Chapter 1: INTRODUCTION

1.1 Globalization of the markets presents vital challenges and opportunities for the multinational companies worldwide. The developments fueling the global market integration include global investments, standard production strategies, rise of global media, higher education and upsurge in global mobility (Özsomer, 2012; Steenkamp & De Jong, 2010; Yip, 2003)

1.2 In accordance with the advancements in globalization, numerous international companies moved beyond the “multi-domestic approach”, in which local subsidiaries market domestically developed products to the locally inhabitant population, to a “global approach”, in which firms market their offerings on a global basis incorporating subtle adaptation for domestic customers (Steenkamp & De Jong, 2010). For example, Procter & Gamble and Unilever have greatly trimmed their local product lines in lieu of the products with global potential, to efficiently satisfy the needs of people at a global level (Schuiling & Kapferer, 2004).

1.3 The growth of global brands seems alluring from both the demand and supply side perspectives. From a supply side perspective, global brands can create economies of scale and scope in research and development, manufacturing, sourcing, and marketing: They provide an ability to exploit superior products, concepts, and implementations in multiple markets (Özsomer, 2012; Steenkamp, Batra & Alden, 2003). From the demand side, global brands, with their global availability, awareness and standard positioning may profit from a unique perceived image or “myth”, globally (e.g., Alden, Steenkamp, & Batra, 1999; Holt, Quelch, & Taylor, 2004). According to Steenkamp, Batra & Alden (2003), such a global positioning increases
strategic appeal, as large consumer segments around the world develop similar needs, tastes, and aspirations.

1.4 Owing to the massive developments of globalization it becomes crucial for the multinational firms to not only succeed in developed but also in emerging markets (Burgess & Steenkamp, 2006). Multinational firms are entering these developing markets with their global brands to reap benefits from the present economic growth of these markets. However, prior marketing literature has found significant differences between consumers from emerging and developed countries. Alden, Steenkamp, & Batra (1999) in their study have observed that emerging market consumers have attitudinal preference for brands having nonlocal origins for status enhancement reasons.

1.5 In many markets, global brands stand in competition with spirited local brands. Local brands cater to the distinctive needs of local markets. According to Dimofte, Johansson & Ronkainen (2008), “local brands have their own strengths, such as perceptions of uniqueness, originality, and pride of representing the local market”. Some of these brands are seen as local icons in their home markets because they represent the local culture, heritage, and home country.

1.6 Indian Scenario

1.7 Prior to liberalization, Indian economy stressed on the self-sufficiency in manufacturing owing to their socialistic economic policies (Bank & Natarajan, 1995). This economic view placed constraints on the imports of consumer products from foreign countries resulting in a rise of many domestic manufacturers and decline in the foreign products availability in the India. Branded products from foreign countries owing to their scarce and
expensive status were mostly bought by wealthy buyers. In the year 1991, with the liberalization of the Indian economy restrictions on imported goods were reduced (Ramachandran, 2000). As a consequence, the Indian market today is flooded with products and brands from many countries while numerous products are still manufactured domestically (Bandyopadhyay, 2001). From a consumer perspective this implies that, consumers now are faced with a choice between the locally existing brands and imported foreign brands (Batra et al., 2000).

1.8 Considering the economic growth in last decade, India is perceived as a lucrative market for the retailing business among multinationals (Kearney, 2006). With the recent modifications made in the foreign direct investment there has been a rapid rise in the entry of global retailers such as Wal-Mart, IKEA, Louis Vuitton, Calvin Klein etc. The positive effects of the foreign direct investment is evidenced in the total foreign direct investment equity flows, which stood at staggering US$ 373.2 billion for a period ranging from April 2000- April 2015, according to Department of Industrial Policy and Promotion (DIPP), Government of India.

1.9 Prior research also suggests that Indian consumers are brand-conscious and spend more on branded products (Shashidhar, 2004; Nielsen Global Luxury Brands Study, 2008). The driver for such change is the rising Indian middle class with higher disposable income, western cultural orientations, with changing modern lifestyles (Mukherjee et al., 2012). In addition to that, the demands for foreign products are ascribed to prestige and self-esteem associated with their use among some consumer segments (Batra et al., 2000). Further, young Indian consumer segment is found to be more acccultured towards western culture. Higher acculturation level towards western culture has a profound influence on their purchases of foreign products (Gupta, 2012). There is an enormous opportunity for global and local retailers to target young Indian consumers segment who are found to be quite diverse among their choice decisions as compared
to older consumers (Ozsomer, 2012; Ozsomer et al., 2012; Strizhakova & Coulter, 2013; Steenkamp & De Jong, 2010)

1.10 Steenkamp, Batra & Alden (2003), in their study have highlighted the importance of identifying factors which drive the purchase intention for global and local brands. Subsequent studies following the seminal work of Steenkamp, Batra & Alden (2003), researchers have proposed and tested several constructs (viz. global consumption orientation, consumer ethnocentrism, self-construal, product symbolism, consumer values, information processing styles, nationality etc.) which influence the purchase intention of global and local brands. These investigations highlighted the significance of the individual difference variables, countries economic status and product category characteristics in influencing the purchase intention of global and local brands. But studies integrating these diverse factors to holistically explain the purchase likelihood of global and local brands are scant (Steenkamp, Batra & Alden, 2003; Steenkamp & De Jong, 2010; Ozsomer, 2012; Strizhakova & Coulter, 2015). According to Ozsomer & Altaras (2008), there is a need to study and borrow constructs from diverse fields to completely understand the process which drive the global brand likelihood purchase in the presence of a local brand.

1.11 Hence, in this study constructs from diverse fields of literature viz. Consumer Culture Theory, Signaling Theory and Associative Network Memory Model are borrowed and a conceptual model is developed. An attempt is made to integrate these diverse fields of literature to holistically explain the process of global brand purchase likelihood. Constructs viz. Perceived Brand Globalness and Local Iconness are borrowed from consumer culture theory. Perceived Brand Credibility is obtained from Signaling Theory and Brand Associations viz. Perceived Brand Quality, Perceived Brand Prestige and Perceived Brand Relative Price are derived from
Associative Network Memory Model. Specifically, this research focuses on the construct of Local Iconness and examines its antecedents and consequences by borrowing and linking the relevant constructs from diverse fields of literature for both global and local brands. This study, empirically tests for the appropriateness of these diverse constructs belonging to different fields of literature to holistically explicate the process of global brand purchase likelihood in the presence of local brand.

1.12 The thesis is organized in the following manner: The extant review of literature is given in Chapter 2, followed by identification of research gaps and the objective of the study in Chapter 3. Chapter 4 contains the development of conceptual model along with the framed hypotheses. Chapter 5 details the research methodology employed for this study. Chapter 6 covers the data analysis and presents the results of this study. Chapter 7 discusses the findings of this study and describes the theoretical contributions, managerial implications and scope for further research.