CHAPTER 3

LITERATURE REVIEW

In this Chapter, we assemble literature available and relevant to the research topic. It is an attempt to assimilate studies, observations and recommendations by earlier researchers.

The review will help identify the research gap which will play a guiding role in setting up the objectives and scope of study.

Five broad areas as shown below have been identified to present the body of knowledge pertaining to the research topic.

1. Marketing Strategies
2. Overseas Marketing Strategies
3. Marketing strategies of Auto Component Industry
4. Overseas Marketing Strategies of Auto Component Industry
5. Overseas Marketing Strategies of Indian Auto Component Industry

Some of the concepts like Market Orientation and Contingency Paradigm have evolved over a long period and they have contributed amply to the formulation of overseas marketing strategies. Literature published from very early times to the latest have been consulted from published works.

3.1 STUDY OF MARKETING STRATEGIES

In this section we take a review of literature on marketing strategies by various authors.

A four factor Marketing Mix consisting of Product, Price, Promotion and Place (Distribution) is the set of marketing tools that a firm uses to pursue its marketing objectives in the target market (McCarthy 1996).

Each P is getting addressed by few specific parameters as shown in the Figure 3.1.
Many authors have found 4Ps encompassing marketing strategies fully.
Cavusgil and Zou (1994) finds that Marketing Strategy involves all aspects of the conventional marketing plan, including product, promotion, pricing and distribution.

Katsikeas, Leoniduo and Morgan (2000), while assessing export performance of firms found that export marketing strategy variables refer essentially to the company export product, pricing, distribution and promotion strategy and are key to exporting success. Studies conducted by Calantone, et al. (2006) and Langes and Montgomery (2003) endorsed the same view.

Later, another group of authors who studied marketing strategy concepts added two more elements namely geographical design of marketing value chain and the Competitive Process to the marketing elements (Lim, et al. 2006).
Peter Drucker (1973) has defined business marketing in his own way. He notes “Marketing is so basic that it cannot be considered a separate function within the business, on par with others such as manufacturing or personnel. Marketing requires separate work, and a distinct group of activities. But it is, first, a central dimension of the entire business. It is the whole business seen from the point of view of its final result, that is, from the customer’s point of view. Concern and responsibility for marketing must, therefore, permeate all areas of the enterprise.’

D’Aveni (2002) observes that a map based on measured competitive pressures is essential to answering questions vital to the dynamic stability of an industry and the profitability of firms in it. It has important implications for an organization’s market and competitor selection, growth plans, product portfolio and diversification strategy, resource allocation priorities, competitive intelligence system, merger and acquisition strategy and scenario planning process. An overall picture of an industry’s pressure system can allow managers to proactively and intelligently decide whether to counter the pressure of a rival or let another competitor do it.

Bryce and Dyer (2007), suggest that smart companies use three fundamental approaches, usually combining at least two of them, to break into profitable markets.

First one is leveraging the existing assets. Companies use what they already have, often supplementing their assets and resources with a partner’s, to overcome entry barriers.

The second approach is reconfiguring the value chains. Entrants change the activities or the sequence of activities they perform to deliver value to customers.

The last approach is establishing niches. Enterprises develop offerings with features that don’t initially appeal to mainstream customers but attract customer in a fringe segment.
Reconfiguring the value chain and creating a niche as the most powerful combination strategy. By reconfiguring value chains, entrants create low-cost business models; at the same time, by establishing niches, they stay off incumbents’ radar screens.

Many authors have studied Customer Value Management (CVM) in the arena of Marketing Strategies.

McAuley (2001), states that CVM requires that a company aligns its infrastructure and capabilities to the ideal outcomes which a target set of customers would wish to see. Thus the customer becomes the firm’s design point; the company examines every interaction with a customer for its potential to deliver ideal, customer – defined value. He formulated three steps to follow for target customers through CVM.

The first step is to segment customers and market place. Here technology is essential to the successful mining of databases.

The second step is to develop an outside- in vision of the firm. That is, to get a sense of what each customer segment actually wants from it.

The third and final stage is to develop a strategic vision of the specific processes, capabilities, and infrastructure that the business needs to ensure the delivery of ideal-customer defined, high value outcomes. This should align the company’s ability to perform with the promises it is making. The targeted marketing strategy, in turn, aligns the promises with each of the desired customer’s or segment’s values.

Gupta, et al. (1986) recommend that all functional areas of a firm have to necessarily cooperate in order to increase customer value and satisfaction in the process of new product development; this way they can ensure faster and efficient product development.
Das (2005) finds that most marketers are so busy figuring out how their companies can create value that they don't pay attention to communicating the benefits their companies deliver to customers. He also finds that companies often don't focus on developing individual relationships so that each customer becomes more loyal.

The buyer and seller go through four phases of relationship development process before the actual purchase contract happens. Dwyer (1987) has indicated the four phases.

In the first phase, known as awareness - phase, unilateral considerations of potential exchange partners are involved.

In the second phase, called exploration - phase, dyadic interaction occurs and a gradual increase in interdependence reflects bilateral testing and probing. At this phase, termination of the fragile association is simple.

In the third phase, named as expansion - phase, a successful power source exercise marks the beginning of expansion, mutual satisfaction with customized role performance supports deepening interdependence and additional gratifications are sought from the current exchange partner, rather than from an alternative partner.

In the last ‘commitment - phase’, contractual mechanisms and/or shared value systems ensure sustained interdependence, mutual inputs are significant and consistent and partners resolve conflict and adapt.

Theodore Levitt (1980) categorically declares that there is no such thing as a commodity. All goods and services are differentiable. When the generic product is undifferentiated, the offered product makes the difference in getting customers and the delivered product in keeping them. Customers attach value to a product in proportion to its perceived ability to help solve their problems or meet their needs. All- else is derivative.
McGrath and Macmillan (2005) have identified eight moves companies can make to redefine their profit drivers and realize low-risk growth.

The eight moves are changing the unit of business, retaining the unit of business but radically improve the key metrics, particularly productivity, improving the cash-flow velocity, dramatically improving the asset utilization, improving customers' performance, improving customers' personal productivity, helping to improve customers' cash flow and reducing customers' asset intensity.

They note that, companies are moving away from selling a pure product and toward selling a product-service mix or even a pure service and helping the customers improve their performance generates a more robust, profitable and loyal base of clients.

Vendenbosch and Dawar (2002) points out that as products from competing companies become increasingly similar, difference in the way rivals interact with their customers are becoming more and more important. Strategies built around reducing customers' interaction costs and risks are central to these differences; they offer a systematic way to tap into new sources of customer value and it is easy to underestimate the difficulties involved in shifting a company’s focus from products to customer interactions. Here tactical marketing responses cannot get the job done because they do the opposite of what is needed, adding to interactions rather than streamlining them. They advocate that one should start with customer rather than with products.

‘Market Driven Organization’ recognizes that its highest exploitable competitive edge is in the strength of its relationships with its markets or customer groups. Such an organization is constantly searching for new customer needs, through which it can build strong and well-defined relationships with its customers. The product development, marketing and market research efforts of market driven organizations focus on helping customers find their emerging needs and then satisfying those needs with new and innovative products (Lowenthal, 1995).
Milne and Marsh (2007) in their study on Germany's smaller companies, reveal that there is a group of smaller companies in Germany that is both more reticent and more successful than its bigger companies like Siemens and Volkswagen. Several characteristics distinguish these hidden champions: a sharp focus on a niche market that enables them to dominate it and to continue producing in high-cost Germany; a global strategy to open fresh markets; a "do-it-yourself" approach to innovation and production; and most often family or private ownership to ensure continuity. Many of them build up the market-share quickly through growth, attribute their management style for their success, have lean organization and take business decisions very speedily. Another characteristic of the hidden champions is putting the customer at the centre of the company's decisions.

Product support service is becoming a major battleground for competitive advantage as noted by Kotler (1998). Firms that provide high-quality service will undoubtedly outperform their less service-oriented competitors. The company must define customer needs carefully in designing both the product and the product support system. Customers are most concerned about an interruption of the service that they expect from the product.

Cohen and Agrawal (2006) advocate that companies should use a systematic approach to improve after-sales service quality levels, reduce investments in service assets, and cut operating costs by identifying which products to cover, creating a portfolio of service products, selecting business models to support service products, modifying after-sales organizational structures, designing and managing an after-sales services supply chain and monitoring performance continuously.

Kordupleski, et al. (1993), advocate that a firm must ensure that customers are satisfied with the delivery of services offered by the firm, measuring customer satisfaction with services, and changing internal processes that stand to have the greatest impact on the customer.
Punja (2007) argues that businesses that can innovate to make their complex, higher-value, collaboration-led activities deliver what their customers care about most will probably gain significant, enduring and not easily duplicated advantages in distinctiveness, quality and cost. Thus, the hunt for competitive advantage will increasingly focus on three areas; improving the productivity and performance of knowledge workers; delivering unique value through specialized or niche products and services; and maintaining more intimate relationships with customers and suppliers. Technology and organizational strategies will be inextricably conjoined in this new world of interactions-based productivity.

The research by Lee and Grewal (2004) sheds light on two important strategic issues for managers: the value of strategic responses to new technologies and the market valuation of the firm. The results suggest that an appropriate response—as defined by response magnitude, domain and speed—is needed to assimilate new technologies successfully.

Theodore Levitt (1983a) declares that sale will be not just a system but a system over time. The value at stake will be the advantages of that total system over time. As the customer gains experience, the technology will decline in importance relative to the system that enables the buyer to realize the benefits of the technology. Services, delivery, reliability, responsiveness, and the quality of the human and organizational interactions between seller and buyer will be more important than the technology itself.

Rosenberg (1976) observes that Customers, recognizing technological obsolescence, begin to form expectations of further and continuing advances in performance and decrements in price. The firm must balance the value and potential obsolescence of installed product generations against the potential value of current offerings and future arrivals in making upgrade decisions. The marketer’s task of managing transitions between generations obviously is affected by these conflicting influences.
Rust, Moorman and Dickson (2002) stipulate how a firm should attempt to derive financial benefits from quality might vary depending on the functional perspective it takes. Marketing tends to address the problem from having a revenue perspective and operations from a cost reduction or efficiency perspective. Although it might appear possible to double the benefit by using both approaches simultaneously, their empirical findings suggest that firms can achieve greater financial returns from quality improvements by emphasizing revenue generation solely, along with its underlying focus on customer satisfaction and retention. The results from such an emphasis exceed those arising from a focus on costs alone or from attempts to balance a dual emphasis on both revenues and costs.

Sanchez and Mahoney (1996) suggest that traditional engineering design employs constrained optimization methods in order to obtain the highest level of product performance within a cost constraint.

Kotler (1998), declares that companies that differentiate their offering solely by cutting their costs and price may be making a mistake, for several reasons. First, “cheaper” products are often viewed as inferior in quality. Second, the firm may cut services to keep the price down, and this action may alienate buyers. Third, a competitor will usually find a lower-cost production site and offer an even cheaper version. If the firm did not distinguish its offering in any other way than price, it will be soundly beaten by this competitor.

Shantanu Dutta, et al. (2002) point out that a company’s products and services are just the fruit of the tree; its roots are the core capabilities and competencies that organizations develop. A strategic pricing capability is an important contributor to the tree’s long term health. Although only the prices themselves are visible to onlookers, the capability underlying the prices is ultimately what makes them right for the market or either too high (driving away customers who perceive them as unfair) or too low (opening up opportunities for competing). Most CEOs will never set a single price. They can, however give their managers the ability to win
price wars, maintain price leadership and hold a competitive edge in pricing. The key is understanding how different forms of capital — human, systems and social — blend in a way that competitors will find difficult to imitate and then making the necessary investments to create a formidable new strategic capability.

Finkelman (1993) opines that satisfied customers—those receiving higher quality service or who feel better about the product—are, in fact willing to pay more for it.

Pascale and Athos (1982) found that in the 1930s, the conventional wisdom was for manufacturers to recoup their investments as quickly as possible by lowering production costs but holding prices as high as possible. Matsushita, inspired by Henry Ford’s pricing strategy for the Model T, grasped the concept of aggressively pursuing market share, gaining economies through manufacturing experience, and lowering price, thus establishing barriers to entry for competitors who found the small margins unattractive. Matsushita went a step further than Ford in articulating this approach as a fundamental tenet of his product market strategy across all product groups—a strategy that has been pursued to the present time.

Theodore Levitt (1983b) produces a link between quality and low cost. He says that the truth is that low-cost operations are the hallmark of corporate cultures that require and produce quality in all that Japanese do. High quality and low costs are not opposing postures. They are compatible, twin identities of superior practice.

Cooper and Chew (1996) say that target-costing drives a product development strategy that focuses the design team on the ultimate customer and on the real opportunity in the market.

Arbitrage in its traditional, and least sustainable, form applies the pure exploitation of price differentials. Ghemawat (2003) advocates that companies should not apply only price-arbitrage. The world is not so homogenous as to have
removed arbitrage from a company's strategic toolkit. In fact, many forms of arbitrage offer relatively sustainable sources of competitive advantage, and as some opportunities for arbitrage disappear, others spring up to take their place. He does not claim that arbitrage to exploit differences is any more a complete strategic solution than the optimal exploitation of scale economies. To the contrary: If they are to get their global strategies right in the long term, many companies will have to find ways to combine the two approaches, despite the very real tensions between them. Arbitrage is about much more than cheap capital or labour. Ghemawat recommends that companies should also consider cultural arbitrage, administrative arbitrage, geographic arbitrage, and economic arbitrage.

Freek Vermeulen (2005) gives his finding of revitalization through acquisitions. He says that revitalization is an important outcome of acquisition and should be the strong consideration when making the decision to acquire. The acquisitions help the companies restore a sense of vitality to their businesses and unleash a subsequent surge in performance. The acquired companies often stimulate the acquiring companies to develop new perspectives and different ways of doing things at times when they are most needed. Companies make acquisitions for a variety of reasons: to get access to a new business or technology, to gain a foothold in a new geographical market or to consolidate a market. Some companies seek to learn something, such as a particular skill or capability that they identify as useful. All acquisitions, however, require that companies find ways to integrate organizations that do things differently.

With the advent of lean manufacturing practices, supply lead times have crashed, processes have become more robust and customers are getting used to expecting more and more from their suppliers. Rao (2008) finds that focus now is on converting raw material to finished products in ever decreasing time frames, and while doing so, getting them right the first time.

With lean manufacturing, realization has dawned on manufacturers that all inventories and associated waiting time are non-value adding. So, they are trying
to ensure that inventory does not dwell within the factory premises. Manufacturers have re-designed processes to ensure that inventory flows as quickly as possible from the incoming gate and out of dispatch area. This has given rise to concepts like Just-in-Time Deliveries, and demand for materials that are in ready-to-use condition (no inspection and/or direct on-line).

Continuous cost-reduction pressures on suppliers has forced them to adopt lean practices within their own organizations, and thus lean practices have propagated. This led to Value Stream Maps evolving into Extended Value Stream Maps.

Contingency Approach: The authors Zeithaml, V.A., Varadarajan, and Zeithaml, C.P. (1988) studied the contingency approach in marketing which had its very early roots in General Systems Theory (Von Bertalanffy, 1951) as well as in the Behavioral theory of the firm (Simon, 1957).

Contingency theory supports the following:

i) Best strategy across situations does not exist.

ii) Performance levels result from the co-alignment among strategy and the firm’s context (meaning the internal and external forces).

iii) Each strategy may or may not be the best depending on the nature of the internal and external forces.

These perspectives view the organization as a social system composed of interdependent subsystems. Coordination within these subsystems is accomplished through management policies and practices, which in turn interact with the environment to help achieve a set of goals or objectives (Luthans and Stewart, 1977).

Interactions within the organization and between the organization and the environment result in two complementary open system characteristics that are central to the contingency approach: adaptation and equifinality. The principle of adaptation holds that managers may adapt the organization’s strategy to cope with
changes in the external environment or the organization’s structure and behavior to address the requirements of its strategy. In the context of this study, the principle of adaptation suggests that marketing managers and personnel adopt specific structures and behaviors that best satisfy the unique demands of the firm as dictated by its overarching characteristic, its business strategy.

The concept of equifinality holds that superior organizational performance can be achieved through a variety of different strategies and that overall firm performance is less dependent on a specific strategy than on how well the firm implements the chosen strategy.

As more marketing scholars seem to be implying, the appropriate model for understanding marketing may not be one developed to understand the role of manufacturing in an economy, the micro economic model, with its focus on the good that is only occasionally involved in exchange. A more appropriate unit of exchange is perhaps the application of competences, or specialized human knowledge and skills, for and to the benefit of the receiver. These operant resources are intangible, continuous, and dynamic. The emerging service-centered dominant logic of marketing will have a substantial role in marketing thought, it has the potential to replace the traditional goods-centered paradigm (Vargo and Lusch, 2004).

Howard (1983) notes that Customer plays a very important role by giving marketers a rationale for their planning, which facilitates their interfacing with other functions in the design and implementation of strategy.

Littler and Wilson (1995) finds the conventional view of strategic management, especially in the planning literature which claims that change must be continuous and the organization should be adapting all the time to be ironic because the very concept of strategy is rooted in stability, not change. A fundamental dilemma of strategy making is the need to reconcile the forces for stability and for change- to
focus efforts and gain operating efficiencies on the one hand, yet adapt and maintain currency with a changing environment on the other.

There are distinct differences in the transactions that take place between organizations (Industrial Marketing) and that between an organization and individual consumers (Consumer Marketing). Webster (1978), proposed that this distinction is necessary considering the nature of the markets, the products, the demand and, more importantly the motives and the buying behavior of organizations acting as buyers, compared to the motives and the buying behavior characterizing individuals.

Newbert (2007) studied RBV (Resource Based View) and argued that unique capabilities (dynamic and otherwise) and core competences rather than static resources are essential to determining the competitive position of a firm.

Collis (1991), in his analysis using RBV on global competition, stipulates that the external environment imposes pressures to which a firm must adapt in order to survive and prosper.

Barney (1991) finds that the resource-based view argues that traditional planning approaches and viewpoints do not make an explicit evaluation of the firm’s core capabilities relative to the strengths of competitors and its ability to create a competitive advantage.

Day (1994), focus on capabilities of market-driven organizations is consistent with the resource-based theory of the firm which suggests that a firm’s marketing advantage stems from its assets and capabilities. Assets refer to investments in scale and scope (e.g., advertising, promotions), brand image, and locational and channel advantages. Capabilities refer to marketing processes and applications of assets such as pricing, customer service capabilities, innovation, and product development.
Lawton and Parasuraman (1980), notes that the customer orientation is one of the most fundamental aspects of organizational culture.

While studying Competitive Superiority in the domain of Competitor Orientation, Day and Wensley (1988) found that a focus on the client alone can take the institution to a reactive cycle, instead of proactive, if it does not equally consider the competitors’ actions.

Varadarajan and Clark (1994) point out that business strategy refers to how firms compete in an industry or market.

Walker and Ruekert (1987) argue that firms that follow different generic business strategies adopt different structural designs.

Slater and Olson (2001) state that the process of implementing business strategies addresses how marketing activities are accomplished.

Hutt and Speh (1984) have very clearly spelt out that understanding cross functional interfaces in the development and implementation of an effective business strategy is very important and essential.

Porter (1996) declares “Strategic fit among many activities is fundamental not only to competitive advantage but also to the sustainability of that advantage. It is harder for a rival to match an array of interlocked activities than it is merely to imitate a particular sales-force approach, match a process technology, or replicate a set of product features.”

Miles and Snow (1978) came out with a very comprehensive framework that takes care of the alternative ways that organizations define and approach their product-market domains (the entrepreneurial problem) and construct structures and processes (the administrative and technical problems) to achieve competitive advantage in those domains.
They identified four archetypes of how firms address these issues. They are “Prospectors” who are who continuously attempt to locate and exploit new product and market opportunities, “Defenders” who attempt to seal off a portion of the total market to create a stable set of products and customers, “Analyzers” who occupy an intermediate position by cautiously following prospectors into new product-market domains while protecting a stable set of products and customers and “Reactors” who do not have a consistent response to the entrepreneurial problem.

Various studies have examined strategic behaviors that have the potential to create superior performance for the firms.

- Through enhancing the execution of business strategy (Slater and Narver, 1995).

- Customer-oriented behaviors (Deshpandé, Farley, and Webster, 1993).

- Competitor-oriented behaviors (Chen, 1996).


- Internal/cost-oriented behaviors (Porter, 1980).

Day (1994 a and b), while studying about markets and market-driven organizations found that firms with a strong customer orientation pursue competitive advantage by placing the highest priority on the creation and maintenance of customer value. As per him, due to the constantly refined market-sensing and customer-relating capabilities of the customer-oriented firm, it should be well-positioned to anticipate customer need evolution and to respond through the development of new customer value-focused capabilities and the addition of valuable products and services.

As per Day (1990), competitive advantage is simply to beat the competition.
Ittner and Larcker (1997), while studying Product Development Cycle Time and Organizational Performance argues that overall perceived performance should encompass not only the organization’s performance on the dimensions -return on assets, return on sales, and sales growth, but also any other financial and nonfinancial goals that may be important to the organization.

In a firm, work has to be coordinated among various functions. The firm’s Interfunctional structures and processes address this as found in the case of product development (Griffin and Hauser 1996). Not many authors have studied interfunctional coordination in case of strategy implementation.

As per Hamel and Valikangas (2003), Strategies decay for four reasons: Overtime they get replicated; they lose their distinctiveness and, therefore, their power to produce above-average returns. Good strategies also get supplanted by better strategies. In an increasingly connected economy, where ideas and capital travel at light speed, there is every reason to believe that new strategies will become old strategies even more quickly. Strategies get exhausted as markets become saturated, customers get bored, or optimization programmes reach the point of diminishing returns. Finally, strategies get eviscerated. The internet may not have changed everything, but it has dramatically accelerated the migration of power from producers to consumers.

A company can be operationally efficient and strategically inefficient. It can maximize the efficiency of its existing programmes and processes and yet fail to find and fund the unconventional ideas and initiatives that might yield an even higher return. Thus winning companies will be those who can meet customer needs economically and conveniently and with effective communication.

Varadarajan and Clark (1994), indicate that the identification of which marketing assets or competencies should be leveraged and which should be maintained as unique to a specific business unit or well-defined group of business units remains largely unexplored in the marketing literature.
Norton and Bass (1987) found that successive generations of products typically arrive when the current generation’s sales curve still is rising and may continue to rise for some time. Both the launch of a new generation and the withdrawal of the old become equally significant decisions with overlapping generations, as does the decision of whether to help prior customers migrate from one generation to another. This decision is complex because of the tensions among a firm’s desire to provide state-of-the-art technology through a continuing evolution of new product generations, customer expectations and fears of obsolescence, and the “footprint of the past” from the installed base’s commitments to prior generations of the firm’s technology.

Dess and Miller (1993) characterize vision as a critical component of the planning process because of its ability to provide constancy of purpose for the strategy planning process.

Day (1986) argues that a firm should allocate people, time and money to the adequate level when it pursues marketing strategy.

Bharadwaj, Varadarajan, and Fahy (1993) proposed that emphasizing a firm’s strengths can lead to superior market performance, especially if multiple capabilities are emphasized. For instance, a firm that can deliver the best product quality at the lowest cost with superior distribution and excellent promotion can have considerable advantages over its competition.

Sinkula (1994) points out that emphasizing core capabilities carries a danger, in that core capabilities can turn into “core rigidities” or “competency traps.

Nagle and Holden (1995) through their research on new product development found that innovativeness of products is related positively to profit performance.

As per (Christensen and Bower 1996), firms build and renew competitive advantage through radical or discontinuous innovations.
Michael Hammer (2004) says that operational innovation should not be confused with operational improvement or operational excellence. Those terms refer to achieving high performance via existing modes of operation: ensuring that work is done as it ought to be to reduce errors, costs and delays but without fundamentally changing how that works gets accomplished. Operational innovation means coming up with entirely new ways of filling orders, developing products, providing customer service or doing any other activity that an enterprise performs.

Innovative operations can result in direct performance improvements (faster cycle time and lower costs) which lead to superior market performance (greater customer satisfaction and more highly differentiated products). And improved market performance yields a host of strategic payoffs from higher customer retention to the ability to penetrate new markets.

Compared with most of the other ways that manufacturers try to stimulate growth—technology investments, acquisitions, major marketing campaigns and the like—operational innovation is relatively reliable and low cost.

Most industry today are struggling with low-growth, even stagnant markets. Over capacity is rampant and competition particularly global competition— is fierce. Virtually all product and service offerings have become commodities, almost no one has any pricing power, and none of this is likely to change in the near future. In this environment, the only way to grow is to take market share from competitors by running rings around them: by operating at lower costs that can be turned into lower prices and by providing extraordinary levels of quality and service. In other words, the game must now be played on the field of operations.

Mere operational improvement is not enough to win the game. Excellence in execution can win a close game, but can’t break a game wide open and turn it into a rout. The only way to get and stay ahead of competitors is by executing in a totally different way – that is through operational innovation.
But operational innovation entails a departure from familiar norms and requires major changes in how departments conduct their work and relate to one another. It is truly deep change affecting the very essence of a company: how its work is done. The effects of operational innovation ripple outward to all aspects of enterprise, from measurement and reward systems and job designs to organizational structure and managerial roles.

Detelina Marinova (2004) reveals that three aspects of market knowledge diffusion (market knowledge, change in market knowledge and shared market knowledge) and their interplay over time shape the extent of innovation effort. The results indicate that mere possession of accurate knowledge about customers and competition does not lead to enhanced innovation. Instead, change in market knowledge and shared knowledge assume key roles in transforming market knowledge into innovation.

McGrath and Keil (2007) point out that the disappointing amount of value generated by new business development is rooted in flawed ways of evaluating and managing ventures. These are based on a specious assumption: that the only worthwhile outcome of investment in a venture is a new business. Far too little effort is made to extract value from the so called failures (ventures that don’t meet market, margin or growth goals), the misfits (ventures that ultimately don’t mesh with the overall corporate strategy), and the unexpected by-products of failures (new technologies, capabilities, or knowledge). By redesigning the process so that choices other than “GO” (continue toward launch of a new business) and “No-Go” (Kill the venture) are fully considered along the way, companies can improve their returns on investment in innovation.

John Hages III (2002) has some suggestions for expanding sales without making dent in the profits. As per him manufacturers draw on the assets of suppliers to assemble their products and on the assets of distributors and retailers to sell them. But leveraged growth is not about these simple buyer-seller relationships, which span just two levels in the value chain. It entails the coordinated mobilization of
resources supplied by many enterprises operating at many levels of the value
chain. By mobilizing the resources, the company pursuing a leveraged growth
strategy is able to tailor the product or service created by the overall group to the
needs of a particular customer or customer segment, capturing value for itself as a
knowledge broker. Its success depends on a deep understanding of the economics
of both its customers and the resource owners.

Market orientation, in general, is positively related with various business
performance measures (Jaworski and Kohli, 1993).

Kohli and Jaworski (1990) defines market orientation as “the organization wide
generation of market intelligence pertaining to current and future customer needs,
dissemination of the intelligence across departments, and organization wide
responsiveness to it”.

Canning (1989) indicates that marketing orientation requires the development of
marketing skills with particular emphasis in designing and implementing
marketing strategies.

Very many authors have studied market orientation and found that when it is
developed as organization culture, it will deliver superior value to its customers
continuously.

Narver and Slater (1990) suggests that market orientation consists of three
behavioral components, namely customer orientation, competitor orientation and
inter-functional coordination each involved in collecting, disseminating and
responding to information. These three components constitute the activities of
market information acquisition and dissemination and the coordinated creation of
customer value.

Many authors have studied and tried to understand whether marketing orientation
is the cause of superior performance of the firm or that itself is the outcome.
Saunders and Wong (1985) conclude that marketing orientation is the cause of superior performance and definitely the reverse is not true.

Literature review in this section has encompassed various concepts, principles and forms of marketing strategies namely marketing-mix, customer value management, product support, technologies, quality, core competency, pricing, acquisitions, contingency approach, resource-based view, customer orientation, competitor orientation, market orientation, strategic fit and innovation.

3.2 STUDY OF OVERSEAS MARKETING STRATEGIES

The dynamics of overseas marketing strategies have been studied amply by many authors. There have been many approaches, concepts and theories which have continuously got evolved. Many researchers have contributed tremendously to the growth of literature on the subject.

Strategy in the age of globalization is more than a road map for achieving certain goals. It is a process of continuous revitalization of a firm’s activities that aims at solidifying its present and future competitive position.

Ali (2006) observes that the intensity of competition and the rapid globalization of the world economy accentuate the centrality of strategy in business thinking and action. Traditionally, strategy aimed at focusing organizational efforts and resources on devising goals and giving a sense of direction to those engaged in implementations. These aims are still important in today’s business. In fact, they have taken on additional value and urgency. In the past, however, strategy was devised with two assumptions in mind: customers were passive actors relative to what markets offered, and competition was forgiving. Neither assumption is valid in today’s global environment. Customers are sovereign and competition is cutthroat. The global strategy, therefore, conveys special meaning both to the company and to its competitors. Put another way, a global strategy represents a firm’s commitment to globalization and its active involvement in the global
economy. For this reason, strategy becomes a matter of well-thought-out directives and planned actions. If it is utilized creatively, strategy is the sharp edge of the sword that fends off competitors. The absence of adequate strategies leads to catastrophic consequences that ultimately threaten the very survival of the organization.

Andersen (1993) has indicated that, as part of internationalization process, there would be signals from markets and competitors and decision makers of organizations are required to respond to these.

Barlett and Ghoshal (1989) find that ‘Global strategy’ treats the world as a single market. This strategy is warranted when the forces for global integration are strong and the forces for national responsiveness are weak. This standardizes certain core elements and localizes other elements.

Gabriel (2002) had a similar view like Barlett and Ghoshal on globalization. He advocated the concept of taking the whole world as one huge market with homogeneous needs. Depending on the knowledge of the exporter, this can be useful but if not handled with care can be misleading. In the real world it might be difficult to get the homogeneous need of customers across the world. People are different and the differences are different. The key success factor is for the exporter to have a proper knowledge of the alternative export strategies and make a “strategic strategy choice”. The worst scenario is to choose not to choose. Companies and/or individuals who are dealing with export transactions have to identify and understand their export objectives before working out the export strategies. It is the rule of the game that successful strategies ought to succeed the intended objectives. It is also becoming increasingly important for exporters to communicate the value they are exporting to their customers.

They also observe that a ‘Multinational strategy’ treats the world as a portfolio of national opportunities. This strategy is warranted when the forces favoring
national responsiveness are strong and the forces favoring global integration are weak.

Hamel and Prahalad (1994) argue that being competitive in the future will mean creating and dominating emerging opportunities. That is, the focal point of a strategy is to imagine and create the future. A company, therefore, has to shape the structure of future industries and, ultimately, preempt competitors in major global markets.

These days, strategies can have a very short shelf life. Their underpinnings are being regularly shaken and they die much more quickly than in the past. The things that got the firm where it is today are seldom going to be the things that will keep it there. Hence the imperative to continuously reinvent the success with radical new product concepts, new ways of doing business, new markets, new capabilities, new customers and new sources of profit. Unless deep and strategic innovation is taken very seriously, the company’s days might already be numbered (Rowan Gibson 2008).

Shah (2006) deals about right exports strategy for young technology companies in India. As per him the first and foremost reason for India to export is to earn additional revenue, fattening foreign exchange reserves into a robust cushion for the country. Secondly, companies that have been successful in export ventures gain credibility, as they are assumed to have withstood international quality tests. Collectively, established export credibility signifies that India is fast emerging as a global economic power. Thirdly, free exchange of ideas and cultural knowledge opens up immense business and trade opportunities for a company. Export orientation also prepares companies in advance to confront emerging threats in the form of newer products, consumer demands or trends yet to reach Indian shores. Fourthly, overseas sales visits can be coupled with explorations for newer customers, machines and vendors. Lastly, global volume keeps one competitive and less vulnerable, as a business boom in one market may offset gloom in another.
Shah also observes that China offers equally inexpensive production wage rates but is much more productive. While Indian manufacturers must improve productivity, if they are able to provide the desired comfort to international buyers through effective communication, they may be able to offset the advantage of Chinese labour. Transparency of the company’s capabilities and capacities, background of promoters, employee profile, financials and independent quality assurance systems will attract and gain customer confidence. Further, implementation of health and safety standards, investment in employee training, participation in various issues, will yield huge dividends.

He recommends that the SME segment can piggy back on the MNCs operating here and offer various parts and components that fall within their scope or even work with them (invest) and develop a model for manufacturing to their specifications and subsequently exporting through them. Where there is a lack of technology, SMEs must seek out overseas companies that have technology but are not ready to open shop in India. Today, they would gladly offer technical collaboration. Here the technology provider will (to protect its traditional market) restrict the Indian partner’s access to sales territories outside India, but may make buy back arrangements to increase its own profit.

India’s Competitive Advantage vis-à-vis other nations have been studied by many organizations. The one published in ‘World Competitiveness Yearbook 2001’ is shown in Figure 3.2. India is favourably placed on the parameters of Productivity and Quality and not on Cost.
Madsen (1989), indicates that the factors like product, industry and export market characteristics linking to export performance get mediated by export marketing strategy; by this, export marketing strategy takes centre-stage in determining export performance.

Rajnish Karki (2004) has some suggestions on global business for Indian companies. He says that the global advantages could be rooted either singly or through a combination of natural cost, and skill factors. Indian organizations may initially base their global business on a single advantage but will tend to build second order advantages like technological and managerial skills or product and institutional brands over a period to strengthen and create substantial positions in global markets.

He expects that the global focused branch or type of strategic direction will become pervasive among Indian organizations and industries will develop world
class capabilities and look to exploit business potential in overseas markets. The primary agenda will be to continue to aim higher, maintain focus and set world class standards, and to develop sustainable technology or brand-based advantages.

The structure is likely to be functional or geographical divisions, and in some cases, global product divisions, where they have reached certain size and managerial depth. The organizations will need to institute dynamic reward systems and create a culture of organizational innovation and excellence.

Zou and Cavusgil (2002) advocate that managers should first carefully assess the attractiveness of various key regions or markets and carry on marketing activities in areas deemed essential. Second, an attempt to integrate competitive moves recognizes that the key regions or markets of the world are now tightly interlinked. Competitive pressures should dictate whether activities in certain markets (say, in home markets of chief rivals) should be subsidized for the benefit of the entire organization. Third, standardization of the promotional mix enables firms to gain worldwide efficiencies.

Finally, they point out, a key determinant of performance in global market lies in manager’s ability to establish common needs among customer segments worldwide so that core product features are kept intact. In practice, managers may depart from a totally standardized product to meet regulatory restrictions or channel preferences. Nevertheless, a standardized product will provide the firm with substantial efficiency in its global operations.

Ghemawat (2001) discussess about distance between buyer and seller separated by countries in a global market setting. The distance between two countries can manifest itself along four basic dimensions: cultural, administrative, geographic and economic. The types of distance influence different businesses in different ways. Geographic distance, for instance, affects the costs of transportation and communications, so it is of particular importance to companies that deals with heavy or bulky product or whose operations require a high degree of coordination.
among highly dispersed people or activities. Cultural distance, by contrast, affects consumers’ product preferences. It is a crucial consideration for any consumer goods or media company, but it is much less important for a cement or steel business.

Taking the four dimensions of distance into account can dramatically change a company’s assessment of the relative attractiveness of foreign markets. Factoring in the industry effects of distance is only a first step. A full analysis should consider how a company’s own characteristics operate to increase or reduce distance from foreign markets.

Julian (2004) studied the key factors influencing in the export marketing performance of Thai export firms. The export performance scale developed by Cavusgil and Zou (1994) was refined by him and tested in Thailand. This study considers a comprehensive set of potential determinants of export marketing performance and the unit of analysis is the individual product-market export venture. The results of the factor analysis identify firm-specific characteristics, export marketing strategy, and the level of competition in the export market as the key factors influencing the export marketing performance of Thai export ventures.

Global marketing strategy is conceptualized based on three main perspectives namely standardization, configuration-coordination and integration by Zou and Cavusgil (2002). The antecedents for applying these approaches and especially that of integration and coordination are global orientation and participating in major markets.

Due to inadequate capital and marketing infrastructure, small and medium-size manufacturers find it difficult to market their products directly to consumers. Hence they tend to export indirectly through export agencies and other middlemen. It is also found that they are in a position to offer to the specific demands of overseas customers (Bello and Williamson 1985).
Humphrey and Memedovic (2003) describe how the relationship between assemblers and suppliers has changed. There is a growing preference for using the same suppliers in different locations (follow sourcing), which limits the possibilities for component supplying by local producers in developing countries. However, opportunities in second-tier sourcing, where a global reach is not required, do exist. They show that developing countries can increase the possibility of integration into the global value chains of transnational automotive companies by opening up their domestic markets.

Miesenböck (1988) opines that the Management of the firm should be considered a major force behind the initiation, development, sustenance and success of a firm’s export effort, because of the involvement and direct responsibility in the export decisions.

Rosson and Ford (1982) has indicated similar view like Miesenbock in that companies have achieved better export performance by management commitment in terms of allocation of time and money.

June and Collins-Dodd (2000) found that research on exporting has been conducted around three paradigms: the resource based paradigm, the contingency paradigm and the relational paradigm. The resource-based paradigm suggests that firm-level activities are determinants of firm's export propensity. The empirical research has dealt on the influence of firm size, firm experience, firm competencies and marketing strategies on export performance.

Styles and Ambler (1994) observe that the empirical findings regarding the effect of marketing strategy and other variables on export propensity and performance have been inconsistent and fragmented.

Aaby and Slater (1989) propose differences in the size of firms as a significant variable affecting directly or indirectly export behavior and performance.
While reviewing the empirical literature from 1987 to 1997 on determinants of export performance, Zou and Stan (1998) concluded that most positive effects are found when size of the firm is measured by sales turnover and at the same time, negative effects are found when consider number of employees for judging the export performance.

While exploring segmentation of US firms for export development, Czinkota and Johnston (1981) found that the proactive exporter performs better in terms of sales volume, follows more cohesive export marketing strategies, and is more likely to be service oriented than are reactive firms.

June and Collins-Dodd (2000), while studying export performance of small and medium-sized enterprises, proposed that sales and distribution strategies, including strategic partnerships and the use of intermediaries to be related to export success.

Cavusgil and Zou (1994) in their work on Export Marketing Strategy and Performance relationship, identified a conceptual framework. They included two correlates namely internal forces consisting of company and product characteristics and external forces consisting of export market and industry characteristics to study the impact of performance of an export venture. As they tested the fit between Export Marketing Strategy and the exporting firm’s internal and external environments resulting in export performance, the framework becomes one of contingency paradigm as defined in strategic management. (At a later period, Morgan et al. (2004) and Neill et al. (2006) corroborated the same findings.)

Also, Cavusgil and Zou (1994) found that both technology intensity and the degree of price competitiveness impact upon elements of Export Marketing Strategy. They also indicated a positive influence of product adaptation on composite export performance.
Cavusgil, in another paper (1994), argues that small enterprises can quickly internationalize because of reasons such as development of niche markets, changes in process technology, advances in communication technology, and inherent advantages of small enterprises such as quicker time and flexibility.

Lado et al (2004) developed a model that explains export sales volume by destination based on a company's export marketing strategy. A seemingly unrelated regression model (SURE) simultaneously estimates the explanatory value of the different elements of the marketing strategy, as well as company characteristics, such as experience, size and motivation to export, on entry decisions to six different regional markets made by exporting companies in a southern European country. Findings confirm the importance of exporting experience and pro-activeness in determining high export sales volumes in every regional market except for those psychologically close. Nevertheless, different marketing strategies depending on the region lead to high export sales volumes. For example, low price strategies in the case of Latin America or differentiation strategies based on the augmented product in the case of the USA generate high export sales. Promotional expenditures are of higher importance for distant markets, but for closer markets channel development is the key.

Knight (2000) finds that the foreign market opportunity and the market information are significant factors for SME firms to start their export.

Leonidou (1995) defines export barriers as “Barriers to exporting are all those attitudinal, structural, operational, and other constraints that hinder the firm’s ability to initiate, develop, or sustain international operations.”

Suh and Khan (2004) declares that productivity is a necessary component of accelerating exports since it promotes cost efficiency, and thus profitability, and consequently provides a primary incentive to export. This meant that poor productivity inevitably impeded firms from achieving strategic export performance.
Lages (2000) advocates that marketing strategy formulation should be viewed as an antecedent to performance outcomes going by history.

Leonidou, Katsikea and Saeed Samiee (2002) studied marketing strategy determinants of export performance and reported that identifying the marketing strategy elements that influence export performance has been the subject of sizeable empirical research; however, the findings reported in the literature are characterized by fragmentation and diversity, limiting theory development, and improvement of management practice in the field. Their assessment reveals that: (a) although many marketing strategy variables demonstrate positive effects on overall export performance, the relationship is not always significant; (b) of the export performance measures examined in various studies, stronger effects are observed in relation to export proportion of sales; and (c) time of study, geographic focus, and product type had a limited impact on the effect of marketing strategy elements on export performance.

Leonidou (1995) observes that export marketing problems are often classified as internal and external. Internal export problems are intrinsic to the firm and are usually associated with insufficient organizational resources for export marketing. Ramaseshan and Soutar, (1995) points out that external export problems are related to the industry, the export market and the macro environment.

Jain (1989) argues that technology and intensity of price competition in the industry are important determinants of the marketing strategy.

Kelly and Kohne (1982) examine the personnel element in achieving and maintaining overseas marketing success and suggested strategies for selection, preparation, utilization and support of personnel for overseas assignments. As per them engineering project manager should have technical capability, stability, leadership and communicative ability. They stress the importance of local representatives for furnishing market intelligence and advice in local customs,
legal and tax implications. Integration of local country engineering partners into the total team effort overseas is recognized as a critical element of success.

Many Japanese marketing executives recognized that intense competitive pressure in their domestic market has resulted in great efficiency and the ability to compete successfully on an international scale (Lazer et al, 1985).

Morgan, Kaleka, and Katsikeas (2004) indicated that several authors have only provided fragmented results on developing a widely accepted model of export performance, thus limiting theoretical advancement in this field.

Madsen and Tage Koed (1998), while studying managerial judgment of export performance noted that the managers of the export firm and the shareholders may have differing views on setting targets which makes it much more difficult to reach consensus concerning the operational measures to be used.

While evaluating the export performance measurement, some authors have followed static method in terms of time frame (Hart and Tzokas 1999). This essentially means that they have not taken past performance into account. However, yet another group of authors (Rose and Shoham 2002) have taken care of past performances into account. Surely, the later method gives better exposure in terms of judging the evolution of performance indicators.

Myers (1999) suggests a measure like ROI (Return on Investment) to assess export performance.

While working on the motivation forces underlying the export decision of Greek food manufacturers, Katsikeas and Paapalexandris (1992) found empirical support for unique products and automation capabilities to motivate export adoption.

Study on internal determinants of export marketing behavior by Cavusgil and Nevin (1981) indicate differential advantages occurring in terms of unique products and technological intensity.
Significant differences were noticed between exporters and non-exporters in terms of product research and development (Kau and Tan 1989).

Naidu and Prasad (1994) observes that the higher the firm’s stock of competence (including production capacity) for export development, the higher the propensity for regular export.

While exploring the firm and management characteristics as discriminators of export marketing activity, Cavusgil and Naor (1987) reasoned that the degree of commitment of resources, such as personnel and information gathering, to achieve international goals to be significant factor in explaining differences in international activity.

Moen (2002) declares newly established global firms are significantly different from that of both new and old local firms regarding international vision but not from the traditional global firms.

Moen (1999) argues that small exporting firms had a stronger competitive advantage in terms of products and technology than larger exporting firms.

Scott (1989) has given out his findings about Japanese approach towards long term growth. The Japanese have made dramatic progress by nurturing manufacturing and export capabilities in sectors targeted for their long-term growth opportunities rather than today’s costs and benefits. It is informed by the dynamics of declining cost curves, technological muscle building, and the possibilities of attaining leadership in product design, customer service, manufacturing costs, and quality. It is a new theory of getting and keeping dynamic comparative advantage, a theory that allows a nation to come from behind and overtake a competitor, thus creating an advantage where one did not previously or inherently exist.

Bradley (1999) finds that by slowly deepening its involvement in international markets, a firm learns from mistakes and successes so that it can control its
continued growth through internationalization. Learning by exporting means that the firm becomes familiar with the demand conditions in the eventual host country: the selling methods, distribution system or mode of transfer of products and services. By agency representation, the firm learns how to do business with a host country organization. Agencies also allow the firm to cope with legal and cultural constraints. The transition from agencies to branch sales office is facilitated by the manufacturer’s gradual accumulation of information about the foreign market, acquired through monitoring its foreign agents and by expansion in sales volumes to levels which would support a facility of minimum economic size.

Companies often have complex warehousing environments, with inventories being managed at multiple, dispersed facilities. This situation often results in a non-federated structure where each facility ends up employing different operational processes and deploying differing systems. The end result is increased complexity in managing operations, a lack of centralized visibility, and higher infrastructure and ownership costs due to complex systems integration. As a result, many companies are beginning to consider the standardization of warehouse management processes. Crucial to this strategy is the consolidation of the warehouse management system (WMS) that unifies various solutions (Gopikrishnan 2008).

He also adds that the principal challenge is to efficiently and effectively execute the consolidation strategy while retaining the local character of specific warehouse operations. That’s because warehouses typically serve a local clientele, where process localization and customization are usually necessitated by the need to cope with business practices, stock keeping unit (SKU) distribution, volumes handled, item velocity, availability of material handling equipment (MHE), local holidays, labor policies, etc. Hence, the WMS consolidation strategy requires localization of functionalities from a universal collection of standardized processes.
Market concentration and market expansion, as overseas marketing strategies, have been studied by few researchers.

Kotler (1998) proposes that it is important for a company to decide whether to market in a few countries or many countries. It makes sense to operate in fewer countries with a deeper commitment and penetration in each. A company should enter fewer countries when market entry and market control costs are high, product and communication adoption costs are high, population and income size and growth are high in the initial countries chosen or dominant foreign firms can establish high barriers to entry. The candidate countries should be rated initially on three major criteria: market attractiveness, competitive advantage, and risk.

Williamson et al. (2006) give out ways and means when one decides about market expansion. As per them, export market selection consists of three stages: screening, identification, and selection. In the screening stage, macro level indicators, such as political stability and socio-cultural factors, are used to rule out countries that do not meet the firm's objectives.

In the identification stage, management uses variables that are specific to the product-based industry to generate a short list of countries that warrant further investigation in the selection stage. Examples of such variables are size and growth of the import market for the product in the country and competitiveness of the import market with respect to the product. In the final stage of the export market selection process (i.e., the selection stage), management uses firm-specific criteria (e.g., profitability, influence of the foreign market opportunity on the exporting firm's portfolio of exports) to make the final selection of one or more export markets from the short list generated during the export market identification stage.

Reid (1981) examines the varied empirical findings of the relationship between firm, individual characteristics, and foreign entry expansion behavior. The results of his research support the view that such activity is neither exclusively
determined by structural or managerial factors and is really the result of interaction between both types of variables. He proposed that foreign entry and expansion can best be understood as an adoption of innovation-type behavior. He also indicates that foreign entry behavior is likely to be more structurally determined in the larger firm.

Cooper and Kleinschmidt (1985) argue that export sales are an important route to growth for the small to medium sized firms. Their study results show that the types of foreign markets selected, segmentation strategies and product strategies all have a pronounced impact on export sales and growth.

Research of Denis, Jean-Emile and Depelteau, Daniel (1985) focuses on the export expansion process of small and middle-sized manufacturing firms and some of its correlates: diversification and geographical market distribution, means of acquiring information and modes of international distribution. The study reveals the overwhelming influence on export expansion of information acquired from business transactions as opposed to reliance on private or public information services.

Pricing plays very important role as a overseas marketing strategy as studied by many researchers.

McDonald and Cavisgil (1990) find that pricing has been used by the Japanese as a major competitive tool to enter markets.

Monroe (2003) argues that pricing plays of critical role in the internationalizing firm’s effort to be globally integrative yet locally responsive. For example, pricing can reflect a clear, direct, and immediate signal to customers about the firm and its products, help establish the firm’s competitive position in local markets, and serve both a market-clearing and a network-integrating mechanism in the firm’s internationalization efforts.
Solberg and Yaprak (2006) have come out with very interesting results on Pricing Practices of Exporting Firms.

First, in the context of standardization versus adoption of strategies in export markets, they found that globalization of markets did not necessarily lead to standardized prices: price differentiation across markets was still well practiced. Market idiosyncrasies, such as different levels of country risk, market size, and strategic importance of the market to the firm, typically justified adapted prices in local markets. This held true even in cases in which markets were intertwined (i.e., Scandinavian countries) but had different sets of local conditions. Moreover, companies were actively exploiting these differences. For example, even global price leaders that had the power to implement uniform prices deliberately used differentiated prices when necessary.

Second, their work showed that information sources tend to become more varied and more sophisticated as the international preparedness of the firm increases. They found that the firm valued not only the increasingly multifaceted content of its information but also the information independence (from its foreign partner) that it gained as it became increasingly more internationalized. These firms tended to use information asymmetry to their advantage as they gained increasing international experience. They also found that industry globality can be an important ingredient in the firm's approach to export pricing; in general, the more global the firm's industry, the more the firm must make it prices internationally competitive.

Third, they discovered the firms with higher degrees of international preparedness (e.g. multi-local price setters and global price leaders) preferred to hold much tighter control over their prices in different markets than their less experienced counterparts. Although in some cases they extended some flexibility to their local partners, they typically tended to retain close control over the entire pricing process. They were aware of the critical role of their distribution partners in their
local markets, but they also wanted to guard against any opportunistic behavior their partners could undertake while pricing their products.

Fourth, they found that with the exception of firms with limited international involvement ambitions that preferred to use rigid cost-plus approaches to pricing, most others were sensitive to the relevant idiosyncrasies of their local markets and thus tended to adapt their prices.

Fifth, although they conducted their research in three distinct markets, they also found that country background was not a factor in the pricing behavior of their sample firms, possibly indicating that pricing problems and approaches might be relatively universal not country and culture specific.

Global markets no longer allow a company time to introduce a product and then scale up. Now imitators-usually lean enterprises -can bring “me too” products to market so rapidly that first-mover companies have no time to inculcate brand loyalty ,let alone recover their development costs. Lean competitors, with faster reflexes than old mass-production companies, work on shorter product-development and life cycles, and they manufacture almost anywhere Korea, Mexico, Israel.

For Companies to gain and hold market leadership today, they have to design the cost out of their products when they set initial levels of quality and functionality and they have to calibrate product performance to an identified price niche.

To develop system and component targets for its suppliers, Komatsu relies on data on historical performance and cost it has recorded in function and cost tables. Function tables, containing information about the physical characteristics of each component, help designers determine the company’s best-performing components. Cost tables, containing information about the costs of components, help designers identify the low-cost components. By, in effect, overlaying one table on the other, Komatsu engineers identify the target cost of the best
component for a given project. This target cost becomes the suppliers’ target price.

Supply chain management has been studied by few researchers as a overseas marketing strategy.

A supply chain is the process of transferring goods from their points of origin to markets or to end customers. In the past, suppliers reengineered only their end of the supply chain, by reducing absolute inventory or inventory in general, cutting throughput times and so forth. But what if a supplier could adjust its supply chains in ways that improved the service its customers received and their performance? Jan Holmstrom, et al. (2000) have a solution for this as below.

The Order Penetration Point (OPP) is the place in the supply chain where the supplier allocates the goods ordered by the customer. Goods might, for instance, be produced after orders come in (“make to order”) or allocated from a warehouse once the orders have been received (“ship to Order”). The Value Offering Point (VOP) -the second place where the demand and supply chains meet- is where the supplier fulfills demand in the customer’s demand chain. Although moving the VOP back in the demand chain is largely in the customer’s interest, the supplier can benefit if it simultaneously moves the OPP. Ordinarily moving the OPP benefits one party at the expense of the other. But by coordinating movements in both the demand and supply chains, suppliers can improve their customers’ performance and at the same time generate step changes in the efficiency of their own operations.

By tweaking the demand-supply chain, suppliers can offer their customers completely new value propositions and improve their supply chains—without being forced to weigh the benefits of customer service against its cost. The means to this end are the repositioning of the value offering point at the customer’s end of the supply chain and the exploitation of better information about customer demand.
Effective supply chain management is the only way to make efficient use of
global sourcing strategies and especially, the huge manufacturing capacity of
China and the Pacific Rim. Although globalization has reduced production costs
in a wide range of sectors, the trend to source components or even finished goods
from China and elsewhere has made the supply chain manager’s task far harder
(Pritchard 2007).

In heavy or complex manufacturing, supply chain problems can lead to cancelled
orders running into billions of dollars, or severe penalties for late delivery.

As manufacturers move away from vertically integrated production, the supply
chain suddenly becomes critical.

The increasing demands of customers, as well as the drive to cut supply costs, are
causing manufacturing companies in particular to renew their investment in
supply chain technologies.

For Kautex-Unipart, an automotive component manufacturer based in Coventry,
in the UK, supplying BMW’s Mini production line with fuel tanks came with an
onerous condition attached. The company had to achieve 100 percent delivery
accuracy, matched to BMW’s JIS 5000 manufacturing process.

The tanks even have to be stored the right way round in the shopping containers.
If they are not, BMW’s production robots cannot fit them.

The company used a photographic identification system to ensure that tanks can
only leave Coventry if the order exactly matches BMW’s requirements.

“Getting supply wrong is the cardinal sin in the automotive industry,” says Jan
Parylo, IT manager at Kautex-Unipart.

To succeed in today’s highly competitive marketplace, organizations must
embrace a customer-centric supply chain model that allows them to sense, plan
and respond to real-time demand signals across a network of partners, suppliers,
retailers and customers. A demand-driven approach helps companies dynamically adjust to inventory inefficiencies, and provide earlier signals of demand changes so that suppliers anywhere in the world are properly notified when it is time to adjust their production (David Morgan 2008).

Due to the impact of globalization and the current economic conditions, companies across all segments and sectors (irrespective of their size) are facing serious business challenges and pressures. These include reduction of profit margins, high customer expectations, and bigger supply chain complexities.

Customers are now requiring manufacturers and suppliers to deliver highly configured, made-to-order products with more specialized features than ever before. Rapid product proliferation and shrinking product life-cycles are also forcing manufacturers to not only innovate across product portfolios, but find new approaches for bringing products to market.

The globalization of the supply chain brings rewards, such as cheaper labor costs, but also new risks like longer supply chain lead times and the need to maintain greater local inventory.

Chris Noonan (1996), in his paper deals about the value chain approach in marketing. Recent thinking in marketing is focusing on the need for manufacturers to understand the ‘Value Chain’ and the importance of adding value throughout the distribution chain or pipeline, both to suppliers and distributors (which can include foreign market importers and the various tiers in the trade channels) and on down the line to final consumers or users.

In international markets it is just as important that the supplier focuses his resources on that part of the chain where his company has a distinctive differential advantage. That approach would encourage a company to out-source for things it is weaker at, and build partnership relationships with other links in the chain.
The overall result of cooperative approach to managing the international supply chain will be to increase satisfaction rewards and associated benefits at each stage of the chain, with improved product quality, customer service and overall pipeline earnings, with better pricing and costing structures for each link to and including the final user or consumer.

Harold Chee and Rod Harris (1993) depicts market entry strategy as shown in Figure 3.3.

**Figure 3.3: Market Entry Strategy**

![Diagram showing market entry strategy with axes for Degree of Risk and Level of Market Control, with options for Foreign Production, Joint Ventures, Franchising, Direct Exporting, and Indirect Exporting, indicating varying degrees of risk and market control.]

*Source: Chee and Rod Harris (1993)*

The choice of method of entry into foreign markets for many firms is a fundamental and critical decision in international marketing, since the entry technique will influence the rest of the marketing programme.

Donaldson and O’toole (2002) points out that the success of many international ventures depends on managerial effectiveness. This is especially the case in international relationships and networks. Managers bred on a competitive and
hierarchical management philosophy require a different set of skills for cooperation and consensus. In advance of making international decisions it is important to consult partners before you act and involve them in the decision process. Often international relationships require commitment up-front.

Sheth (1996) observes that companies move from domestic sourcing to international sourcing, collaboration with foreign suppliers has become increasingly important. There is a shift of marketing paradigm from transaction to relationship. It is understood that the success of an organization depends on its long term relationship potential with the supply chain partners. Figure 3.4 is a representation of the paradigm shift in the organizational buying behavior due to globalization.

**Figure 3.4: Organizational Buying Behavior due to Globalization**

![Figure 3.4: Organizational Buying Behavior due to Globalization](image)

*Source: Sheth (1996)*

Strategic International Alliance (SIA) is a business relationship established by two or more companies to cooperate out of mutual need and to share risk in achieving a common objective.
Cateora and Graham (2001) observe that Strategic alliances have grown in importance over the last few decades as a competitive strategy in global marketing management. SIAs are sought as a way to shore up weaknesses and increase competitive strengths. Opportunities for rapid expansion into new markets, access to new technology, more efficient production and marketing costs, and additional sources of capital are motive for engaging in strategic international alliances.

Varadarajan and Jayachndran (1999) proposes that there is a requirement of high investment in R&D for successfully carrying out innovation. This could only be done if it leads to long term competitive advantage for the firm.

Kotler and Amstrong (1996) declare that the buyers favour products offering the most quality.

Buzzell and Gale (1987) finds that quality has been linked to improved competitiveness and Szymanski et al. (1993) argue that quality results in improved performance in international markets.

We have reviewed the extant literature on Overseas Marketing Strategies in terms of many strategic approaches. They have shown reasons for export behavior of various size of firms like Small, Medium and Large. The following are main points of review.

1. Global Market is a single market. Competitive pressure in Domestic Market helps compete successfully in Global Market.

2. Management commitment in terms of time and money help export.

4. Export experience and sales volumes are related. Many firms use export experience and export information to their advantage. Personnel element is related to export success.

5. Automation motivates export adaption. Productivity of a firm is related to acceleration of exports.


7. Many firms follow customer – centric supply chain model.

Also many studies on strategic innovation, technology companies, export performance scale, resource based view (RBV), determinants of export performance, framework of export marketing strategy and performance relationship, low price strategies, differentiation strategies, channel development, export barriers, propensity to export, market concentration and expansion, lean competitors, value chain, strategic international alliance and quality have been reviewed.

3.3 STUDY OF MARKETING STRATEGIES OF AUTO COMPONENT INDUSTRY

We review previous work done on marketing strategies specific to auto component industry in this section. We find that very little work has been done.

When U.S Automakers began losing market share to Japanese Companies, they were forced to confront a growing gap in both cost and quality. Recognizing that upstream component quality was critical to their end product and seeing the success of the Japanese Keiretsu model of networked suppliers, the Big Three began to move design, engineering and manufacturing work to specialized partners. They hammered out strategic sourcing relationships for complex subassemblies such as seats, steering columns, and braking systems. To win a significant share of their business, chosen suppliers had to meet tough cost and quality specifications. More important, to ensure the long-term success of
partnership, both parties had to open their books, sharing detailed information that became the basis for continual quality and cost improvements over many years. Both parties shared in the savings generated from improved efficiency, which provided ongoing incentives to identify and remove unnecessary costs (Gottrfredson, Puryear and Phillips 2005).

3.4 STUDY OF OVERSEAS MARKETING STRATEGIES OF AUTO COMPONENT INDUSTRY

Next we review previous study done on overseas strategies of auto component industry. Here again, we have not found much work done by researchers.

Strategic manufacturing is becoming a partnership between the big corporations that preside over design, assembly and marketing of finished products, and fewer, smaller, smarter suppliers – often single-source suppliers (Burt 1989).

The cheapest component is in the long run, not necessarily the least expensive. Once the cost of poor quality is factored in downtime on the line, rework, scrap, warranty work, legal fees, and so on-the cheapest may well be the most costly. Managing suppliers means aiming for the lowest “all-in-cost,” the lowest cost when all is said and done, not the lowest initial price per unit. Because poor quality is so expensive, procurement offices have to use more care in selecting suppliers than ever before.

In the early 1980s, buyers in the automotive industry were notorious for driving hard bargains aimed at getting the lowest possible price. Buyers in purchasing were “price takers,” bid receivers largely relying on competitive market forces to set prices. In consequence, quality problems on incoming material resulted in lost productivity and shoddy workmanship.

Perhaps the most vexing issue between manufacturers and the suppliers is price. Since suppliers are often entering into long-term single source contracts- in some cases, for parts they design-they might seem to have a new leverage in bargaining with major customers.
Not really. In fact, new-style supplier partnerships intensify the dependence of suppliers on major manufacturing corporations, and the latter would be well advised not to press this advantage too hard.

Moreover, suppliers compete intensely at the design stage. They can tie up their design engineers and CAD/CAM facilities for weeks with no assurance of making a dime. Suppliers are increasingly asked to compete like contractors but to deliver like architects.

Partnerships are based on interdependency and respect. The supplier needs a responsible, steady customer for its products and services. Manufacturing companies recognize that they need suppliers to share schedules, brainpower and financial information.

3.5 STUDY OF OVERSEAS MARKETING STRATEGIES OF INDIAN AUTO COMPONENT INDUSTRY

Now we move on to review literature on overseas marketing strategies of Indian auto component industry.

Jose Paul (2007) recommends that in order to sustain past growth rates and move up the value chain in the long run, it would become essential for Indian auto component manufacturers, especially for SMEs, to significantly invest in research and development to offer breakthrough technologies. As a percentage of sales, globally, companies spend about 3-5% on R&D while in India, the figure is a paltry 0-3%.

He suggests that rather than limiting themselves to just cost reduction, product improvisations and adaptation to local conditions, what should drive players in the sector should be the desire to compete with the global players in innovation and technology development. Where else in the world will one find the automotive hubs meshing with IT hubs? It is time for companies in India to leverage this significant advantage to move up the value chain.
The Indian automotive industry should focus on high-end customers in Europe and the US where our quality levels coupled with respect for contracts and IPR comfortably surpasses those of China. In terms of absolute volumes, China is way ahead of India and its skills in low-end and commodity products is quite something else. We are preferred for higher-end and niche customers where quality is paramount. India also has an edge when it comes to language, contracts and legal systems because those become very important issues for foreign companies (Ganesh 2006).

Prahalad (2005) gives guidelines for small firms in the Auto Component Sector going global. He says “the world is witnessing new forms of globalization. For example, we have traditionally associated globalization with large multinational firms. Today, small firms are going global. I call this phenomenon the emergence of “micro multinationals” for many of these micro multinationals, more than 90 percent of their work may come from overseas customers. They have to follow the same set of rules that large companies do. At the same time, they find a way to do it. The Indian firms may already be inventing a way of managing global operations at low cost.

He has estimated that the centre of gravity for the automotive industry in India (i.e, 82% of all the cars sold in India) is about USD 4,500 to 5,000. The centre of gravity for the US auto industry is about USD 20,000. This means that there is a 4x difference in price between the Indian and the US auto industry. Probably, the fit and finish of an Indian car may not match that of an American car. But the components that are used in the car may hide a different story. If we cannot export cars, we should be able to export components with 4x Price advantage.

He concludes that the auto component manufacturers have significantly improved their quality. They have won the Deming prize, Japanese quality award, TQM, ISO Certification and so on. So not only are these units capable of producing sub-systems with a 5-6x advantage over US suppliers, their quality is as good as most global players in the automotive component business.
Madhuri (2008) has studied about competitiveness of Indian Auto Component Industry through costs and capabilities. As per her, Indian auto component industry has witnessed high rates of growth since the early 1990s facilitated by the economic reforms, availability of cheap and skilled labour and organisational responsiveness. Against the background of the increasing export intensity of the auto component sector, she has analyzed the composition and the determinants of export competitiveness using a Tobit model. Data from the Capitaline database covering 179 exporting and non-exporting firms from the automobile component industry, for the year 2003 to 04, was used. The sample was further classified by ownership domestic, multinationals and joint ventures. This is supported by a qualitative case study of organisational capabilities of the auto component industry.

Her central argument is that export competitiveness on the basis of low labour cost alone does not give any comparative cost advantage to the firms unless the productivity of that labour is enhanced. While wage intensity is intended to capture the comparative advantage of firms with respect to cheap labour, more data on man hours is required to analyse productivity. Other variables such as import intensity and distribution expenses are used to capture the role of deregulation in the policy framework and the growing logistics capability of auto component firms. The study finds that while cheap labour is an important factor influencing the export competitiveness of multinational firms, distribution intensity is an important factor driving the exports of domestic firms. The case study analysis of the domestic auto component sector finds that faced with low volume constraint which prohibits capital deepening investments, companies are investing in soft skills to improve their production and organisational capabilities. These companies are moving up the value chain through low cost automation, better work practices, backward integration and transfer of best practices.

Saranga (2008) has carried out the performance analysis of the Indian auto component industry from the perspectives of an original equipment manufacturer
and a component supplier. Various efficiency measures are estimated using Data Envelopment Analysis with publicly available financial data on a representative sample of 50 firms. The first stage analysis reveals various operational inefficiencies in the auto component industry which are subsequently decomposed into technical, input mix and scale efficiencies. The study finds evidence that a majority of the inefficient firms are operating in the diminishing returns to scale region and demonstrates potential savings through benchmark input targets. A second stage analysis aimed at exploring root causes of inefficiencies finds that substitution of labour for capital could be causing a variety of inefficiencies including the input mix inefficiency in the Indian component industry. The empirical results also suggest that, unlike the global auto supply chain, higher average inventories are required for higher operational efficiencies in the Indian context. Contrary to the popular expectations, the technology licensing does not show significant influence on efficiency, at least in the short term, whereas efficient working capital management does result in higher operational efficiencies. The study also finds the need to reform labour laws which are significantly contributing to various inefficiencies in the Indian component industry.

We find that very little work has been done by previous researchers on overseas marketing strategies of Indian Auto Component Industry.

3.6 RESEARCH GAP

1. There is extant literature on Marketing Strategies.

   a) Many studies have been made on marketing-mix, customer value management, product support, core competency, pricing, contingency approach, RBV, customer orientation, market orientation and competitor orientation.

   b) We find continuity of various concepts over a period. Many models have been studied by different authors.
2. Many authors have studied very extensively on Overseas Marketing Strategies.

a) There is literature available on export behavior of Small, Medium and Large firms, export agencies, study on effect of size of firms, customer-centric supply chain and innovation.

b) Some author has studied on a framework of export marketing strategies and performance. Yet another author has worked on determinants of export performance.

c) Many studies are available on overseas pricing, technology, market entry and market spreading.

3. Few authors have worked on Marketing Strategies of Auto Component Industry.

4. Very few authors have worked on Overseas Marketing Strategies of Auto Component Industry.

5. Very little study has been done on Overseas Marketing Strategies of Indian Auto Component Industry.

a) One author has proposed that Indian Auto Component Industry should invest in R&D and use drivers of innovation and technology development. He indicated that India should use co-existence of Auto and IT to its advantage.

b) Another author discusses about small Auto Component companies going global.

c) Yet another author has worked on operational inefficiencies of Indian Auto Component industry.
As very little study has been made on Overseas Marketing Strategies of Indian Auto Component Industry, there is research gap entailing detailed study on the topic.
REFERENCES


