

includes research articles that focus on the analysis and resolution of managerial and academic issues based on analytical and empirical or case research

# *International Marketing Strategies in India: An Application of Mixed Method Investigation*

**Prathap Oburai and Michael J Baker**

## *Executive Summary*

Internationalization drives and export orientation are prominent in the organizational 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 advantage in a few selected sectors and firms and explores the internationalization possibilities and potential.

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. With a view to enrich the existing body of international marketing theory, the authors investigate the international marketing strategies adopted in 12 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.

This study is exploratory in nature and offers a classification scheme using case research methodology, grounded theory approach, and modeling techniques. The five-cluster classification (visual map) may prove to be useful in many strategic and tactical ways. This classification scheme or typology can influence both the design and the execution of international marketing strategies. This schema may also offer empirical support to strategic management theories that focus on diversification into related businesses downstream. Another key contribution of the paper is the application of a combination of methodologies that yields new insights. A third contribution is the formulation of a link to quantification and modeling to enable qualitative researchers to lend analytical rigour in their attempts at theory generation.

On the practical front, marketers can leverage the understanding gained from using the classification scheme contained in this study in designing and implementing international marketing strategies by paying appropriate attention to important dimensions in order to achieve desired outcomes. A few managerial implications of the study are as follows:

- International marketing requires a multi-faceted strategic approach.
- Continuous value creation and delivery should be the focus of strategies. Flexibility is as important as commitment.
- The 12 variables identified in the study should be examined to look for harmonious balance and their ability to continue to provide competitive edge.
- Thinking in terms of the 12 variables and/or their underlying dimensions individually and collectively while formulating and implementing international marketing strategies can help managers uncover the similarities and differences across business sectors. The suggested typology helps in revealing connections that bind businesses across disparate sectors using a holistic approach that encompasses different aspects of international marketing strategies. ♡

**Note:** This paper is a revised version of a paper presented at the Academy of Marketing Conference held in July 2005 at the Dublin Institute of Technology, Dublin, Ireland.

### KEY WORDS

**International Marketing Strategy**

**Grounded Theoretic Approach**

**Case Research Methodology**

**Multi-dimensional Mapping**

**T**oday, Indian firms are more international than ever before (Seshabalaya, 2005). Internationalization drives and export orientation characterize the organizational strategies of a number of leading Indian firms and multinationals located in India. These are significant indicators of the growing competitiveness of firms, industries, and the nation. In this paper, we examine the sources of competitive advantage in a few chosen sectors and firms — both Indian and multinational — and explore the internationalization possibilities and potential. Ownership of firms is only one characteristic and is not considered as the sole or even a main determinant of success. This treatment of accord- ing a somewhat reduced importance to ownership is a natural consequence of the present globalization wave that informs our one-world-thesis and perspective (Freidman, 2005) and is a significant departure from the way international business research is conducted (Cantwell and Narula, 2003). This view broadens our scope and introduces greater openness to new ideas. A review of the existing 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.

In this paper, we investigate the international marketing strategies adopted in 12 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, compact discs (CDs), cement, paints, pharmaceuticals, socks manufacturing, software, syringes and needles, tea, 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 a case in point. All sector classifications, as we are aware, are products of convenient categorization 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 (Hakansson, Harrison and Waluszewski, 2004) 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 the desired outcomes. This paper is exploratory in nature given both the relative paucity of international marketing research in India and the changes that the 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 both the similarities and differences across contexts for theory-building purposes.

## **METHODOLOGY**

Our study offers a classification scheme using grounded theory approach (Glaser, 1998), case research methodology (Oburai and Baker, 1999a, 1999b), and modeling techniques. In grounded theoretic methodology, fresh observation (induction) plays a dominant role in 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 (Bjorkman and Forsgren, 1997). International marketing textbooks offer only general guidance and specific sector/national and up-to-date empirical evidence is not always available as they do not recognize 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.

The 'pure' grounded theory approach may be an ideal, for all researchers have some degree of prior understanding 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 that we have taken adequate care to abide by the spirit and approach intrinsic to the method. The grounded theory and the case research methods are complementary and when employed in combination with the modern modeling techniques and the associated software, they can lead to new insights. The main weakness of qualitative research methodologies is the ostensibly idiosyncratic and hence perceptibly subjective nature of the

research process of data generation, analysis, and interpretation. Bias is supposedly an inherent and all-pervasive infiltrator of qualitative research attempts and lack of inter-subjective agreement or reliability is a significant stumbling block.

By using a combination of case research, grounded theoretic approach, and modeling techniques, we hope to lend rigour to the application of methodological pluralism, data analysis, and inference-drawing process (Brownlie and Saren, 1997; Yin, 1994). Data used for this paper were mainly from published sources and a few field studies.

## **INTERNATIONAL MARKETING STRATEGIES OF 12 INDUSTRIAL SECTORS**

In this section, we summarize the international marketing strategies of 12 different industrial sectors in India with the aim of capturing the dominant strategies of the industry as a whole. In a few cases, we have captured the dominant firm's details with the assumption that the chosen firm's strategies represent the industry strategies.

### **Automobiles**

The Indian passenger car sector crossed the million unit mark in the year 2003-04.<sup>1</sup> This milestone 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 exported its City Rover model to Europe. All the three firms crossed the Rs. 10 billion 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 that are developed indigenously. Hyundai has plans of exporting almost 70,000 units in the year 2004-05.

In the 1990s, Maruti took an early lead in this exporting race. However, export volumes were rarely above the 5,000 unit mark in the first half of the 1990s. By the early 2000, the fortunes of the industry had changed substantially. Domestic volumes had grown from less than 1,50,000 units a decade ago to a million units by 2003. A large number of global car manufacturers had entered India and had set up world-class facilities.

<sup>1</sup> *Financial Express*, May 5, 2004.

Export of cars from India is a success story in many ways. A car is a very personal item for many consumers across the world. The investment in cars is considered to be the second highest expenditure after buying a house or mortgage expenses. The expectations of the consumers in the developed markets such as the ones in Europe, the US, and the Gulf markets regarding the aesthetics of the car, the design, and the performance standards are very high. Car manufacturing is high-end manufacturing as opposed to making inexpensive toys or low-cost commodity equipment. Though India had the potential for manufacturing world-class products, it has not delivered in a big way as yet. In many sectors, Indian manufacturing performance on the export front pales in comparison to that of China. One exception, however, is passenger car exports.

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

The Japanese and the Korean firms are aware of the European markets and have accordingly built their distribution and sales networks over several years. Both Suzuki and Hyundai have made significant investments in building their brands in these markets by carrying 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 have understood this fact and are leveraging on it.

Shipping cars from India to Europe involves substantial freight costs. For small cars (hatchback models with engines of sizes less than one and a half litres), the freight costs work out to about \$300-400 per unit. The ships used for exporting cars are dedicated vessels specially built for the purposes of shipping cars. It is possible to obtain even more favourable rates with higher volumes per shipping lot and early booking of shipping vessels. The end-user price for small cars is about \$10,000. Freight and transport insurance costs while not substan-

tial are significant. Net export prices (fob) of cars can be as low as \$3,000 - \$4,000. This means that manufacturing costs would have to be low enough to yield good margins. All the European nations except the UK use left hand-driven (LHD) cars. LHD kits are usually imported from Japan or Korea for assembling in India. Assembling, 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 be useful 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 in other parts of the world. On the other hand, the margins that the Indian market offer many firms in this sector may be sufficient to protect and promote the long-term strategies of multinationals. For instance, the Maruti-Suzuki venture's small car project started out in 1984 with the company promising to deliver an affordable car for middle classes. In the 20 intervening years since its inception, the project has succeeded like no other Indian enterprise has. It is a role model for joint ventures between the Indian and foreign organizations. But, the price of the Maruti's small 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 suppliers 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 realizations also appear to have gone up. Given the high research and development expenses that have to be amortized 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 or Korea, manufacturing plants are located in South Asia, and the main export markets are 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 the mother of all industries and accounted for a major proportion of GDPs of many countries, the industry today is a totally changed one. Presently, it accounts for much less of GDPs of many nations and even less of consumers' disposable spending as a proportion of the total disposable incomes. Steel as an input cost used to be considered as 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 external appearance of the car might not be very different in design from yesterday's models. However, the heart of the machine has changed much more than the face. Today's car is intelligent with the computing chips contributing 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, the past with the future, and the tested with the yet to be tried.

### **Compact Discs (CDs)**

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 in increasing its CD and DVD (recordable, writable, and pre-recorded formats), manufacturing capacities. About 80 per cent of its revenues of Rs.16 billion a year come from export,<sup>3</sup> and 60-70 per cent of its revenues are earned through sales to OEM companies. Most of the world's leading brands source products from MBI. MBI has increased its manufactur-

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

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

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

ing capacity to 2 billion units per year.<sup>4</sup> The optical storage media industry has a 15 billion unit capacity of which 70 per cent 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 for which it is negotiating with Imation Corp. of the US.

MBI has a 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.

### Cement

This industry is characterized 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, the 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. The export price (fob) of \$46 per tonne for October 2004 translates to over Rs.100 per bag and is further expected to rise up to \$50. Domestic realization works out to Rs. 90 per bag net of taxes and transport expenses. The export price of clinker 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 which is \$320 million a year.

The location of the 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. The main destinations for cement exports are the Middle East and the Gulf countries. For instance, Sanghi exports about 80,000 tonnes of cement and 2,00,000 tonnes of clinker a month to Dubai, Qatar,

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

<sup>6</sup> *The Economic Times*, October 5, 2004.

and Saudi Arabia.

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

### Paints

Asian Paints, one of the leading manufacturers of paints, has embarked on an aggressive acquisition strategy to gain market leadership in several emerging markets. Today, the company has its presence in 22 countries and its international business accounts for 20 per cent of its revenues.<sup>7</sup> It 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 improving its performance by rationalizing products, brands, and distribution outlets. Its 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 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. From the emerging markets, the company chooses the ones with high growth prospects (above 6% per annum). Asian Paints may have limited resources but it recognizes its limitations 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 competitor.

### Pharmaceuticals

The pharmaceutical sector in India has become home to several of the leading international firms in India. Ranbaxy, Cipla, Dr. Reddy's, and other big firms along with several other small-and medium-sized firms, (e.g.,

<sup>7</sup> *Business Standard*, October 12, 2004.

Aurobindo, Glenmark, Orchid among others) are rewriting the rules of the Indian pharmaceutical sector. Export-orientation dominated the thinking of a number of leading firms for more than a decade. Ranbaxy is emerging to be a strong global organization 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. The strategies of the pharmaceutical sector and the biotechnology organizations incorporate international business as a core element.

### **Socks Manufacturing**

Renfro Corporation is the world's largest maker of socks.<sup>8</sup> In 2002, this global leader in the marketing and manufacturing of socks had acquired an Indian firm. Renfro India is a major sourcing base for Renfro Corporation for the US and European markets. It is planning to introduce global brands like the Fruit of the Loom, Sketchers, and Vasarette in the Indian market. It 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. Moreover, India is the largest supplier of cotton.

Renfro India had a tie up with an 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 at Sanaswadi near Pune was a supplier of socks to a number of major retailers in Europe and had built a strong equity for quality and efficiency. Renfro India has plans of acquiring more capacities and 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.

### **Software**

Indian firms have emerged as strong software exporters in the last decade. This is one achievement that caught the attention of the world. The IT sector in India has been export-oriented since its inception. The growth of the sector as a whole and that of a number of software majors (Infosys, Wipro, Tata Consultancy Services (TCS), Satyam among others) is well documented (D'Costa and Sri-dharan, 2004). The critical factor is connection to the market. A large number of US firms have played a catalytic role in the growth of this sector.

This sector leverages the strong analytical, technical, and engineering skills of the Indians. A majority of Indian software exports are made up of customized or application-specific software solutions. General purpose (e.g., Microsoft Windows) and branded software (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 to research and development activities of many multinationals, a part of this high value-added, cutting-edge work is expected to be carried out in India. The 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 the 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 and low wage rates of the Indians.

The 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. The soft-

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

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

ware 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 level of maturity 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 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.

### Syringes and Needles

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

HMD has seven manufacturing facilities in India and had plans to increase its turnover to Rs. 2.5 billion by 2004. The World Health Organization estimated the annual global demand of needles and syringes at 25-30 billion<sup>11</sup>. Disposable syringes account for a major proportion of the firm's turnover. It has been an OEM supplier for nearly 15 years. HMD is among the global

<sup>10</sup> [www.hmdhealthcare.com](http://www.hmdhealthcare.com)

<sup>11</sup> *Business India*, December 9-22, 2002.

top five manufacturers in the insulin syringe market. In 2002, the company had started manufacturing auto-disposable syringes in collaboration with Star Syringes of the UK. Manufacturing of products requires critical imports — the company imports 95 per cent of the 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.

### Tea

India produces almost one-third of all the tea produced in the world. In 1999, the world production was almost 3 billion kgs. However, India exports less than 200 million kgs. It is also a major tea-consuming nation (Asopa, 2004). Increasing unit value realization from exports is a key challenge facing Indian firms. The main areas which have room for improvement in this sector are blending (processing), packaging (tea bags), branding, and marketing. 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 the Tetley brand of the 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. The government has a crucial role to play in organizing the large number of tea farms and in helping tea boards and other institutions to chart out a strategy for the future.

### Textiles

Textiles accounted for about one-third of the value of Indian exports till the recent years. The textile firms were among the first few to have considered international aspects in their growth strategies. Indian textile firms, in the early days after liberalization in 1991, could not resist the temptation to access the global capital markets. Several of them issued dollar-denominated bonds or debentures at rates that were lower than the domestic bank prime lending rates. A few Indian textile firms had built up global scale manufacturing capacities incurring, in the process, huge investments and interest costs on borrowed money. The attractiveness of low interest rates was perhaps too great to overcome. Global scale was to bring about low cost advantages and hence a compet-

itive advantage in the marketplace. However, these decisions were perhaps not appropriate as consumers look for a cohesive set of attributes when they make purchases. Low cost alone cannot convince them. Low cost while acclaimed in the literature as a significant source of competitive advantage is, in fact, neither a sufficient factor by itself 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 has begun in January 2005 after the textile quota system started getting dismantled. It is expected that, post-2005, 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 the Indian firms which have both technological skills and financial resources.

### Two-wheeler Tyres

Metro Tyres, a leading tyre manufacturer, 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>12</sup> The Managing Director of Metro Tyres, Rummy Chhabra, said, "We will be shortly producing motorcycle, scooter, and moped tyres for the Continental under the brand name, 'Continental.' The move will give us access to manufacturers like Yamaha, Honda, and Kawasaki among others."

The Indian tyre companies at the moment do not have sufficient scale and technological strengths. This sector is input-dependent (rubber and its volatility on 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 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 forming alliances with tyre majors from the US and Europe. While a few firms like Metro Tyres are already exporting, this sector will remain domestic market-focused in the near term. With increasing investments in plant and machinery, exporting tyres is a clear

possibility. At the moment, however, Indian firms do not find the export margins good enough and only when there is surplus capacity would they think of exporting tyres abroad.

### Watch Components

Kamla Dials and Devices Limited is India's only organized manufacturer of watch dials and hands. This company has over 80 per cent market share in the domestic market and has about 20 per cent of its revenues (Rs. 360 million in 2002-03) from exports.<sup>13</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, and 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 comes 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.

Internationalization is a varied process and allows multiple strategies (Baker, 1985) and a variety of associated operational capabilities. What this modest Indian organization has done may come as no great surprise to several successful small and independent European

<sup>12</sup> *The Economic Times*, September 23, 2002.

<sup>13</sup> [http://www.valuenotes.com/ACHugh/ac\\_kamla29feb04.asp?ArtCd=33602&Cat=C&Id=1147](http://www.valuenotes.com/ACHugh/ac_kamla29feb04.asp?ArtCd=33602&Cat=C&Id=1147) accessed on October 12, 2004.



firms. A watch is a 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 the best locations. For an Indian firm to have passed rigorous quality tests and gained the trust and confidence of international watch-makers is indeed a 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, 1985). This route of building brands may not be feasible for many small and medium firms. Even the large Indian firms and multinationals may not find this to be an 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 an international entry strategy.

## INTERNATIONAL MARKETING STRATEGIES: AN ANALYSIS

We have employed a mix of case research (Yin, 1994) and grounded theoretic methodology (Glaser and 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. Table 1 captures the

relevance of these variables across the 12 sectors examined (measured on a Likert scale of 1-5). As we may observe, this set is limited and can easily be expanded by including consumer-related variables (e.g., frequency of purchase), importing nations' characteristics, and several others. However, our purpose here is to highlight a research process and its application for infusing rigour into qualitative research methodologies.

The 12 variables in Table 1 may be categorized into three broad groups on the basis of business/sector characteristics, product characteristics, and market/transaction characteristics.

**Business/Sector characteristics:** Some of the major characteristics are capital requirement, technology requirement, process skill requirement, value addition prospects, need for supplier network, and export volumes. A number of the businesses studied requires high capital and technology investments. The pharmaceutical sector and watch components making have process skill requirements. Several of the industries (e.g., automobiles) need strong and extensive supplier networks. Value addition prospects in automobiles, software, and pharmaceuticals may be more substantial than in a few other sectors such as socks and cement. Export volumes need to be high in all the sectors examined except for the software and the automobile sectors.

**Product characteristics:** Unit value, durability, and freight cost are a few of the characteristics of the product.

Automobiles have high unit value as do customized software solutions. Both cars and software programmes are durable with medium to long life-cycles. Most products are considered to be highly perishable, except soft-

**Table 1: A Comparison of International Marketing Variables across 12 Industrial Sectors in India**

S. No.	Industry	Business Characteristics					Product Characteristics			Market and Transaction Characteristics			
		Capital Requirement	Technology Requirement	Process Skill Requirement	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	Pharmaceuticals	High	High	High	High	Low	High	Low	Low	Low	High	Low	High
6	Socks manufacturing	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 and needles	Medium	Medium	Low	Low	Low	High	Low	Low	Low	High	Low	Medium
9	Tea	Low	Low	Low	Low	Low	High	Low	Low	Low	Medium	Low	Medium
10	Textiles	Medium	Medium	Medium	Medium	Medium	High	Medium	Medium	Low	Medium	Low	High
11	Two-wheeler tyres	Medium	High	Medium	Medium	Low	Medium	High	Medium	Medium	High	Medium	Medium
12	Watch components	Medium	High	High	Medium	Low	Medium	Medium	Medium	Low	High	Medium	Low

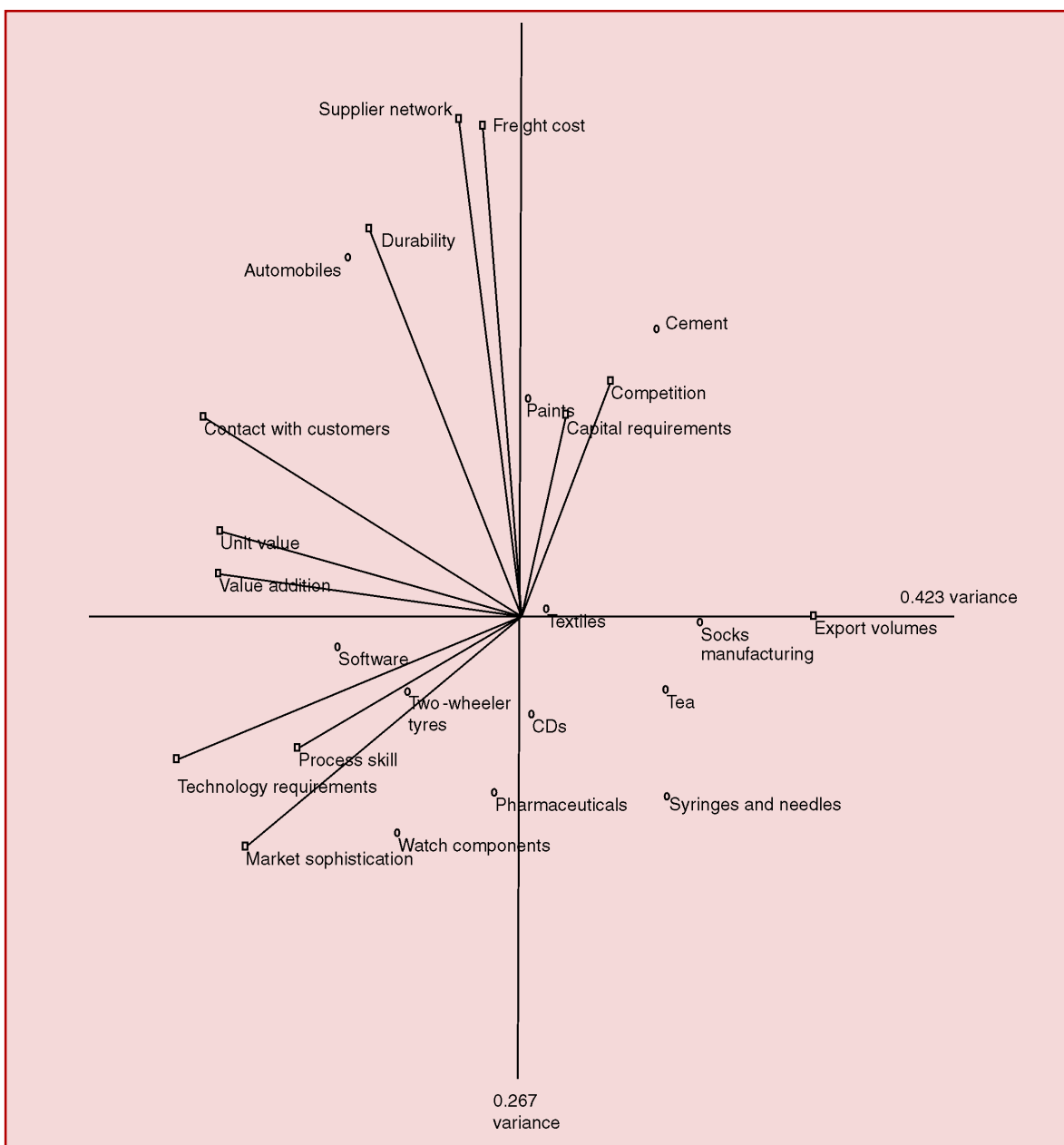
ware or products that use embedded software such as cars and other durables including washing machines, televisions, and mobile phones which are increasingly using electronic chips. However, durable products have transferability issues to deal with; for instance, cars incur fairly high freight costs as does a cement bag or a paint can.

**Market/Transaction characteristics:** Market sophistication, direct contact with customers, and competition are some of the major characteristics in this category. 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 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 direct contact with the end-consumer.

The degree of importance that appears in Table 1 is a subjective assessment on the part of the researchers and appears 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.

**Exhibit 1: Perceptual Map (Dimension I : Dimension II)**



Contd.

## Diagnostics for the Perceptual Map

Total variance accounted for by the two dimensions: 0.690

Cumulative proportion of variance accounted for by each dimension:

	1	2	3	4	5	6	7	8	9	10	11	12
	0.423	0.690	0.811	0.894	0.932	0.962	0.981	0.995	0.998	1.000	1.000	1.000

The following table summarizes the variance explained for each attribute/object in the two-dimensional map:

Attribute/Object	Mean	Variance	Proportion of Variance Explained
Capital requirement	4.408	1.021	0.338
Technology requirement	3.500	1.658	0.859
Process skill	2.667	1.374	0.577
Value addition	2.833	1.518	0.730
Supplier network	1.833	1.280	0.809
Export volumes	4.167	1.280	0.703
Unit value	2.333	1.700	0.735
Durability	2.667	1.374	0.716
Freight cost	2.167	1.724	0.788
Market sophistication	3.833	1.518	0.760
Contact with customers	2.167	1.518	0.824
Competition	4.000	1.291	0.434

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

Commonly referred to as judgmental data, they can easily be the average of multiple data points across a set of managers or even across several sample strata. Since the purpose of this exercise is theory generation, not verification, we need to only think of validity and reliability as suited to the context of theory-building. The conversion of qualitative data into quantitative data is an important step and is a key link to making qualitative accounts more amenable to analysis, interpretation, and verification. Elements of rigour and reliability and, by extension, validity are introduced into the research process through this critical act. This is the key contribution of the paper; it addresses a lacuna in the analysis and interpretation of qualitative data and increases reliability and validity of qualitative research process.

## MAJOR FINDINGS

The data in Table 1 were analysed using multi-dimensional mapping technique (Hair *et al.*, 2002 and Lilien and Rangaswamy, 2002). The resulting map and the associated diagnostics are presented in Exhibit 1.

Based on the data and output, we classify the sectors studied into five different clusters in order to identify the main elements of their international marketing strategies. The clusters and their composition can change depending upon the researcher's perspective and/or the practitioner's aims. The clusters are:

- Cluster 1: Automobiles
- Cluster 2: Cement and paints

- Cluster 3: CDs, socks manufacturing, syringes and needles, textiles, and tea
- Cluster 4: Pharmaceuticals, two-wheeler tyres, and watch components
- Cluster 5: Software.

The business sectors in clusters 1 and 2 are bulky and their volume/weight besides other characteristics make them sensitive to the freight element. Logistics and related infrastructure is critical to the Cluster 2 sectors.

Given the fact that the characteristics of the automobile sector are unique, it is classified as a separate cluster. 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 with the businesses in Cluster 2.

Export volume is a key variable that appears to drive the formation of the business sectors in Cluster 3. 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 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 commonalities 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, the output of both the sectors 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.

## CONTRIBUTIONS AND IMPLICATIONS

One major contribution of this paper is the visual map (Exhibit 1) which may prove to be very useful in many strategic and tactical ways as it can influence both the design and the execution of international marketing strategies. This typology/classification has several applications and offers explanations for hitherto unexplained phenomena as well as empirical support to strategic management theories that focus on diversification into related businesses downstream. Diversified firms also may find strategic and operational rationale for their product-market portfolio that they may be operating in or intending to enter into. Another key contribution of the paper is the application of 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 modeling to enable qualitative researchers to lend analytical rigour in their attempts at theory generation.

This study also provides some prognosis for Indian businesses. The businesses that have bright international prospects for the future will be from both manufacturing and service sectors in general and insurance and banking firms from the service sector in particular. The education sector can also have a bright future ahead 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 the small, fuel-efficient motorcycle engine segment as demand for performance bikes and other high-end segments is virtually non-existent at the moment. There are also tremendous internationalization possibilities for parts and component suppliers. In the course of natural evolution, supplier firms (e.g., automotive batteries, tyres, and components) of all the above

12 sectors should be able to increase their international presence.

In the current globalized scenario, internationalization is an imperative. That a large number of Indian organizations which do not internationalize may perish is not a dire prediction but appears to be an inevitable outcome of the one-market world thesis (Friedman, 2005). Of course, markets that have strong and dominant local aspects attached to them will continue to exist but they will be fewer. In such markets, competition would be more severe, value addition possibilities would be transient, and technology element would be conspicuous by its absence. Strategies woven around commodities cannot be sources of sustainable competitive advantage. Many businesses would need to focus on serving the needs of sophisticated markets and consumers 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 identifying 12 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 the possibilities of acquisitions, buying capacities (production facilities), and setting up offices (software firms) abroad. 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 companies which are in the process of internationalizing. The 12 identified variables should be examined to look for harmonious balance and their ability to continue to provide a competitive edge. Most sectors and businesses may require strategies tailored to 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. An analysis of the 12 dimensions individually and collectively while formulating and implementing international marketing strategies can help managers uncover the similarities and differences

across business sectors. This would also help in moving away from having focus solely on products, markets or business requirements. The perceptual map (Exhibit 1) reveals linkages that bind businesses across disparate sectors using a holistic approach that encompasses different aspects of international marketing strategies.

## LIMITATIONS AND FURTHER RESEARCH AVENUES

This investigation is exploratory given the qualitative

## REFERENCES

- Asopa, V N (2004). "Competitiveness in Global Tea Trade," CMA monograph no 198, New Delhi: Oxford and IBH.
- Baker, Michael J (1979). "Export Myopia," *The Quarterly Review of Marketing*, Spring, 1-10.
- Baker, Michael J (1985). "Globalisation versus Differentiation as International Marketing Strategies," *Journal of Marketing Management*, 1(2), 145-155.
- Bjorkman, I and Forsgren, M (eds.) (1997). *The Nature of the International Firm*, Copenhagen: Copenhagen Business School Press.
- Brownlie, D and Saren, M (1997). "Beyond the One-dimensional Marketing Manager: The Discourse of Theory, Practice and Relevance," *International Journal of Research in Marketing*, 14(2), 147-161.
- Cantwell, J and Narula, R (eds.) (2003). *International Business and the Eclectic Paradigm: Developing the OLI Framework*, London: Routledge.
- D'Costa, P Anthony and Sridharan E (eds.) (2004). *India in the Global Software Industry: Innovation, Firm Strategies and Development*, New Delhi: Macmillan India Limited.
- Friedman, T (2005). *The World is Flat: A Brief History of the Globalized World in the 21st Century*, London: Allen Lane-Penguin.
- Glaser, B (1998). *Doing Grounded Theory: Issues and Discussions*, CA, USA: Sociology Press, Mill Valley.
- Glaser, B and Strauss, A (1967). *The Discovery of Grounded Theory: Strategies of Qualitative Research*, New York: Aldine.
- Glaser, B (1998). *Doing Grounded Theory: Issues and Discussions*, CA, USA: Sociology Press, Mill Valley.
- Hair, J E; Anderson, Rolph E; Tatham, R L and Black, W C (2002). *Multivariate Data Analysis with Readings*, Fifth Edition, New Jersey: Prentice Hall.
- Hakansson, Hakan; Harrison, Debbie and Waluszewski, Alexandra (2004). *Rethinking Marketing: Developing a New Understanding of Markets*, England: John Wiley and Sons.
- Lilien, G L and Rangaswamy, A (2002). *Marketing Models*, New Jersey: Prentice Hall.
- Oburai, P and Baker, Michael J (1999a). "Empirical Research into Collaborative Alliances in Industrial Markets: A Case for a Balanced Approach to Theory Building," 28th EMAC Conference, Berlin.
- Oburai, Prathap and Baker, Michael J (1999b). "Theory Building Case Research in Industrial Markets: The Evolution and Convergence of Methodological and Philosophical Perspectives," Proceedings of the 15<sup>th</sup> Annual IMP Conference, University College, Dublin, Ireland.
- Ohmae, K (1985). *Triad Power*, New York: Free Press.
- Seshabalaya, A (2005). *Rising Elephant: The Growing Clash with India over White Collar Jobs and Its Challenge to America and the World*, New Delhi: Macmillan India Limited.
- Yin, R K (1994). *Case Study Research: Design and Methods*, Second Edition, Thousand Oaks, CA: Sage Publications.

---

**Prathap Oburai** is Assistant Professor of Marketing at Indian Institute of Management, Ahmedabad. A Ph.D. in Marketing from the Department of Marketing, University of Strathclyde, Scotland, UK, he was the recipient of the prestigious Commonwealth Scholarship from the Association of Commonwealth Universities, London. His research interests include business-to-business marketing; cooperative marketing strategies; industrial clusters and policies; international business strategies; international marketing; marketing research and relationship marketing. He has presented papers at several major European and Indian conferences and has published in leading books such as *The Encyclopedia of Marketing*. e-mail: prathap@iimahd.ernet.in

methodology employed in exploring the subject. It is focused on one single nation, viz., India and is also limited to 12 industrial sectors. It would be useful to extend the number of industries covered 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 12 used in this study. Theoretical extensions and comparing the findings of this study with existing theories are other possible avenues for future research. ♡

**Michael J Baker** is Emeritus Professor of Marketing at the University of Strathclyde where he founded the Department of Marketing in 1971 on completion of his doctorate at the Harvard Business School. A past Chairman of the Institute of Marketing, the Marketing Education Group, and the Senate of the Chartered Institute of Marketing, he is currently President of the Academy of Marketing and holds visiting appointments in a number of leading business schools. He is the author/editor of numerous books, articles, and papers. He is the founding editor of the *Journal of Marketing Management* and the *Journal of Customer Behaviour*. e-mail: mjb@westburn.co.uk