

**An exploratory study of international marketing in India:  
Indian firms, multinationals and their competitiveness**

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# **An exploratory study of international marketing in India: Indian firms, multinationals and their competitiveness**

## **Abstract**

Indian firms are more international than ever before. Internationalisation drives and export orientation are prominent in the organisational strategies of a number of leading Indian firms and multinationals located in India. This is a significant indicator of the growing competitiveness of firms, industries and the nation. This paper examines the *sources of competitive advantages* in a few chosen sectors, selected firms, and explores the internationalisation possibilities and potential.

Internationalisation is a varied process and allows multiple strategies (Baker 1985) and a variety of associated operational capabilities. We investigate the international marketing strategies adopted in *twelve* different business sectors in India in an attempt to explore and explain the similarities and differences found in this varied set of industries. The examples span the old economy industries such as the assembly and manufacturing enterprises that are both skill and capital intensive, and also the new economy sectors that are information intensive.

Our study identifies several elements of international marketing strategies that may have the potential to affect business outcomes across sectors. Marketers can leverage this understanding in designing and implementing international marketing strategies by paying appropriate attention to important dimensions in order to achieve desired outcomes. Our study may prove to be helpful to businesses in making strategic and operational decisions concerning configuring their product and service portfolios to suit the markets they operate in and the new markets they may have plans to enter.

## **Key words:**

India

International Marketing Strategy

Research Methodology

## Introduction

Indian firms are more international than ever before. Internationalisation drives and export orientation characterise the organisational strategies of a number of leading Indian firms and multinationals located in India. This is a significant indicator of the growing competitiveness of firms, industries and the nation. Past investments and strengths are paving the way for the future. This paper examines the *sources of competitive advantages* in a few chosen sectors, selected firms, and explores the internationalisation possibilities and potential. We examine both Indian firms and multinationals operating in India. Ownership of firms is only one characteristic, and is not considered as the sole or even a main determinant of success. This is a natural consequence of the present globalisation wave that informs our one-world-thesis and perspective. This is a significant departure from the way international business research is conducted. This view broadens our scope, and introduces greater openness to new ideas. Review of exiting literature is kept to a minimum given the rapid changes that India has witnessed in the last decade or so and the numerous possibilities for future progress.

This paper investigates the international marketing strategies adopted in twelve different business sectors in India in an attempt to explore and explain the similarities and differences found in this varied set of industries. The business sectors examined are Automobiles, CDs, Cement, Paints, Pharmaceuticals, Socks, Software, Syringes, Tea exports, Textiles, Two wheeler tyres, and Watch components. The examples span the old economy industries such as the assembly and manufacturing enterprises that are both skill and capital intensive, and also the new economy sectors that are information intensive. It is however noted that in several sectors the old versus new economy dichotomy is giving way to convergence of technologies, processes and even strategies. The automobile sector is an illustration in point. All sector classifications, as we are aware, are products of convenient categorisation attempts, and may have only limited utility. Novel strategies cannot be bound by old ways of viewing the world. Our study attempts to find

the elements of international marketing strategies that may have the potential to affect business outcomes across sectors. Marketers can leverage this understanding in designing and implementing international marketing strategies by paying appropriate attention to important dimensions in order to achieve desired outcomes.

Our study adopts a grounded theoretic perspective. In this methodology, fresh observation (induction) plays a dominant role with a view to arriving at newer theories that describe and explain business processes, their results and future potential for growth. International marketing strategies are complex and tend to vary widely across nations, industries and firms. The elements that form the ingredients of international strategies are numerous and their importance is tightly interwoven to contexts. International marketing textbooks offer only general guidance and specific sector/national and up-to-date empirical evidence is not always available. In our opinion, the treatment found in a number of textbooks does not recognise fully the **similarities and differences** that one finds across sectors in the international marketing strategies employed by firms. A thorough identification and recognition of these commonalties or lack thereof may prove helpful to businesses in making strategic and operational decisions. They may decide to configure their product and service portfolios to suit the markets they operate in or may have plans to enter. Our study offers a classification scheme using case research methodology (Oburai and Baker 1999a; Oburai and Baker 1999b), grounded theory approach (Glaser 1998), and modelling techniques. We employ case and grounded research in a descriptive way in data collection and organisation, and modelling for analysing the rich and varied data obtained. Though, the mix of methodologies employed makes the process rather idiosyncratic, it is hoped that researchers feel encouraged to adopt hybrid and varied methodologies in innovative and novel ways in their theory generating attempts.

## **Methodology and the organisation of the paper**

This paper is exploratory given both the relative paucity of international marketing research in India and the changes that Indian industry has been subject to in the last decade and a half. The set of business sectors studied is intentionally kept as varied as possible in order to capture for theory building purposes both the *similarities and differences across contexts*. Twelve industries including the Automobiles, CDs, Cement, Paints, Pharmaceuticals, Socks, Software, Syringes, Tea exports, Textiles, Two wheeler tyres, and Watch components are studied and captured in brief write ups. The write-ups are variable in length and content. This variation is to some extent a reflection of the research process that relied mostly on secondary data sources. Part of this variance may well be a product of the wide variety of international marketing strategies adopted across the set of sectors under scrutiny. While we tried to enhance the readability of the contents, we also had to keep the paper within a reasonable word limit.

Although the authors have a reasonably good understanding of the relevant literature, it was decided not to undertake formally an extensive literature review to abide by the spirit of grounded theoretic methodology (Glaser and Strauss 1967). This approach advocates building theories and explanations from empirical observation uncontaminated by premeditations or preconceived views of the world as captured in theoretical works. Validity of theoretical frameworks, typologies or explanations arrived at after employing grounded research is rigorously ensured by comparing and contrasting with existing theories and frameworks. Literature review phase is not at the beginning of a research project but forms an integral part of the *verification and validation* phase (which is usually one of last few phases) in a grounded research method. This method is advocated and employed extensively by many management and other social science scholars. In the marketing field, the use of this strand of methodologies is growing and has found several strong advocates (e.g. Professors Gummesson and Lowe). We also take note of Brownlie and Saren's (1997) suggestion that methodological pluralism is essential to understanding marketing as it exists in practice and to be able to

portray an accurate picture of it. They urge marketing researchers to ‘move beyond naive literal interpretations of interview transcripts as an analytical strategy (p.158).’

The “pure” grounded theory approach may be an ideal, for all researchers have some degree of understating of the phenomenon that they choose to investigate. The current endeavour is not the most rigorous in its adherence to the principles of grounded theoretic research methodologies; however, we believe we have taken adequate care to abide by the spirit and approach intrinsic to the method. Grounded theory method and case research method are *complementary* and when employed in **combination** with the power that modern modelling techniques and associated software afford can lead to new insights. Elsewhere, it was argued that the main weakness of qualitative research methodologies is the ostensibly idiosyncratic and hence perceptibly subjective nature of the research process phases of data generation, analysis and interpretation. *Bias* is supposedly the inherent and all-pervasive infiltrator of qualitative research attempts, and lack of inter-subjective agreement or reliability a significant stumbling block. To quote from Oburai and Baker (1999b):

Qualitative methods yield data that are ‘rich, full, earthy, holistic, “real”’; their face validity seems unimpeachable; they preserve chronological flow where that is important, and suffer minimally from retrospective distortion... Furthermore their collection requires minimal front-end instrumentation (Miles 1979 p.590).’ While the attractions are many, Miles also notes that ‘Qualitative data tend to overload the researcher badly at almost every point: the sheer range of phenomena to be observed, the recorded volume of notes, the time required for write-up, coding, and analysis can all be overwhelming. But the most serious and central difficulty in the use of qualitative data is that methods of analysis are not well formulated’ (Miles 1979 p.590).

In using the combination of case research, grounded theoretic approach and modelling techniques, we hope to lend rigor to the application of methodological pluralism, data analysis and inference drawing process (Brownlie and Saren 1997; Yin 1994). This paper hopes to make contributions by offering a **classification scheme or typology of international marketing strategies** that enables marketers in mapping international marketing strategies of different sectors in a two dimensional space. Such a map can help marketers understand and optimise product portfolios across markets. It may be noted that increasing the number of dimensions is not constrained in

anyway, and simplicity and the interest of interpretation is what guided us in choosing a two dimensional solution.

The setting of the data for this paper is in India. This study is exploratory and qualitative. A brief mention of the process adopted may be in order to help readers in understanding both the paper and the research process employed in arriving at the reported findings and conclusions. Using *mainly* published sources (e.g. periodicals, annual reports etc.) and a few field studies, descriptive case studies were first written up for 12 firms in different industries. This first phase was guided by a protocol that established broad guidelines to ensure a degree of uniformity in coverage and depth. These extensive accounts were later turned into short précis that contained the *essence and substance* of the earlier mentioned case studies. These short summaries are presented in “Section One” of this paper below. These accounts still have a lot of contextual detail that is difficult to absorb in a first read. Readers may want to quickly read through these to get an overall picture before proceeding to the later sections.

The next section “Section Two” is a summary of the contents of Section One. This is presented in a tabular form and has twelve key variables and our assessment of the degree of importance for each of the 12 variables for each of the 12 chosen industries. These twelve variables fall into three broad categories. This table was subjected to multivariate analysis using multidimensional mapping analysis (MDS). The resulting two dimensional solution that maps the 12 different industries’ international marketing strategies is presented in “Section Three” and is followed by a discussion of the findings and implications thereof. Finally, we outline several limitations of the present study and also offer directions for future research.

### **Section One: Detailed summaries of international marketing strategies of firms in 12 different industrial sectors in India**

The following is a summary of 12 different industries’ international marketing strategies. The aim here is on capturing the **dominant strategies** of the

industry as a whole. In a few cases the write up captures the dominant firm's details. This is done to paint a rich picture and to enhance readability. Our view is that the chosen firms' strategies represent industry strategies. The 12 industries are Automobiles, CDs, Cement, Paints, Pharmaceuticals, Socks, Software, Syringes, Tea exports, Textiles, Two wheeler tyres, and Watch components. The data used for the following write-up is subject to change, and hence can be used only as an approximation. Readers may like to refer to more current information for up-to-date and exact data.

### 1. Automobiles sector

The Indian passenger car sector crossed the million unit mark in the year 2003-04<sup>1</sup>. This milestone mark includes exports of completely built units. Maruti Udyog Limited, a joint venture with Suzuki Motor Corporation of Japan, exported a total of 51,000 vehicles including 32,000 Alto brand vehicles to Europe. Hyundai exported 42,000 units of Atos brand vehicles. Tata Motors exports its City Rover model to Europe. All the three firms crossed the Rs 1000 crore export annual revenues in this year. This is equivalent to \$200 million for each of the three firms involved. The Tata Motors figure includes revenues related to commercial vehicles, and its car technology is developed indigenously. Hyundai has plans of exporting almost 70,000 units in the coming year (2004-05).

In the 1990s, Maruti took an early lead in this exporting race. However, export volumes were rarely above the 5000 unit mark in the first half of the 1990s. By the early 2000s, the fortunes of the industry have changed substantially. Domestic volumes have grown from less than 150,000 units a decade ago to a million units by 2003. A number of global car manufacturers have entered India and have set up world class facilities.

Export of cars from India is a success story in many ways. A car is a very personal item for many consumers across nations. The investment in cars is considered to be the second highest expenditure after home buying or

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<sup>1</sup> Financial express, 5<sup>th</sup> May 2004.



mortgage expenses. The aesthetics of the car, design and performance standards desired by consumers in the developed markets such as the ones in Europe, the US and Gulf markets are very high. This is the high end of manufacturing as opposed to making inexpensive toys or low cost commodity equipment. India as a location for manufacturing was always in contention, but never delivered in a big way yet. In many sectors, Indian manufacturing performance on the export front pales in comparison to that of China. One exception is passenger car exports.

European markets are very sophisticated, and stringent norms for quality and safety standards have to be complied with before a firm undertakes any exports. This process of preparing for export is an elaborate one and may take several years, requires substantial investments in technology and development, needs market commitment and substantial intra-organisational coordination (e.g. between an Indian subsidiary and its parent company).

Japanese and Korean firms know the European markets, and have built distribution and sales networks over several years. Both Suzuki and Hyundai have made significant investments in building their brands in these markets. It is understood that both Suzuki and Hyundai carry out research and development at their home bases. Technology and market knowledge give these firms a significant edge over competition. This competitive edge is further deepened by their linkage to India. India is not only a source of cost advantage but is also attractive in terms of domestic market size and growth prospects. Japanese and Korean firms understand this and leverage these strengths.

Shipping cars from India to Europe attracts substantial freight costs. This for small cars (hatchback models with engines of sizes less than one and half litres) works out to about \$300-400 per unit. The ships used are dedicated vessels, and are specially built for the purposes of shipping cars. Obtaining even more favourable rates is possible with higher volumes per shipping lot and early booking of shipping vessels. Small cars command about \$10,000 in terms of end user prices. Freight and transport insurance costs while not

substantial are significant amounts. Net export prices (fob) of cars can be as low as \$3000 - \$4000. This means manufacturing costs have to be low enough to yield good margins. All the European nations except United Kingdom use left hand drive cars (LHD). LHD kits are usually imported from Japan or Korea for assembly in India. Assembly, painting and other costs towards buying Indian parts have to be fairly low to negate the effect of high freight costs. Export incentives offered by the Indian Government can come in handy in this situation. In any case, both Japan and Korea have very high wage rates and high productivities. It may be that Indian wages are low enough to offset higher productivities obtained elsewhere in other parts of the world. On the other hand, the *margins that the Indian market affords* many firms in this sector may be sufficient to protect and promote the long term strategies of multinationals. Some readers will recall that the Maruti-Suzuki venture's small car project has started out in 1984 with a promise of delivering an affordable car for middle classes. In the twenty intervening years since its start, the project has succeeded like no other Indian enterprise has. It is a role model for joint ventures between Indian and foreign organisations. But, the price of the car today is no longer in the affordable range for many lower middle class families. Tata Motors has plans of introducing a low priced car in the near future. While car companies have been aggressively cutting on prices paid to supplier and sourcing costs, these benefits do not appear to have percolated down to end consumers. This is despite the fact that both custom duties on imported items, and excise duties levied on end product have come down significantly in these years. Net export price realisations also appear to have gone up. Given the high research and development expenses that have to be amortised over the ever so short life cycles of car models, one would have to be cautious in making any observations concerning the level of profits in this industry.

The key variables affecting exports in this sector are technology inputs, assembly costs, availability of local parts, shipping links and related infrastructure, marketing and distribution networks, and brand strengths.

Assembly industries appear to be the ones to have global links for inputs and outputs. Technology is invented in Japan/Korea, manufacturing plants located in south Asia, and main export markets situated in Europe. From a multinational corporation's perspective, it may seem that India is both a market as well as a link to other markets. India's role in this global network may become even more central to the **orchestration of the network** that both the multinationals (Suzuki and Hyundai) may have charted for the future. These are skill intensive, technology intensive and capital intensive sectors. Unlike the earlier years when the automobile sector was considered mother-of-all industries and accounted for a major proportion of many nations' gross domestic products (GDPs), the industry today is a totally changed one. The industry today accounts much less of many nations' GDPs and even less of consumers disposable spending as proportion of total disposable incomes. Steel as an input cost used to account for a leading item of expense in the making of cars. Today, it is electronics and information components that have replaced steel as the leading input cost. The exterior of the car might look not very different in design from yesteryear's models. The heart of the machine has changed much more than the face. Today's car is intelligent and computing chips contribute a lot more to the combustion and driving mechanism than ever before. Guidance and control systems are information intensive. Convergence of information or knowledge sectors and the industrial or mechanical sectors can be seen clearly in the car market. Technology will drive the future of this sector. Given India's pre-eminence in the IT sector and the changing fortunes of the auto sector, one cannot but see a winning formula in the coming together of these two crucial sectors that mixes the old with the new, past with future, and the tested with the yet to be tried.

## 2. CDs (Compact Discs)

Moser Baer India (MBI) is the third largest manufacturer of optical storage media in the world<sup>2</sup>. MBI is one of the lowest cost manufacturers of CD-Rs globally. The company's 'per cost production is lower than that of its Taiwanese counterparts by almost 62 per cent'. MBI has also invested heavily

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<sup>2</sup> Business India, October 14-27, 2002

in increasing its CD and DVD (recordable, writable and pre-recorded) formats manufacturing capacities. About 80% of its revenues of Rs.1600 crore a year come from export<sup>3</sup>, and 60-70% of its revenues are earned by sales to OEM companies. Most of the world's leading brands source products from Moser Baer. MBI has increased manufacturing capacity to two billion units per year (page 28)<sup>4</sup>. 'The optical storage media industry has a 15 billion unit capacity, of which 70% of manufacturing is confined to Taiwan and Japan<sup>5</sup>.' MBI has started putting up a manufacturing facility in East Germany, and also has plans to firm up its strategy for the US in the near future. It is in talks with Imation Corp. of the US.

MBI has manufacturing scale built using less capital than it would take to build similar capacities elsewhere in the world, process skills to reduce material cost, lower manpower costs, and strong distribution channels for servicing its global OEM clients. Its capacities were concentrated in the factories located in Delhi so far. However, MBI is aiming to increase its international presence by building plants both in Europe and the US.

### 3. Cement Industry:

This industry is characterised by high volumes and low value. Export volumes are critically linked to infrastructure and logistics capabilities. The structural features of the industry make it one of the most difficult ones to find export orientation. Export volumes in relation to the total industry production are not expected to be high in this sector. During the year 2003-04, total cement exports from India were 3.4 million tonnes whereas clinker exports stood at 4.7 million tonnes<sup>6</sup>.

Gujarat Ambuja Cements, the largest exporter, exported 1.7 million tonnes of cement in the year 2003-04, and hopes to export 2 million tonnes in the year 2004-05. October'04 export price (fob) of \$46 per tonnes translates to over Rs 100 per bag, and is further expected to up to \$50. Domestic realisation works

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<sup>3</sup> Business Today, June 22, 2003.

<sup>4</sup> [http://www.moserbaer.com/investor/Moser\\_Baer\\_Annual\\_Report\\_2004.pdf](http://www.moserbaer.com/investor/Moser_Baer_Annual_Report_2004.pdf)

<sup>5</sup> The Financial Express, October 18, 2004.

<sup>6</sup> The economic times, 5<sup>th</sup> October 2004.

out to Rs 90 per bag net of taxes and transport expenses. The export price of clinker, an intermediate product, also moved up to \$32 per tonne. Given the volumes of 2003-04, and the above recent prices, one can arrive at the approximate value of export of this industry at \$320 million a year.

The location of cement manufacturer is a key source of competitive advantage. Cement companies with coast-based facilities can take advantage of fluctuating international prices. West coast based manufacturers include Grasim Industries, Saurashtra Cement, and Sanghi Industries. Middle East and Gulf countries are main destinations for export. Sanghi's consignments were sent to Dubai, Qatar and Saudi Arabia. Sanghi exports about 80,000 tonnes of cement and 200000 tonnes of clinker a month.

The key variables affecting exports in this industry are export realisation (fob), domestic realisation (net of tax levies and freight), international cement prices, international demand and supply, domestic demand and supply, location of plants, location of customers, and logistics capability of individual firms, and the general infrastructure of the exporting nation.

#### 4. Paints Industry

Asian Paints has embarked on an aggressive acquisition strategy to gain market leadership in several emerging markets. International business today accounts for 20% of the firm's revenues, and the company has presence in 22 countries<sup>7</sup>. Asian Paints has a clear strategy with an objective of becoming a leader in the emerging markets. This strategy has several operational and strategic aspects as detailed next.

The company acquired a few loss making businesses with a view to improve their performance by rationalising products, brands, and distribution outlets. Their focus on emerging markets is driven by the idea of leveraging the experience the company has gained in India over the last several decades. The sourcing of raw material (e.g. titanium dioxide), production and storing of

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<sup>7</sup> 12<sup>th</sup> October, 2004, Business Standard

finished goods and transport are managed using modern management techniques in a cost efficient manner. Shipping costs are very high in this industry with freight charges of around Rs 40 a litre (almost \$1 per litre).

Acquiring market leaders in small markets requires limited resources as opposed to acquiring leading brands and firms in developed markets. Of the emerging markets, the company chooses the ones with high growth prospects (above 6% per annum). Asian Paints may have only limited resources, but recognises its limitation and operates within the resource constraints. While resources provide the initial momentum, its ability to streamline processes is what gives the company an extraordinary advantage over its competition.

#### 5. Pharmaceutical sector

The pharmaceutical sector in India has become home to several of the leading international firms in India. Ranbaxy, Cipla, Dr Reddys, and other big firms along with several other small and medium size (e.g Aurobindo, Glenmark, Orchid among others) firms are rewriting the rules for the Indian pharmaceutical sector. Export orientation dominated the thinking of a number of the leading firms for more than a decade. Ranbaxy is emerging to be a strong global organisation with activities ranging from research and development of new molecules to manufacturing and marketing generic and branded drugs and formulations.

This industry has so far had low entry barriers. With the prospect of post 2005 WTO regulations coming into force, several Indian firms have started building research facilities and have also entered into manufacturing and marketing alliances. The industry's attempts at upgrading are expected to succeed. Attempts at gaining low cost advantages anchored in manufacturing of bulk drugs and generic formulations are giving way to highly capital and knowledge intensive efforts by the leading firms. Pharmaceutical sector and biotechnology organisations' strategies incorporate international business as a core element.

## 6. Socks Manufacturing

Renfro Corporation is the world's largest maker of socks<sup>8</sup>. Renfro, global leader in the marketing and manufacturing of socks, has acquired in 2002 an Indian firm.

The \$ 300 million Renfro Corporation has formed a company in India called Renfro India. Renfro India would be a major sourcing base for Renfro Corporation for the US and European markets. Renfro India is also planning to introduce global brands like Fruit of the loom, Sketchers and Vasarette in the Indian market. Renfro India also plans to expand its capacity by setting up manufacturing facilities in other locations due to the availability of huge market potential and cheap labour and moreover India is the largest supplier of cotton.

Renfro India had a tie up with an In Italian knitting machinery supplier and trained its personnel in Italy<sup>9</sup>. The Indian company which had 100-per-cent export oriented manufacturing facility in Sanaswadi near Pune was a supplier of socks to a number of major retailers in Europe and built a strong equity for quality and efficiency. Renfro India has plans of acquiring more capacities and has plans of increasing its capacity to 12 million pairs per annum.

Renfro has global brands and leverages its Indian operations for creating and delivering customer value using locally available raw material and high quality imported machinery. Renfro India leases capacity of external suppliers, and employs outsourcing as a key strategy. This helps the company take advantage of both the skills and resources of its supplier network.

## 7. Software sector: A case of linkages

Indian firms have emerged as strong software exporters in the last decade. The one feat that caught the attention of the world was the success of Indian software sector. The IT sector in India has been export oriented since inception. The growth of the sector as a whole, and that of a number of software majors (Infosys technologies, Wipro, Tata Consultancy services, Satyam among others) is well documented<sup>10</sup>. The critical factor is connection to the market. A number of US firms have played a catalytic role in the growth of the sector.

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<sup>8</sup> [http://www.india-invest.com/news/Eton\\_Ties.html](http://www.india-invest.com/news/Eton_Ties.html), accessed on 14<sup>th</sup> October 2004.

<sup>9</sup> Business India, June 23-July 6, 2003.

<sup>10</sup> D'Costa, P. Anthony and Sridharan E. (Editors), India in the global software industry: Innovation, firm strategies and development, 2004, Macmillan India Limited.

This sector leverages the strong analytical, technical and engineering skills of Indians. A majority of Indian software exports are made up of customised or application specific software solutions. General purpose (e.g. Microsoft Windows) and branded software (this is also termed as software products) can be used across customer groups and locations, and hence revenues can be derived from a larger set of customers. A few Indian companies are making efforts to develop software products (e.g. I-Flex's banking software solutions). The other emerging area is embedded systems software which is used in increasing hardware (e.g. cars, domestic appliances and mobile phones) functionality and inter-device connectivity. Given that India is now becoming home for many multinationals' research and development activities, a part of this high value added, cutting edge work is expected to be carried in India. Software sector accounts for a major proportion of India's exports (almost \$12 billion a year). TCS is expected to touch a turnover of \$2 billion this year and Wipro and Infosys would not be left too far behind. Business process outsourcing is increasing despite some opposition and concern in the US and UK. India's position in attracting low value and repetitive tasks (e.g. call centres, credit card billing operations) will continue to be formidable given the English language skills of Indians and low wage rates.

Software sector in India is at a crucial juncture. The lack of a very developed domestic market and the strong presence of growing export linkages will drive its evolution. Entrepreneurial activity is very high in this sector given the low requirements of capital. Software sector is a vibrant one with a few very huge firms, a few medium firms and several small firms. This pyramidal structure indicates a certain maturing of the sector. Export intensity across all these three levels will remain high in the near future. In the medium to long term, local market may gain critical mass and a few of the small and medium firms may become suppliers to the bigger firms. This *deepening of inter-firm connections* may be important for the growth of domestic market size and variety of transactions. Manufacturing and service firms in India are increasingly becoming IT savvy and are making substantial investments in IT systems. This is a sure sign of the health and competitiveness of many Indian firms across sectors. IT (hardware and software) is an enabler and has



infrastructure like characteristics, and affects operational efficiencies across value chain activities. Its pervasive and porous nature makes IT investments fungible, and essential to the functioning and prosperity of firms. In this sense India's strengths in the IT sector will slowly but surely affect other sectors positively.

### 8. Syringes and needles

Hindustan Syringes and Medical Devices (HMD) is a closely held company and derives about 25% its revenues from exports to the US and Europe. 'In the Indian disposable Syringes market, which is nearly 1 Billion units p.a., HMD enjoys over 65% market share. Imports constitute 10% of this market . In the disposable needle market , HMD has a 70% market share, followed by imported brands with a 25% market share. The size of the disposable needles market is 1.5 billion units per annum. DISPOVAN is the dominant brand in Indian market and has been able to maintain and increase its market share in face of stiff competition from major multinationals and domestic challengers'<sup>11</sup>.

HMD has seven manufacturing facilities in India and had plans to increase its turnover to Rs. 250 crore by 2004. World Health Organisation estimated the annual global demand of needles and syringes at 25-30 billion<sup>12</sup>. Disposable syringes account for a major proportion of the firm's turnover. HMD has been an OEM supplier for nearly 15 years. HMD us among the global top five manufacturers in the insulin syringe market. In 2002 the company has started manufacturing auto disable syringes in collaboration with Star Syringes of the UK. 'Manufacturing of products requires critical imports, and the company imports 95% of consumables and disposables'.

HMD has global scale facilities and relies on *high volumes to gain low cost and high quality advantages*. The company continues to expand its manufacturing capacities and distribution network.

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<sup>11</sup> [www.hmdhealthcare.com](http://www.hmdhealthcare.com)

<sup>12</sup> Business India, December 9-22, 2002.

## 9. Tea Exports

India produces almost one third of all the tea produced in the world. In 1999, the world production was almost three billion kilograms. However, India exports less than 200 million kg. India is also a big tea consuming nation<sup>13</sup>. Increasing unit value realisation from exports is a key challenge facing Indian firms. The main areas which have room for improvement are blending (processing), packing (tea bags), branding and marketing of tea. Moving up the value chain from being an agricultural commodity producer to being a marketer of life style and luxury products is a big challenge. Tata Tea acquired Tetley brand of UK and is making sustained efforts at becoming a high value life style marketer. While this upgrade is being attempted, India will need to continue to make efforts at holding on to its world market share in tea exports, and market shares in important markets. Government has a crucial role in organising the large number of tea farms and in helping tea boards and other institutions in charting out a strategy for the future.

## 10. Textile sector

Textiles accounted for about one third of Indian exports value till the recent years. Textile firms were among the first few ones to have always had international aspects at the centre of growth strategies. Indian firms, in the early days after liberalisation in 1991, could not resist the temptation to access the global capital markets. Several of them issued dollar denominated bonds or debentures at rates were lower than the domestic bank prime lending rates. A few Indian firms have built up global scale manufacturing capacities incurring in the process huge investments and interest costs on borrowed money. These may not have been the most appropriate decisions. The attractiveness of low interest rates was perhaps too great to overcome. Global scale was to bring about low cost advantages and hence a competitive advantage in the market place. However, consumers look for a cohesive set of attributes when they make purchases. Low cost alone cannot convince customers. Low cost while acclaimed in the literature to be a significant source of competitive advantage is in fact neither a sufficient factor all by itself

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<sup>13</sup> Asopa, V.N., Competitiveness in Global Tea Trade, CMA Monograph No.198, 2004, Oxford & IBH Publishing Co. Pvt. Ltd, New delhi.

nor an absolutely necessary ingredient. Pursuing low cost strategies to the exclusion of all else may indeed be a sure recipe for failure.

The next crucial phase for the textiles sector is to start in January 2005 once the textile quota system starts getting dismantled. It is expected that post '05, Indian firms will gain in a big way, and several huge new investments are being planned with a view to exploit the opportunities emerging in the global textile trade. Availability of cotton locally and low wages will continue to help Indian firms which have both technological skills and financial resources.

### 11. Tyre Industry

Metro tyres exports 50,000 two-wheeler (motorcycles, mopeds and scooters) tyres and tubes a month to Continental AG of Germany. This is the first time that an Indian manufacturer is supplying two-wheeler tyres to Continental<sup>14</sup>. Metro Tyres Managing Director Rummy Chhabra said "We will be shortly producing motorcycle, scooter and moped tyres for Continental under the 'Continental' brand name. The move will give us access to manufacturers like Yamaha, Honda and Kawasaki among others".

Indian tyre companies at the moment do not have sufficient scale and technological strengths. This sector is input dependent (rubber and its volatility of its prices can have severe impact on tyre firms), and requires large capital investments. Given the history of firms (Indian firms till date supplied non-radial tyres for commercial vehicles and used outdated technology), and the general lack of good roads and regulations controlling the movement of vehicles across states, the sector has a long way to go way before it gains sufficient competitiveness and global scale. Growing passenger car usage and demand is a positive feature as also the ability of Indian firms in tying up alliances with tyre majors from the US and Europe. While a few firms like Metro Tyres are already exporting, this sector will remain in the near term domestic market focussed. With increasing investments in plant and machinery, exporting tyres is a clear possibility. At the moment though, Indian

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<sup>14</sup> The Economic Times, September 23, 2002.

firms do not find the export margins good enough, and only when there is surplus capacity do they think of shipping tyres abroad.

## 12. Watch components

Kamla dials and devices limited is India's only organised manufacturer of watch dials and hands. This company has over 80% market share in the domestic market, and has about 20% of its revenues (Rs. 36 crore in 2002-03) from exports<sup>15</sup>. The following excerpts highlight the history and growth strategies of the company.

"The company is one of the only four companies in the world that manufactures high-precision watch hands. Kamla Dials exports to Switzerland and Hong Kong, which are among the **most quality-conscious markets** in the world. No less is the impressive list of its international customers that don their watch dials including Swatch, Tissot, Calvin Klein, Candino, besides many others. The company which started with the supply of watch dials to [leading] Indian watch companies had to work really hard for its first export order. No international buyer believed that there could be high quality dials and watch hands available in India. Having exported its first consignment, there was no looking back and the company started getting repeat orders and new international customers. The company has an in-house design team that come up with innovative designs for watch dials which are offered to Swiss companies" (emphasis added).

Leading Indian watchmakers are yet to make their presence felt in the international markets in a big way. This makes the success of watch components manufacturer even more unexpected and hence can be considered a huge achievement for this company which has its plant facilities at Parwanoo in Himachal Pradesh and Bangalore.

Internationalisation is a varied process and allows multiple strategies (Baker 1985) and a variety of associated operational capabilities. What this modest Indian organisation has done may come as no great surprise to several successful small and independent European firms. A watch is a very personal item. It defines its bearer and has both fashion and status association. Quality conscious segments that demand fashion, precision and highest quality pay premium prices to manufacturers. These manufacturers in turn are very conscious about sourcing components from anywhere but the best locations.

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<sup>15</sup> [http://www.valuenotes.com/ACHugh/ac\\_kamla\\_29feb04.asp?ArtCd=33602&Cat=C&Id=1147](http://www.valuenotes.com/ACHugh/ac_kamla_29feb04.asp?ArtCd=33602&Cat=C&Id=1147)  
accessed on 12<sup>th</sup> October 2004.

For an Indian firm to have passed rigorous quality tests and gained the trust and confidence is worthy achievement.

It would be very difficult for Indian firms to build international or global brands given the resources that a brand needs before it can become established. Building a global brand may need resources to the tune of \$100 million (Ohmae 1989). Smaller but international brands may require substantial investments. This route of building brands may not be a feasible one for many small and medium firms. Even the large Indian and multinationals may not find this a easy task. Kamla devices appears to have used innovative designs and quality to supply high quality precision components to leading Swiss watch makers whose brands command special premiums. Small and medium firms can employ supplying to OEMs as international entry strategy.

The next section offers a summary of the above detailed accounts in a tabular form.

## **Section Two: Analysis of international marketing strategies**

We have employed a mix of case research (Yin 1994) and grounded theoretic methodology (Glaser & Strauss 1967) in capturing the **essence and substance of the various elements that form the international marketing strategies** of the sectors studied. Twelve variables have been extracted from the sector case studies and case summaries in the preceding section. Explanation of the extracted twelve variables follows the presentation of a table that captures the relevance of these variables across the 12 sectors examined. This necessarily is subjective and a selective process. As one may observe, this set is limited and can easily be expanded by including consumer related variables (e.g. frequency of purchase), importing nation characteristics and several others. However, our purpose is to highlight a research process and its application, and the chosen variables and their measurement are both subject to improvement as we argue in this paper later but serve the illustration purpose as an embodiment of infusing rigour into qualitative research methodologies. The summary is presented in Table 1 and has in

columns the twelve key variables and our assessment of the degree of importance (measured on a likert scale of 1-5) for each of the 10 variables for each of the 12 chosen industries.

| A comparison of international marketing strategies across twelve industries in India |                |                          |                        |               |                          |                           |                         |            |            |                                      |                       |                               |             |
|--|----------------|--------------------------|------------------------|---------------|--------------------------|---------------------------|-------------------------|------------|------------|--------------------------------------|-----------------------|-------------------------------|-------------|
| S.No.  | Industry       | Business Characteristics |                        |               |                          |                           | Product Characteristics |            |            | Market & Transaction characteristics |                       |                               |             |
|  |                | Capital Requirement      | Technology Requirement | Process Skill | Value addition prospects | Need for Supplier Network | Export Volume           | Unit Value | Durability | Freight Cost                         | Market sophistication | Direct Contact with Customers | Competition |
| 1  | Automobiles    | High                     | High                   | Medium        | High                     | High                      | Medium                  | High       | High       | High                                 | High                  | High                          | High        |
| 2  | CDs            | High                     | High                   | Medium        | Medium                   | Low                       | High                    | Low        | Medium     | Low                                  | High                  | Low                           | High        |
| 3  | Cement         | High                     | Low                    | Low           | Low                      | Medium                    | High                    | Low        | High       | High                                 | Low                   | Low                           | High        |
| 4  | Paints         | Medium                   | Medium                 | Medium        | Medium                   | Medium                    | High                    | Low        | Medium     | High                                 | Medium                | Medium                        | High        |
| 5  | Pharmaceutical | High                     | High                   | High          | High                     | Low                       | High                    | Low        | Low        | Low                                  | High                  | Low                           | High        |
| 6  | Socks manufac  | Low                      | Low                    | Low           | Low                      | Low                       | High                    | Low        | Low        | Low                                  | Low                   | Low                           | High        |
| 7  | Software       | Low                      | High                   | Medium        | High                     | Low                       | Low                     | High       | Medium     | Low                                  | High                  | High                          | Medium      |
| 8  | Syringes       | Medium                   | Medium                 | Low           | Low                      | Low                       | High                    | Low        | Low        | Low                                  | High                  | Low                           | Medium      |
| 9  | Tea exports    | Low                      | Low                    | Low           | Low                      | Low                       | High                    | Low        | Low        | Low                                  | Medium                | Low                           | Medium      |
| 10   | Textile sector | Medium                   | Medium                 | Medium        | Medium                   | Medium                    | High                    | Medium     | Medium     | Low                                  | Medium                | Low                           | High        |
| 11   | Two wheeler Ty | Medium                   | High                   | Medium        | Medium                   | Low                       | Medium                  | High       | Medium     | Medium                               | High                  | Medium                        | Medium      |
| 12   | Watch parts    | Medium                   | High                   | High          | Medium                   | Low                       | Medium                  | Medium     | medium     | Low                                  | High                  | Medium                        | Low         |

**Table 1: International marketing in India - A comparison of twelve industries/business sectors**

The twelve variables in Table 1 above may be categorised into three distinct variable groups. The twelve variables fall into three broad categories namely Business/sector characteristics, product characteristics and market/transaction characteristics.

- **Business/sector characteristics:** Capital requirement, Technology requirement, Process skill requirement, Value addition prospects, Need for supplier network, and Export volumes.

A number of the businesses studied require high capital and technology investments. Process skill requirements are also very high in pharmaceutical and watch components making. Several of the industries (e.g. cars) need strong and extensive supplier networks. Value addition prospects in cars, software, and pharmaceuticals businesses may be more substantial than in a few other sectors such as socks and cement. Export volumes need to be high in several of the sectors examined. Software sector is an exception as is the automobile business.

- **Product characteristics:** Unit value, Durability and Freight cost.

Cars have high unit value as do customised software solutions. Both cars and software programs are durable with medium to long life cycles. Most services are considered to be highly perishable. However, this is not the case with software or with many products that use embedded software. For example, cars and other durables including washing machines, TVs and mobile phones increasingly use electronic chips. However, products have transferability issue to deal with. Cars incur fairly high shipping freight as does a cement bag or paint can. Software and other services do not have this transport problem.

- **Market/Transaction characteristics:** Market sophistication, Direct contact with customers and competition.

Competition in several sectors is high, and markets for a few products such as cars and watch parts can be very sophisticated. Contact with customers is crucial in many ways and managing with customer relationships and nurturing the same can be argued to be a crucial competence. In a number of international business situations, exporters may only be in contact with OEMs and hence may not have a direct contact with the end consumer.

The degree of importance that appears in the table is a *subjective assessment* on the part of researchers and appears in the table as High (5), Medium (3) or Low (1) representing the variables' nature and strength. This measurement is relative to the set of the chosen industries. This subjective assessment is commonly referred to as judgemental data, and can easily be the average of multiple data points across a set of managers or even across

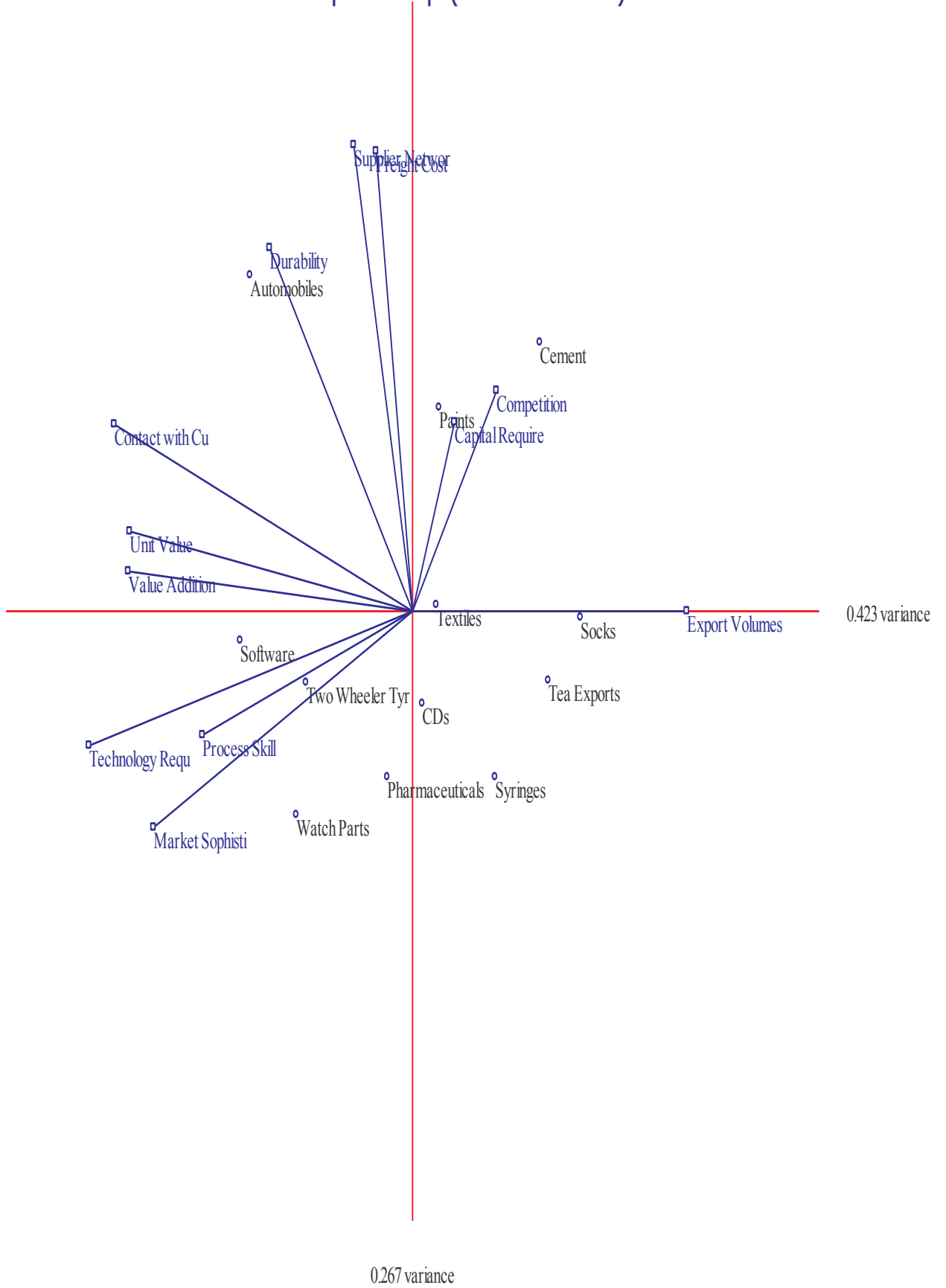
several sample strata. As long as we understand that the purpose is the exercise is theory generation, not verification, one need only to think of both *validity and reliability* as suited to the context of theory building. The conversion of qualitative data into quantitative data is an important step as this step, in our view, is a key link to making qualitative accounts more amenable to analysis, interpretation and verification. Elements of rigor and reliability and by extension validity are introduced into the research process through this critical act. This, we argue, is a key contribution of the paper in addressing a lacuna in the analysis and interpretation of qualitative data, and in increasing reliability and validity of qualitative research process.

### **Section Three: Discussion of findings and conclusions**

The data in the table in the preceding section was analysed using multidimensional mapping technique (Hair et al 2002) and (Lilien and Rangaswamy, 2002). The resulting map and associated diagnostics are presented below for ready reference.



# Perceptual Map (Dim I : Dim II)



## Diagnostics for Perceptual Map

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Total variance accounted for by the 2 dimensions: .690

Cumulative proportion of variance accounted for by each dimension:

|      |      |      |      |      |      |      |      |      |       |       |       |
|------|------|------|------|------|------|------|------|------|-------|-------|-------|
| 1    | 2    | 3    | 4    | 5    | 6    | 7    | 8    | 9    | 10    | 11    | 12    |
| .423 | .690 | .811 | .894 | .932 | .962 | .981 | .995 | .998 | 1.000 | 1.000 | 1.000 |

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The following table summarizes the variance explained for each attribute/object in the 2-dimensional map you requested.

| Attribute/Object | Mean  | Variance | Proportion of variance explained |
|------------------|-------|----------|----------------------------------|
| Capital Require  | 4.408 | 1.021    | .338                             |
| Technology Requ  | 3.500 | 1.658    | .859                             |
| Process Skill    | 2.667 | 1.374    | .577                             |
| Value Addition   | 2.833 | 1.518    | .730                             |
| Supplier Networ  | 1.833 | 1.280    | .809                             |
| Export Volumes   | 4.167 | 1.280    | .703                             |
| Unit Value       | 2.333 | 1.700    | .735                             |
| Durability       | 2.667 | 1.374    | .716                             |
| Freight Cost     | 2.167 | 1.724    | .788                             |
| Market Sophisti  | 3.833 | 1.518    | .760                             |
| Contact with Cu  | 2.167 | 1.518    | .824                             |
| Competition      | 4.000 | 1.291    | .434                             |

All the variables except capital requirements, process skill, and competition are explained adequately.

## Findings, Conclusions and Contributions

Based on the above data and output, we may classify the sectors studied into several different clusters in order to identify the main elements of the international marketing strategies adopted by these sector clusters . An illustration of a five cluster grouping is presented below:

Cluster 1: Automobiles

Cluster 2: Cement and Paints

Cluster 3: CDs, Socks, Syringes, Textiles and Tea exports

Cluster 4: Pharmaceuticals, Two wheeler tyres and Watch parts

Cluster 5: Software

This is a visual map classification. The clusters and their composition can change depending upon researcher perspective and/or practitioner aims. The business sectors in clusters 1 and 2 are bulky and their volume/weight among other characteristics makes them sensitive to the freight element. Logistics and related infrastructure is critical to the Cluster 1 sectors (cement and paints).

Automobile sector is a unique sector and is all by itself reflecting its business nature. Unlike the businesses in cluster 2, the auto sector has significant *value addition possibilities*. Marketing of cars may necessitate a more *direct relationship with customers* for prolonged periods of time post-sale. Logistics capability is also crucial here but not as much as it is so with the businesses in Cluster 1.

Export volume variable is a key variable that appears to drive the formation of the business sectors in cluster 3 (Textiles, socks, CDs, Tea exports and Syringes). Each of these businesses requires relatively high volume to be a viable international business operation. The main challenge for these business sectors is moving from being generic goods to being branded and value added products.

Cluster 4 businesses, two wheeler tyres, watch parts and pharmaceuticals require process skills. Watch parts are supplied to OEMs as are two wheeler tyres, and bulk pharmaceutical drugs. Generic or branded formulations may be supplied directly for end consumer use.

Software is the only business in cluster 5. While this reflects the somewhat unique and idiosyncratic features of this business, it is possible to see commonalties between the software and the auto sectors. Both businesses need direct and prolonged contact with customers and have high value addition possibilities/avenues open to them. Although the auto business is capital intensive and needs a strong supply network, both the sectors' output is relatively more durable and more valuable (high unit value) than that of

many of the other sectors studied in this paper. Managing customer relationships is a crucial competence required in this sector.

This classification (visual map) may prove to be very useful in many strategic and tactical ways. This classification or typology scheme can influence both the design and execution of international marketing strategies. We feel that this typology/classification has several applications and offers explanations for hitherto unexplained phenomena. This schema may also offer empirical support to strategic management theories that focus on diversification into related businesses downstream. Diversified firms also may find strategic and operational rationales for portfolio of product-markets that they may be operating in or intend to enter into. Yet another key contribution of the paper is the application a *combination of methodologies* that yields new insights concerning a subject matter that has been under the lens of marketing academia for a long time. A third contribution is the *formulation of a link to quantification and modelling* to enable qualitative researchers to lend analytical rigor in their attempts at theory generation.

This study may also provide some prognosis for Indian businesses. The businesses that may have bright international prospects for the future will be from both manufacturing and service sectors. From the service sectors, insurance, banking firms may have the best prospects of all. The education sector can see a bright future if it can make calculated moves and bear associated risks. On the manufacturing front, motorcycle firms from India can take on a significant global role. Here Indian firms will have to focus on small fuel efficient size engine motorcycle segment. Performance bikes and other high end segments may not be in their reach for some time to come given that Indian consumer class for this segment is virtually non-existent at the moment. This prescription, however, does not preclude the internationalisation possibilities for parts and component suppliers. One can say that in the course of natural evolution, supplier firms (e.g. automotive batteries, tyres, and components) to the all the above twelve sectors that we examined in this paper should be able to increase their international presence.

Internationalisation is an imperative. That a large number of Indian organisations that do not internationalise may perish is not a dire prediction but appears to be an inevitable outcome of the one-market world thesis. There will continue to be markets that will have strong and dominant local aspects attached to them. These markets will be fewer, and the local aspect a diminishing one. Competition will be more severe in these markets, and value addition possibilities transient and technology element will be conspicuous by absence. Strategies woven around commodities are cannot be sources of sustainable competitive advantage. Many businesses will need to focus on serving the needs of sophisticated markets and consumers no matter where they are, irrespective of their location or country of residence. This top-end segment focus is necessary for both growth and constant renewal of competences. However, this does not preclude alternative strategies that aim to serve other segments. Our analysis that identified twelve key dimensions/variables that go into the making of international marketing strategies shows that *direct contact with end customers* is an important element, but is only one among the set of variables identified. Several Indian firms are looking at acquisitions abroad, buying capacities (production facilities) or setting up offices (software firms). Some caution may be in order before such irretrievable and large investments are made. Firms from India and elsewhere would do well to also avoid being export myopic (Baker 1979). International marketing requires a multi-faceted strategic approach, and flexibility is as important as commitment. Market commitment is not synonymous with making fixed investments. Continuous value creation and delivery should be the focus of strategies. **The twelve variables identified should be examined to look for harmonious balance and their ability to continue to provide competitive edge**. Most sectors and businesses may require strategies tailored for their specific needs and situations (Baker 1985). This means that those firms that have vast advantages, say in logistics or in managing customer contact, may think of enlarging their product portfolios or the number of markets that they serve. *Thinking in terms of the twelve dimensions* individually and collectively while formulating and implementing international marketing strategies can help managers uncover the similarities

and differences across business sectors. This is just a way of moving away from having focus solely on products, markets or business requirements. Our map allows ready ways of revealing connections that bind businesses across very disparate sectors using a *holistic approach* that encompasses different aspects that make up international marketing strategies.

#### **Section Four: Limitations of the study and further research avenues**

This investigation is exploratory given the qualitative methodology employed in exploring the subject under scrutiny. This study is focused on one single nation viz., India and also is limited to 12 different businesses/sectors. It would be useful to extend the number of industries covered to include others and test the mapping solution both for stability and comprehension. It may also be worthwhile to add more variables and constructs in addition to the twelve used in this study. Theoretical extensions and comparing the findings of this study with existing theories is another possible avenue for future research.

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