that message in a relevant, engaging, and cost-effective way is the challenge.

Effective global advertising techniques do exist. The key is testing advertising ideas using a marketing research system proven to provide results that can be compared across countries. The ability to identify which elements or moments of an ad are contributing to that success is how economies of scale are maximized. Market research measures such as Flow of Attention, Flow of Emotion and branding moments provide insights into what is working in an ad in any country because the measures are based on visual, not verbal, elements of the ad.

James Quinn succinctly defined objectives in general as: Goals (or objectives) state what is to be achieved and when results are to be accomplished, but they do not state 'how' the results are to be achieved.¹ They typically relate to what products (or services) will be where in what markets (and must be realistically based on customer behavior in those markets). They are essentially about the match between those "products" and "markets." Objectives for pricing, distribution, advertising and so on are at a lower level, and should not be confused with marketing objectives. They are part of the marketing strategy needed to achieve marketing objectives. To be most effective, objectives should be capable of measurement and therefore "quantifiable." This measurement may be in terms of sales volume, money value, market share,

¹ J.B. Quinn, "Strategies for Change: Logical Incrementalism" (Richard D. Irwin)
percentage penetration of distribution outlets and so on. An example of such a measurable marketing objective might be "to enter the market with product Y and capture 10 percent of the market by value within one year." As it is quantified it can, within limits, be unequivocally monitored; and corrective action taken as necessary.

The marketing objectives must usually be based, above all, on the organization's financial objectives; converting these financial measurements into the related marketing measurements. He went on to explain his view of the role of "policies," with which strategy is most often confused: "Policies are rules or guidelines that express the 'limits' within which action should occur. "Simplifying somewhat, marketing strategies can be seen as the means, or "game plan," by which marketing objectives will be achieved and, in the framework that we have chosen to use, are generally concerned with the 8 P's i.e:

1. Price - The amount of money needed to buy products
2. Product - The actual product
3. Promotion (advertising)- Getting the product known
4. Placement - Where the product is located
5. People - Represent the business
6. Physical environment - The ambiance, mood, or tone of the environment
7. Process - How do people obtain your product
8. Packaging - How the product will be protected
In principle, these strategies describe how the objectives will be achieved. The 7 P's are a useful framework for deciding how the company's resources will be manipulated (strategically) to achieve the objectives. It should be noted, however, that they are not the only framework, and may divert attention from the real issues. The focus of the strategies must be the objectives to be achieved - not the process of planning itself. Only if it fits the needs of these objectives should you choose, as we have done, to use the framework of the 7 P's. The strategy statement can take the form of a purely verbal description of the strategic options which have been chosen. Alternatively, and perhaps more positively, it might include a structured list of the major options chosen.

One aspect of strategy which is often overlooked is that of "timing." Exactly when it is the best time for each element of the strategy to be implemented is often critical. Taking the right action at the wrong time can sometimes be almost as bad as taking the wrong action at the right time. Timing is, therefore, an essential part of any plan; and should normally appear as a schedule of planned activities. Having completed this crucial stage of the planning process, you will need to re-check the feasibility of your objectives and strategies in terms of the market share, sales, costs, profits and so on which these demand in practice. As in the rest of the marketing discipline, you will need to employ judgment, experience, market research or anything else which helps you to look at your conclusions from all possible angles.
Detailed plans and programs

Although these detailed plans may cover each of the 7 P's, the focus will vary, depending upon your organization's specific strategies. A product-oriented company will focus its plans for the 7 P's around each of its products. A market or geographically oriented company will concentrate on each market or geographical area. Each will base its plans upon the detailed needs of its customers, and on the strategies chosen to satisfy these needs.

Again, the most important element is, indeed, that of the detailed plans; which spell out exactly what programs and individual activities will take place over the period of the plan (usually over the next year). Without these specified - and preferably quantified - activities the plan cannot be monitored, even in terms of success in meeting its objectives. It is these programs and activities which will then constitute the "marketing" of the organization over the period. As a result, these detailed marketing programs are the most important, practical outcome of the whole planning process. These plans therefore be:

- **Clear** - They should be an unambiguous statement of 'exactly' what is to be done.
- **Quantified** - The predicted outcome of each activity should be, as far as possible, quantified; so that its performance can be monitored.
• **Focused** - The temptation to proliferate activities beyond the numbers which can be realistically controlled should be avoided. The 80:20 Rule applies in this context too.

• **Realistic** - They should be achievable.

• **Agreed** - Those who are to implement them should be committed to them, and agree that they are achievable.

The resulting plans should become a working document which will guide the campaigns taking place throughout the organization over the period of the plan. If the marketing plan is to work, every exception to it (throughout the year) must be questioned; and the lessons learned, to be incorporated in the next year's planning.

### 2.3 Global Marketing Environment

One of the major variables with which a business enterprise has to continuously interact is the business environment. In the field of international marketing, management of this environment requires that it be broken down to manageable components. The constituents of the environment are political and legal, cultural, and monetary and financial. These are discussed in the following sections.

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Political Environment

Nothing better illustrates the impact of political changes on business environment than the buoyancy or the depression of the stock market during the parliamentary elections. Installation of a stable government with conducive business influences will act as a boost to the stock exchange. Any firm international markets has to concern itself with political stability, government orientation and nationalism.
Political stability is particularly important since it represents the success or failure of the business. Government’s orientation can reveal whether international business can survive in a particular country. Nationalism is also an important factor since the business entity has to exist and operate in the country. When the impact of these concerns is taken into account, the extent of political risk a firm has to face can be realised.

An MNC has to face three types of environments, namely domestic, foreign and international. Less developed countries, developing countries and even developed countries view foreign firms and capital with distrust. Latin American companies are reluctant to welcome MNCs. This is explained by the dependency theory according to which, the ongoing political, economic and social transformations have made it necessary for Latin American countries to rely on the capitalistic system. Advanced countries are thus able to extract surplus value from their less developed counterparts leaving them underdeveloped. This results in perpetuation of the class conflict and oppressive governments. Even developed countries view foreign investment as a threat to their national security—both political and economic. It has to be mentioned here that foreign capital inflow can result in higher standards of living and enhance the country’s ability to service international debt. To put it in a nutshell, the benefits of foreign investment outweigh the cost. Sometimes opposition is on moral grounds, as was the case in South Africa until recently, due to its policy of apartheid.
Political Risk

International marketers have to contend with a number of political risk that includes confiscation, domestication, expropriation and nationalisation.\(^3\)

Confiscation refers to governments taking ownership of an asset without compensation. Expropriation is different from confiscation in that some compensation is paid, though not according to the market value. Domestication refers to transfer to control of a foreign investment to national ownership. In other works, it is a gradual encroachment of the freedom of operation of a foreign firm. Nationalisation refers to government ownership which implies that government operates the business. Nationalisation of banks in India in 1969 could be an example of this.

Assessing and managing political risks. International marketing firms can follow three basic steps for assessing and managing political risk. These are:

- Recognise the existence of risk and its accompanying consequences.
- Develop plans and policies in advance to cope with the risks.
- Maximise compensation in the event of expropriation.

Some of the risks are country specific depending on the political system, government policy and encouragement given to business. Some of the risks are industry specific arising due to size and visibility, product handled and attitude of the company. Suppose an MNC is seen taking over a fair share of the local business, it causes resentment and raises issues of protection of the domestic industry. If a government thinks that a product that is being handled by a foreign company is crucial for the economic development of the country, then its attitude may be favourable.

Political risks can be managed both before and after the investment is made. Pre-invest planning refers to risk management before investment. The options available under pre-investment planning are avoidance of the investment, insuring the political risk, negotiating with the governments and structuring the investment. Political risks arising after the investment has been made, can be managed by planned disinvestment, short-term profit maximization.

Planned disinvestment of assets in a foreign country over a fixed time so that the risk can be minimized. Short-term profit maximization can be resorted to when expropriation is likely to occur. The basic objective is to recover at least the initial investment in a short time. Developing local stockholders will win strong identification from these business associates, which in turn can minimize political risk. It may also result in the favorable treatment being meted out by the host government. Current
market scenario requires that the company should adapt to the existing environment.

**Legal Environment**

Legal system refers to the inevitable component of the environment within which a business operates. It has a direct bearing on the global marketing plan of the company. To quote an example, German laws are very strict. A company requires legal counsel before framing its advertising strategy. European laws prevent promotion of products through price discounting. There may be laws for other elements of the marketing mix in each country. A company has to watch for rules regarding the following:

- Retail price maintenance
- Product quality
- Packaging
- After sales commitment
- Price controls
- Property rights which includes immovable property, and patent and trade mark regulations.
- Cancellation of agreements

The problem of legal environment arises for two reasons:

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4 Ibid.
1. Every country has its own legal system
2. Legal systems are not harmonised all over the world and are based on contradictory political philosophy.

An international marketing firm has to concern itself with the following legal issues:

- Protecting property right
- Methods of securing recourse
- Methods of entering into contracts
- Tax laws
- Foreign exchange

CULTURAL ENVIRONMENT

Culture can be looked upon as a set of traditional beliefs and values that are shared and transmitted in a given society. It also represents the way of life and thinking patterns that are passed on from one generation to the next. Culture encompasses norms, values, customs, art, morals and laws.

Culture is prescriptive. It prescribes the kind of behaviour that is acceptable in a society. It is socially shared through interaction. It facilitates communication as it develops common habits of thought and feelings among people. Culture is gradually learned, as a person absorbs the values and traditions in which he is raised. It is subjective and people of different cultures have different ideas.
about the same subject. It is enduring as it is passed on from generation to generation. It is relatively stable and somewhat permanent. It is cumulative as it is based on hundreds or even thousands of years of accumulated experiences. Culture is dynamic. It adapts to new situations and sources of knowledge.

Cultural Analysis

Cultural analysis has the following aspects;
- Understanding culture and its orientation, i.e. procuring knowledge about the culture.
- Market screening keeping in mind the product modification or marketing mix modification and its implications on the incremental costs and profitability of the market.
- The choice of the market, marketing strategy and programme

The analysis has four steps.

1. Definition of problems or goals in the home culture context
2. Definition of problems or goals in the foreign culture context
3. Analysis of differences, if any
4. Redefining the problem of goal in light of the preceding step

Cultural indicators can be grouped under the following categories.
1. De-facto indicators refer to climate, terrain, and basic infrastructure available. This will have an impact on the product, manufacturing and marketing.

2. Traditional indicators refer to systems, attitude and values. Marketers can benefit by taking into account the traditional indicators and the mechanics of the market. Some questions like whether a society does not want credit for transactions could come out.

3. Legal indicators refer to problems faced by a society over a period. Markets should be concerned with product safety and environment laws. European laws are very strict. Many times, drugs that are banned in European countries are marketed in underdeveloped countries.

4. Marketing mix indicators refer to the 4p’s of marketing-namely product, Price, promotion and place. For example, aspirational advertising in the US may create a problem.

5. Other indicators of culture can be time, for example, a delay in business communication is interpreted as lack of interest by the US businessmen.

6. The office space a manager has is an indicator of his importance in the organization. However, it has no significance in the Arab world.

7. The concept of friendship in the US is very fragile, but has strong bonds in eastern countries.

US is considered highly materialistic society. The English, German and French cultures attach great value to traditional and historical
possessions. Business agreements differ among countries. They can be broadly classified into three types:

- Rules that are clearly spelt out as laws or regulation
- Moral practices agreed upon and taught to young as a set of principles.
- Informal customs to which everyone confirms without stating the exact goals.

It is important for international marketers to understand and appreciate the varying cultural dimensions of international business. This can help in adopting and adapting business strategies to the cultural requirements of a country. This can also be reflected in the marketing strategy.

Sub-culture refers to a distinct and identifiable cultural group that has values in common within a larger society. For example, Indonesia has 300 ethnic groups. Their life-styles and culture seem to be apart by hundreds of years. Japan has a remarkably homogenous society by Canada or India has diverse cultures. Indians pride in their culture of ‘Unity in Diversity’

**Financial and monetary environment**

International marketing firms have to understanding the balance of payment (bop) pressures before locating the production facilities in a country. A country with Bop pressure will not be helpful for
divestment, since there may be restrictions on the flow of foreign exchange. The situation in the ’70s and ‘80s in India could be cited as an example. World trade is influenced by output, incomes and expenditure of industrialised countries. Hence it will be necessary to monitor and analysis the variables to understand the trade pattern.

Trade pattern analysis helps break the patterns into volumes and prices for better understanding. This can also help in understanding the debt problems. To quote an example, when there was an oil price hike in 1973, there was a manor shift in resources from non-oil producing nations to oil producing nations. This created enormous pressure on current account of the non-oil producing nations. These countries resorted to debt to increase their capital inflow so that the currency could remain stable. In the process, the Asian and African countries suffered the most.

International monetary environment can be looked upon as a structure where foreign exchange rates are determined, international trade and capital flows are accommodated and BoP adjustments are made. Major changes have been made in the last three decades with reference to the Indian context. The process of liberalization is moving the country towards free market economy and free exchange. However, the rupee is not fully convertible. Nevertheless, the country has seen volatility of exchange rates. This can be understood from the dollar-rupee exchange parity, which was between Rs.3 and Rs.5 in ‘70s and has moved to about
Rs.48 in 2009. A country can control its financial environment by adopting different measures like freeze, levying import duties, suspending purchase and sale of gold, etc. as we see in the global market, financial risk management is a major issue due to continuously changing exchange rates, formation trade blocks and other alignments of various markets has increased the access to funds. It has also increased trade volume transactions but at the same time, no-members of a trade block suffer from several barriers free international trade.

Political environment for an international marketing firm is complex and involves interaction among domestic, foreign and international policies, Because of the diverse political and economic systems in countries, governments develop varying philosophies. Many a time political motives overshadow economic logic. Political risks such as expropriation, nationalization, and other restrictions are created that will affect marketing decisions. To manage political risks, companies should accommodate the host country’s national interests by economic stimulation, employing nationals sharing business ownership with local firms and being civic oriented. They can also shift the risk by purchasing insurance for political risk. However, companies should have system to monitor political risks continuously.

Culture refers to beliefs, traditions, customs and values that are socially shared. It is subjective, enduring and dynamic. It can have a cumulative effect. It can affect human behaviour through
logic, communication and is appropriate and relevant to the culture in which it is operating. Trade, monetary and financial environment is concerned with output, incomes and expenditure in international trade. These figures with respect to developed countries become more important. Developments in the financial environment have implications for international marketing in the context of redefining the task of international marketing.

2.4 Entering International Marketing

There are three reasons for the shift from domestic to global marketing as given by Masaaki Kotabe and Kristiaan Helsen\textsuperscript{5} in their famous publication ‘Global Marketing Management’.

Saturation of Domestic Markets

For a company to keep growing, it must increase sales. Industrialized nations have, in many product and service categories, saturated their domestic markets and have turned to other countries for new marketing opportunities. Companies in some developing economies have found profitability by exporting

\textsuperscript{5} Global Marketing Management, Masaaki Kotabe and Kristiaan Helsen.
products that are too expensive for locals but are considered inexpensive in wealthier countries.\textsuperscript{6}

**Worldwide Competition**

One of the product categories in which global competition has been easy to track is in U.S. automotive sales. Three decades ago, there were only the big three: General Motors, Ford, and Chrysler. Now, Toyota, Honda, and Volkswagen are among the most popular manufacturers. Companies are on a global playing field whether they had planned to be global marketers or not.

**E-Commerce**

With the proliferation of the Internet and e-commerce (electronic commerce), if a business is online, it is a global business. With more people becoming Internet users daily, this market is constantly growing. Customers can come from anywhere. According to the book, “Global Marketing Management,” business-to-business (B2B) e-commerce is larger, growing faster, and has fewer geographical distribution obstacles than even business-to-consumer (B2C) e-commerce. With e-commerce, a brick and mortar storefront is unnecessary.\textsuperscript{7}

Most of the firms operating in the international markets are referred as multi-national companies (MNC) or large scale enterprises


\textsuperscript{7} Kotabe & Helsen, p.4 op. cit.
Multinational companies can be defined in terms of size, structure, performance and behavior. In terms of size, the parameters to be considered are market value, sales and profits. Provides a list of companies that are ranked from 1-5 based on these criteria.

Structural requirements of an MNC mean the number of countries the firm does business and the nationality of its corporate owner / top management. For example, a native of Pakistan heads the financial business of Citicorp in Asia, except Japan. His immediate colleague is an Indian national, who heads its consumer business.Definition of and MNC by performance is based on sales and assets. They indicate the extent of commitment of corporate resources to foreign operations and the rewards obtained therefrom\(^8\).

With respect to behaviour, an MNC can be classified as: ethnocentric, polycentric or geocentric. Ethnocentricity means strong orientation towards the home country. The company uses the home base for production of standardized products for the export markets. Decision marketing in such an organization is centralized. Polycentricity, on the other hand, is the opposite of ethnocentricity. The focus of such a firm is towards the host country. The assumption is that each country’s market is unique and hence there is an imperative need to understand the culture and the laws of the specific markets. Hence, significant

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decentralization is visible in decision-marking. Polycentric companies can result in duplication of effort among overseas subsidiaries.

**Definition of an MNC by Behaviour**

<table>
<thead>
<tr>
<th>Organization Structure</th>
<th>Ethnocentric</th>
<th>Polycentric</th>
<th>Regiocentric and Geocentric</th>
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</thead>
<tbody>
<tr>
<td>Complexity of design</td>
<td>Complex at home simple in subsidiary</td>
<td>Independent and varied</td>
<td>Complex and interdependent</td>
</tr>
<tr>
<td>Decision making</td>
<td>Concentrated at headquarters</td>
<td>Each subsidiary marking its own decisions (mutually exclusive)</td>
<td>The decisions are taken on common approach (mutually exclusive), i.e. integrative approach Choice among the best.</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Home country people considered superior and therefore allocated to all key post in the subsidiary</td>
<td>One or two key people are nationals, remaining are from host country</td>
<td>Choice among the best.</td>
</tr>
<tr>
<td>Evaluation and control</td>
<td>The criteria remain same as that of the home country</td>
<td>The criteria are locally determined and judged by subsidiary needs</td>
<td>Universal and local criteria are created</td>
</tr>
</tbody>
</table>

## Incentives

<table>
<thead>
<tr>
<th>Incentives</th>
<th>Concentrated at home</th>
<th>Wide variations</th>
<th>Applicable for both local and internationally set standards</th>
</tr>
</thead>
</table>

## Communication

<table>
<thead>
<tr>
<th>Communication</th>
<th>Heavy top-down from headquarters to subsidiary</th>
<th>Low mutual sharing (no-or-low among subsidiaries)</th>
<th>Intensive communication between headquarters and subsidiaries</th>
</tr>
</thead>
</table>

## Identification

<table>
<thead>
<tr>
<th>Identification</th>
<th>Home country</th>
<th>Host country</th>
<th>Global</th>
</tr>
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</table>

Geocentricity is an orientation towards the whole world rather than a particular country. For a geocentric company, the globe is the market. Resources are allotted without consideration of national frontiers. As could be seen from the table, decision marking is concentrated in the headquarters in the ethnocentric approach. In the polycentric approach, each subsidiary makes its own decision, whereas in the regiocentric and the geocentric organizations, decisions are taken in an integrative approach. Whether a manager is internationally oriented or otherwise can be measured on a geocentric scale using five statements.

Firms face a choice of alternatives in marketing their products across markets. An extreme strategy involves customization, whereby the firm introduces a unique product in each country, usually with the belief tastes differ so much between countries that it is necessary more or less to start from “scratch” in creating a product for each market. On the other extreme, standardization involves making one global product in the belief the same product
can be sold across markets without significant modification—e.g., Intel microprocessors are the same regardless of the country in which they are sold. Finally, in most cases firms will resort to some kind of adaptation, whereby a common product is modified to some extent when moved between some markets—e.g., in the United States, where fuel is relatively less expensive, many cars have larger engines than their comparable models in Europe and Asia; however, much of the design is similar or identical, so some economies are achieved.

There are certain benefits to standardization. Firms that produce a global product can obtain economies of scale in manufacturing, and higher quantities produced also lead to a faster advancement along the experience curve. Further, it is more feasible to establish a global brand as less confusion will occur when consumers travel across countries and see the same product. On the down side, there may be significant differences in desires between cultures and physical environments—e.g., software sold in the U.S. and Europe will often utter a “beep” to alert the user when a mistake has been made; however, in Asia, where office workers are often seated closely together, this could cause embarrassment.

Adaptations come in several forms. Mandatory adaptations involve changes that have to be made before the product can be used—e.g., appliances made for the U.S. and Europe must run on different voltages, and a major problem was experienced in the European Union when hoses for restaurant frying machines could
not simultaneously meet the legal requirements of different countries. “Discretionary” changes are changes that do not have to be made before a product can be introduced although products may face poor sales if such changes are not made. Discretionary changes may also involve cultural adaptations—e.g., in Sesame Street, the Big Bird became the Big Camel in Saudi Arabia.

Another distinction involves physical product vs. communication adaptations. In order for gasoline to be effective in high altitude regions, its octane must be higher, but it can be promoted much the same way. On the other hand, while the same bicycle might be sold in China and the U.S., it might be positioned as a serious means of transportation in the former and as a recreational tool in the latter. In some cases, products may not need to be adapted in either way, while in other cases, it might have to be adapted in both. Finally, a market may exist abroad for a product which has no analogue at home—e.g., hand-powered washing machines.

### 2.5 Global Marketing Strategies for Indian Firms

With rare exceptions, products just don’t emerge in foreign markets overnight—a firm has to build up a market over time. Several strategies, which differ in aggressiveness, risk, and the amount of control that the firm is able to maintain, are available which most of the Indian firms adopt while entering in global marketing. These are:
• Exporting is a relatively low risk strategy in which few investments are made in the new country. A drawback is that, because the firm makes few if any marketing investments in the new country, market share may be below potential. Further, the firm, by not operating in the country, learns less about the market (What do consumers really want? Which kinds of advertising campaigns are most successful? What are the most effective methods of distribution?) If an importer is willing to do a good job of marketing, this arrangement may represent a "win-win" situation, but it may be more difficult for the firm to enter on its own later if it decides that larger profits can be made within the country.

• Licensing and franchising are also low exposure methods of entry—you allow someone else to use your trademarks and accumulated expertise. Your partner puts up the money and assumes the risk. Problems here involve the fact that you are training a potential competitor and that you have little control over how the business is operated. For example, American fast food restaurants have found that foreign franchisers often fail to maintain American standards of cleanliness. Similarly, a foreign manufacturer may use lower quality ingredients in manufacturing a brand based on premium contents in the home country.
• Joint venture. Here, a firm partners up with a firm already in the country. Each partner contributes. Usually, the host country partner contributes expertise about the country and possibly some manufacturing facilities. The “guest” partner usually contributes technology and/or financial resources. This reduces risk and investment to some extent, but also reduces the control since agreements must now be made to satisfy the partner.

• Direct entry strategies, where the firm either acquires a firm or builds operations "from scratch" involve the highest exposure, but also the greatest opportunities for profits. The firm gains more knowledge about the local market and maintains greater control, but now has a huge investment. In some countries, the government may expropriate assets without compensation, so direct investment entails an additional risk. A variation involves a joint venture, where a local firm puts up some of the money and knowledge about the local market.

Hamel and Prahalad (1996) suggest the firms operating globally that succeed are those that perceive the changes in the international environment and are able to develop strategies which enable them to respond accordingly. The firms that will do well will base their success largely on the early identification of the changes in the boundaries of markets and industries in their analysis of their international marketing environment. Management foresight and
organisational learning are therefore the basis of a sustainable competitive advantage in global markets.\textsuperscript{10}

The increasing globalisation of business, particularly because it is being driven by information technology, has led many firms to re-examine what contributes to their global competitive advantage. They have recognised the fact that it is the pool of personal knowledge, skills and competencies of the firm’s staff that provides its development potential and they have redefined themselves as ‘knowledge-based’ organisations. Moreover, these firms have acknowledged that they must retain, nurture and apply the knowledge and skills across their business if they wish to be effective in global markets. The growth potential of international markets can only be exploited if the firm becomes a learning organisation in which the good practice learned by individual members of staff in one market can be leveraged and built upon throughout its global activity.

However, firms are increasingly vulnerable to losing these valuable personal assets, because of the greater mobility of staff, prevalence of industrial espionage and the security risks and abuse associated with the Internet. Moreover, with the increase in communications it is becoming more difficult to store, access and apply the valuable knowledge that exists amongst the huge volume of relatively worthless data that the company deals with. Consequently, effective knowledge management is now critical for

success. This means having Web-enabled database systems that facilitate effective data collection, storage in data warehouses and data mining (the identification of opportunities from patterns that emerge from detailed analysis of the data held).

Successful global operators use the knowledge gained to assess their strengths and weaknesses in light of their organisational learning and ensure they have the company capability and resources to respond to their learning in order to sustain their competitive advantage. This is particularly important in international markets as, for example, customer and brand loyalty may be much stronger in certain markets than others, and products that may be at the end of their life in the domestic market may be ideal for less sophisticated markets. In the dynamic international markets, therefore, if a firm is to succeed it must develop the ability to think, analyse and develop strategic and innovative responses on an international, if not global scale.

It is apparent, therefore, that firms and organisations planning to compete effectively in world markets need a clear and well-focused international marketing strategy that is based on a thorough understanding of the markets which the company is targeting or operating in. International markets are dynamic entities that require constant monitoring and evaluation. As we have discussed, as markets change so must marketing techniques. Innovation is an important competitive variable, not only in terms of the product or service but throughout the marketing process. Counter-trading,
financial innovations, networking and value-based marketing are all becoming increasingly important concepts in the implementation of a successful international strategy.

The challenge, then, of international marketing is to ensure that any international strategy has the discipline of thorough research and an understanding and accurate evaluation of what is required to achieve the competitive advantage. Doole (2000) identified three major components to the strategies of firms successfully competing in international markets:

- A clear international competitive focus achieved through a thorough knowledge of the international markets, a strong competitive positioning and a strategic perspective which was truly international.
- An effective relationship strategy achieved through strong customer relations, a commitment to quality products and service and a dedication to customer service throughout international markets.
- Well-managed organisations with a culture of learning. Firms were innovative and willing to learn, showed high levels of energy and commitment to international markets and had effective monitoring and control procedures for all their international markets.
Some of the terms that are used in export marketing in the Indian context are explained below:

**Goods moving at buyer’s risk and cost**

- **Ex-works (EXW):** The seller makes the goods available at his premises. The buyer bears the full cost and risk of transportation of the goods.
- **Free carrier (FCR):** The seller delivers the goods to the custody of the carrier (or the first carrier in multi-modal transport). The risk of the goods passes to the buyer at that moment and the buyer pays the transport costs.
- **Free on rail, free on truck (FOR/FOT):** This term is used for rail transport only. The seller delivers the goods to the railway and the buyer bears the risk of loss of damage from that moment and pays the transportation costs.
- **Free on airport (FOA):** The seller delivers the goods to the air carrier at the airport of departure. The buyer bears the risk of goods from that moment and pays the transport costs. The seller normally arranges the contract of carriage on the buyer’s behalf.
- **Free alongside ship (FAS):** The seller delivers the goods alongside the ship in the port of shipment. The risk of the goods in transferred to the buyer from that moment.
- **Free on board (FOB):** The seller clears the goods for transport and delivers them on board the ship. The risk passes form
seller to buyer when the goods cross the ship’s rail at the port of departure.

- Goods moving at buyer’s risk and seller’s cost and freight (C&F): The seller clears the goods for export, pays the freight charges, and delivers the goods on board the ship. The risk passes from seller to buyer when the goods cross the ship’s rail at the port of departure. The seller undertakes to provide the buyer with a negotiable bill of lading that can be endorsed to transfer ownership of the goods or pledge them in a bank.

- Cost, insurance and freight (CIF): This is identical to C&F except that, in addition, the seller insures the goods against loss and damage at his own cost. The insurance covers the buyers not the seller, since the goods are travelling at buyer’s risk.

- Freight, carriage paid to (FCP): The seller pays the transport costs. Risk passes to buyer when the seller delivers the goods into the custody of the first carrier.

- Freight, carriage, insurance paid to (CIP): This is identical to FCP, except that in addition, the seller insures the goods at his own cost, for the benefit of the buyer.

**Goods moving at seller’s risk and cost**: 

- Ex-ship (EXS): The seller makes the goods available to the buyer, on board the ship at the port of destination. He pays the transport costs and bears the risk of the goods until they are made available this way.

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• Ex-quay (EXQ): The seller makes the goods available to the buyer on the quay or wharf at the port of destination. The seller bears the risk of the goods up to that point and pays the transport cost. The seller pays the import duties (“ex-quay duty paid”) unless the contract provides for the contrary (“ex-quay, duties on buyer’s account”).

• Delivered at the frontier (DAF): The seller delivers the goods at the agreed frontier and bears all the costs and risks up to the point, including transportation costs. The buyer is responsible for the import duties and formalities.

• Delivered Duty Paid (DDP): The seller delivers the goods at an agreed point in the buyer’s country. The seller bears all the costs and the risks of the goods up to the point of delivery including the transport costs. The seller is responsible for import duties and formalities.

2.6 Marketing Challenges of the Present Times

In international marketing the very complexity of handling the diverse range of factors that must be considered makes planning and control a difficult activity to carry out satisfactorily. For large global companies, the problem becomes one of how to structure the organisation so that its increasingly complex and diverse activities around the world can be planned and managed effectively, its goals can be achieved and its stakeholders’ expectations satisfied. In this section we look at the international
marketing planning and control process and consider how managers can respond to the challenges posed in the previous sections by ensuring they have robust strategy development and market planning processes.

Andrew Levermore gestures impatiently to the bottle of mineral water on the table. It is clearly old stock - the brand recently rolled out its new look and colours in a high-decibel campaign. But it's not the vintage that is bothering the CEO of Hypercity, Mumbai's largest hypermarket.
"They changed the packaging a couple of months ago, but the bottles still don't have barcodes," Levermore shakes his head in disbelief. "A package makeover in 2006 - and no barcode." Does it really matter? Perhaps not to the *kirana* or *paan* shops, which, admittedly, collectively sell more bottled water than the hypermarket, but a barcode is a critical business tool for organised retail, where it helps track products from the warehouse to store shelves and, finally, the checkout counter.\(^\text{12}\)

And when suppliers don't provide barcoded products, retailers need to print their own barcodes and then employ staff to stick them on every piece of merchandise. In a store like Hypercity, which carries 80,000-100,000 SKUs (stock-keeping units) at any given time, that means a lot of sticking. It is also an indicator of the changes organised retail brings in its wake. For decades now, consumer goods companies have been used to delivering to India's proverbial "12 million kiranas" more or less on terms of their own choosing. They are now finding that modern format retail doesn't operate along quite the same lines. In fact, it is so dramatically different, it is an entirely new business. "With the rise of organised retail, the balance of power shifts in favour of retailers," points out Jagdish Sheth, Charles H. Kellstadt professor of marketing in the Goizueta Business School at Emory University. What opportunities and challenges do organised retail present for consumer goods suppliers? And what strategic changes will help

\(^{12}\)Meenakshi Radhakrishnan Swami in Business Standard.
them do better business with giants like Wal-Mart, Reliance Fresh, Foodworld and Food Bazaar?

The kiranas continue

First things first. The rise of organised retail does not mean the end of traditional retail. According to "Retail in India: getting organised to drive growth", a joint report by global management consultancy A T Kearney and the Confederation of Indian Industry, the Indian retail sector is valued at $320 billion (Rs.14,40,000 crore), of which organised retail accounts for a minuscule 6 per cent (Rs.86,400 crore or Rs.864 billion). Of course, the latter's 35 per cent growth is multiple times the 7-8 per cent forecast for the sector as a whole: which is why Kearney forecasts organised retail will cross $100 billion by 2012. Even at that level, though, it will be far behind traditional retail. Most manufacturers understand that. "For a very long time to come, the biggest chunk of business will be from general trade. The corner shop will not disappear," says V S Sitaram, executive director, consumer care division, Dabur India.

Even modern format retailers agree. "Microenterprise is the most adaptable retail entity in India. It will always remain relevant," points out Damodar Mall, president and CEO, foods business, Future Group. Still, with the rise of modern retail outlets, the nature of shopping will change. While stock-up purchases (buying the month's groceries, for instance) are likely to move to the supermarkets and hypermarkets, top-ups (when you run out of,
say, shampoo, in the middle of the month) will continue at local stores. That shift in buying habits has far-reaching consequences for consumer product companies.

What's in store

FMCG companies in India have had a fairly smooth run until now - given that the average kirana is 150-200 sq ft and has space for less than 1,000 SKUs, they didn't need to create endless product variations and extensions of the same brands. Compare this with Barry Schwartz's list in his 2004 bestseller The Paradox of Choice: Why Less is More, based on a visit to his local supermarket in the US: 285 types of cookies (21 options in chocolate chip alone), 95 different snacks, 360 shampoo types, 40 options for toothpaste, 275 varieties of breakfast cereal, 175 types of teabags. Schwartz's supermarket was a "not particularly large store", but Indian consumer goods companies would struggle (and fail) to stock even that level of products (and remember, this book is three years old): Cadbury India has over 100 SKUs in two categories, Procter & Gamble sells over 320 SKUs across five categories, while Hindustan Lever [ Get Quote ] has more than 700 SKUs in over 20 categories.

If hypermarket visitors are not to be confronted by acres of empty shelves, then, consumer goods companies will have to expand their portfolios substantially. "The sheer number of SKUs will rise because of the capability to stock a wider and deeper assortment
of products," agrees Sachin Gopal, sales director, Procter & Gamble India. It is not just numbers, of course. Modern format retail offers suppliers a chance to sell assortments of products, in different sizes and different bundling options: soaps in threes and sixes, bigger (2 kg and more) sacks of detergent or a variety pack of soup mixes, for instance, rather than the single packs seen in general trade. Planned properly, consumer goods companies can take advantage of different shopping habits at different shopping formats. "What we stock in a hypermarket is different from what we stock at a petrol pump shop. A convenience store does not need supervalue packs," agrees Sunil Sethi, director, sales and customer development, Cadbury India.

Big packs and varying SKUs is just one angle to the product strategy. Unlike traditional outlets, where space and ambience are serious constraints, modern format stores also provide an ideal environment for FMCG companies to initiate product trials and launch premium or niche products. In mid-2006, for instance, Dabur India launched a 400 gram squeeze pack of Dabur Honey only through modern format stores. In the past year or so, the company has also launched two variants of its chyawanprash, a sugar-free version and another that claims to combat stress - both were launched in modern format stores where the target customer is likely to shop and, perhaps more importantly, is willing to pay the 30 per cent premium these products charge over regular chyawanprash. "It is probably easier to sell such concepts through the organised retail route," agrees Sitaram.
While organised retail provides brands much-needed visibility and platform for customer-interaction (more on that later), manufacturers also need to make some changes to packaging to bring their products in line with the requirements of modern retail and its customers. "Manufacturers will have to cede part ownership of the brand to retailers," says Raman Mangalorkar, head, consumer and retail practice, A T Kearney. That means complying not just with the requirement, but also ensuring expiry dates are prominently displayed, as is nutritional information and ingredient lists.

**The distribution dilemma**

Modern trade operates to a completely different set of rules. Given its superior bargaining power, it can negotiate better margins, wider product ranges and more frequent, speedier deliveries. For manufacturers, then, it makes sense to have a separate team servicing these outlets, working full-time to ensure both parties profit equally from the transactions. One way of doing that is by persuading retailers to route their purchases through suppliers' existing distribution networks. That's because for the supplier, selling directly to the retailer works only if the order size is large enough. To their credit, most large retailers are willing to accept such an arrangement. Their only condition: orders must be filled on time. Modern stores maintain lower inventories than traditional retail - nine days for Hypercity and under two weeks for Food
Bazaar, compared to over three weeks for most *kiranas* - and losses due to a stockout are far more significant, for both the manufacturer and the retailer.

Retail analysts say on-time order replenishments will become even more critical once the Wal-Mart/ Bharti combine begins operations - the American retailer works almost entirely on cross-docking and is likely to demand higher service levels, including potential levies for delays in shipment. Meanwhile, manufacturers have to also keep their traditional distributors satisfied - a tough task, considering they offer modern trade more concessions and better promotions than their general trade partners. Hindustan Lever is working around that by involving family grocers, chemists and wholesalers in custom-made programmes that offer them targeted promotions, value deals and also build relationships through training sessions, newsletters and meetings. "General trade will continue to be the focus of all FMCG companies that want to grow," says a company spokesman. For its part, Cadbury India has changed the rules for all its customers (retailers). It has created a menu-based approach - issues covered include prompt payment, efficiency and business building initiatives - that is common to all retailers, big and small.

A couple of years ago, it also started the Purple Star programme for traditional retailers, where it tailors promotions and schemes for selected stores. "There is no differential treatment between retailers," says Sethi.
Jo dikhta hai, woh bikta hai

The earlier approach to marketing was simple enough: make sure the product is visible - on store shelves and through mass media advertising - and it will more or less sell itself. With the evolution of modern retail, though, the emphasis is shifting to in-store displays and promotions - probably also because for the first time, the space for such initiatives is available. But manufacturers no longer have the last word on what will happen at the store. "Modern trade has a significant say in promotions, perhaps because it offers far superior results with a much faster lead time," says Future Group’s Mall.

Cadbury India’s Sethi points out that retailers are more open to brand promotions and displays - including posters, gondolas and danglers - when manufacturers back up their ideas with shopper insights. "There will be a shift from traditional media to increased communication at the point of purchase," he says. Initiatives that help grow the category as a whole are particularly welcome, say analysts, since that boosts the retailers’ revenue. And many FMCG companies are predicting that spends on promotion, in-store and point of purchase displays will increase significantly from the present 20-30 per cent share of the marketing budget.

As we move deeper into the heart of technological products & services and a more global economy that is business the following challenges are obvious.
1. **Keeping The (Client) Customer First:**

As technology creates a sterile platform on which we do business with our customers/clients it is easy for us to forget that we are dealing with reality. Because our interactions through the internet put us into the Virtual hemisphere of thinking we tend to forget that there are living, breathing people on the other end of our transactions. Roy H. Williams, speaks of us learning to see our customers real and seeing ourselves real.

2. **Keep Experimenting - Learn From Experience But Do Not Make Experience The End All Solution:**

For example as we transitioned from the live musician during the time when music was being integrated with technology and we were losing human drummers for drum machines and pianist for electronic keyboardist during the 80's we saw new growth in music genres but we also saw a sterility come to music that music producers had to learn how to deal with. Obviously we saw more new music producers and singers increase that we wouldn't have heard of because of the technology but we also saw a battle raging between how to temper the technology with real live animated singers and audiences.
Amazingly producers began to reintegrate real live players back into the concepts and we saw a resurgence and integration of analog instruments into the new digital sound.

So marketers must do the same and consider that the new marketplace we are in is in constant warfare against itself. We must balance our use of technological digital devices with our analog, instinctively creative minds, always looking for new ways to understand this biomorphic marketplace that is rapidly changing.

3. **Keep Maintaining Or Developing Our Own Individuality**

Stop chasing our tails. This is a quality we not only as marketers need to keep in constant redevelopment but also solo entrepreneurs, small businesses and corporations alike. As the R&D (Research & Development) departments began to shrink in the late 70’s and now only those behemoth corporations have the ability to financially support an R&D department, we have become like a dog chasing our tail. We have lost our individuality in replacement for the easiest, fastest simplest way out of our problem.

As marketers we must desperately find a way to use those individual things that make us uniquely different from all the other choices people can choose in this day and age of specialization. These are some of the top challenges we see people facing into the future.
2.7 Achieving Industrial Competitiveness and Competitive Advantages

Firms develop certain competencies and capabilities over a long period of time while operating in the domestic environment and these competencies and capabilities form the basis of a firm's competitive advantage. We categorize multinationals into internal focus, external focus and dual focus firms. A path dependence approach is taken in developing our conceptual model. Our propositions suggest (1) associations between internal focus firms with high control of subsidiaries and a strategy of global integration; and (2) associations between external focus firms with joint control of international operations and multifocal strategies. Dual control firms are more successful in managing different control arrangements and pursuing transnational strategies. Dual control firms are more successful than other firms in pursuing global integration or multifocal strategies.

While reviewing the opportunities in the international environment, a firm has to make crucial decisions about the entry mode it is likely to follow as entry mode decisions critically affect issues of control of the international venture. Internal focus firms with limited experience in working with external constituents are likely to prefer higher control over their international ventures. An operating strategy a firm implements internationally is closely linked with a firm's control preferences. Certain international strategies, like that of global integration, are likely to work better with high control of subsidiaries. On the other hand, multifocal strategies are likely to be successful when the subsidiary shares control with local partners.
As the preceding paragraphs indicate, we take a path dependence approach in our analysis. "Path dependence defines the set of dynamic processes where small events have long-lasting consequences that economic action at each moment can modify yet only to a limited extent. The trajectory of a path dependent process however cannot be fully anticipated on the basis of the original events". We take the position that pre-existing or initial conditions do impact subsequent actions, and our research propositions have been developed to test whether there are specific relationships among competitive orientations, control preferences, pursuance of strategies, and subsequent performance.

Dunning (1995) makes a strong case for reappraising the existing system of market-based capitalism by suggesting that competitive market forces do not provide a complete explanation of economic development, nor do such forces necessarily ensure growth and dynamism in an uncertain world. A second and more insightful observation is that the traditional view of ownership and control of resources and competencies, the basic edifice of transaction cost analysis, is not necessarily the most efficient means of wealth generation. The traditional view holds that wealth creation is best achieved through competition, rather than through cooperation. In examining international business strategy, we focus on two types of strategies: (1) the mode of international entry firms choose to undertake, and (2) the international strategy firms choose to implement in order to fulfill their long-term business objectives.

We look at three specific orientations a firm may have. These orientations are internal focus, external focus, and dual focus. We will examine two aspects of international business strategy. The first is the mode of entry into international markets, which we
define as the degree of control a firm exercises in its foreign operations. For reasons of parsimony, we suggest that control can be classified as joint control and high control. Also for the purpose of this analysis, we examine three broad forms of international business strategy. The first is a strategy of global standardization, the second is one of market customization, and the third is a combination of the first two strategies called transnational strategy.

Three Types of Competitive Advantage

We reason that competitive advantage, defined in terms of external relationships and internal capabilities, drives international strategy. We suggest that the nature and texture of competitive advantage developed by a firm would influence it to prefer certain types of entry modes and follow particular international strategies over others. Competitive advantage can be categorized into three types.

Internal Focus Firms. In developing their competitive advantage, some firms may choose to be more internally focused with the aim of maximizing economic rents from valuable, rare, inimitable, and non-substitutable resources (in line with the resource-based view suggested by Amit & Schoemaker, 1993, Barney, 1986a, 1986b, 1991, Dierickx & Cool 1989, Mahoney & Pandian, 1992). Most scholars of the resource-based view agree on the need to create unique and inimitable resources to differentiate a firm from its rivals, and to maintain sustained competitive advantage.

External Focus Firms. For over a decade, inter-organizational arrangements based on certain relational attributes have become an important part of the strategy literature. The focus is on how traditional adversarial relationships between buyers and suppliers
may be giving way to new forms of obligational contracting involving closer cooperation between buyers and their dependent suppliers (Imrie & Morris, 1992; Best, 1990). The primary focus of some firms in developing their competitive advantage is essentially relational based on such factors as trust and commitment.

Dual Focus Firms. Commenting on changing environmental conditions, Moore (1993) suggests that in today's intensely competitive world, success is possible through being a part of a complex business ecosystem. Brandenburger & Nalebuff (1993) mention that competitive success comes from a win-win strategy, not from the old win-lose (zero sum game) with other firms. This is a process firms can successfully use with its competitors and its suppliers, and it includes sharing proprietary skills and technology with outsiders to enhance the overall competitive abilities of a given firm. Some scholars (like Arthur, 1996; Brandenburger & Nalebuff, 1993; Hagel, 1996; and Moore, 1993) have come to the conclusion that economic ecosystems and mini ecologies provide a powerful explanation of firm behavior. Obviously such firms have well developed external relationships to successfully maintain interdependencies, and also possess valuable assets and resources that they exchange and leverage in the network.

COMPETITIVE ADVANTAGE AND INTERNATIONAL STRATEGY

There is considerable fragmentation in the discipline of international business strategy. Our aim in developing the conceptual model is not only to better understand the influence of competitive advantage on international business strategy, but also to integrate parts of the discipline by examining the relationship among competitive advantage, entry mode, international strategy, and performance. We categorize the competitive advantage that
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firms have into three distinct groups of firms: (1) internal focus; (2) external focus; and (3) dual focus. Based on the nature and type of competitive advantage, the choice of international entry that we specifically explore ranges from (1) shared control typical in joint ventures; (2) to high control typical in owned subsidiaries. The three international strategies in our conceptual model are: (1) a global strategy to address forces of global integration; (2) multifocal strategy to address pressures of local responsiveness; and (3) a transnational strategy that combine aspects global integration along aspects with high local responsiveness.

Based on the discussion and arguments made so far, the following associations among competitive advantage, entry mode, and international strategy should be most salient. One, internal focus firms should be most closely associated with a high control entry mode and a global strategy. Two, external focus firms should be most closely associated with a shared control entry mode and a multifocal strategy. Finally, dual focus firms should be to handle both joint control and high control arrangements. In the case of internal- or external focus firms, there are restrictions on what mode of entry and strategy are appropriate.

Internal focus firms are likely to prefer high control over operations in order to protect their assets and other firm-specific resources, and are likely to prefer wholly (or majority) owned subsidiaries as preferred entry mode, and for these reasons unlikely to choose joint ventures. Such firms would do this in order to internalize operations and maximize returns on firm-specific attributes. However, these firms are likely to perform poorly in joint venture arrangements as they do not have the capability to meaningfully share control.
We have defined competitiveness in very specific terms, and thus have avoided the generalities that are occasionally used. Statements like core capabilities and core competencies have little value unless very specific concepts and definitions are provided by which these terms can be measured and important interrelationships be identified. We have also extended the concept of competitive advantage to include both an internal as well as an external perspective, an extension we believe better captures this complex phenomenon. Our conceptual model attempts to logically address the overall relationship through three major constructs, namely competitive advantage, strategy, and performance. We have also integrated the two important aspects of international management-entry mode and international strategy-two streams that have typically been researched separately. Internal focus firms, we argue are driven by high control, and a need to leverage their well developed internal capabilities through volume and standardization. External focus firm prefer to share control on account of strong of relational skills, and prefer to use their skills to adapt to market needs through local partners. In the case of dual focus firms, the mediation effect of entry mode is relatively less important as such firms have the skills to manage a wide variety of control mechanisms and organizational arrangements successfully. Dual focus firms are also able to execute a range of strategies more successfully when compared to other types of firms.