Entry Strategies of Multi-nationals - Indian Context

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August 1996

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Abstract

India with a population of over 920 million people with 300 million of them in the middle income category, is a country that cannot be ignored by any foreign multinational company. The hitherto protected Indian market was opened to foreign companies in the year 1992 through the liberalization policies initiated by the Government of India.In this article some of the unique characteristics of the Indian market and the entry strategies followed by foreign companies in different industries are discussed.

ENTRY STRATEGIES OF MULTI-NATIONALS - INDIAN CONTEXT

India is a country full of contradictions. There are islands of prosperity where one can find the best of the global products from ice-creams to automobiles; throughout the length and breadth of the country there are people reeling under poverty and illiteracy. Snake charmers can be found near the sky scrappers while computers coexist with the common man. While the illiteracy ratio is as high as 35%, India can also boast of a very large pool of software professionals and scientific manpower. Though India is seen as a less developed country, in another sense it can also be viewed as a giant in the awakening.

Economic Prestroika:

After attaining independence in 1947, India followed a socialistic democratic path with central planning mechanism. Though the protectionist policy helped India develop its indigenous industrial base, it also created certain amount of complacency and retarded the growth of the country. Hence in the year 1992, the Government of India took several steps to integrate India with the rest of the global economy. The highlights of these steps are (Vasantha, 1992):

1. The Indian Rupee was devalued in two stages against major currencies.
2. A substantial volume of import licensing was eliminated and export incentives were strengthened.
3. Foreign equity investment was permitted upto 51% in 34 categories of industries. Equity participation up to 100 per cent was allowed in certain cases.
4. Key changes were introduced in financial markets which enabled the entry of foreign banks in order to enable the efficiency of the banking sector.
5. Controls on Indian companies raising equity funds in the domestic market were abolished.
6. Gold imports were legalized and a proposal was mooted to float gold bonds.

As a result of the aforesaid measures a number of large global corporation, such as Sony, AT&T, Coca Cola, Compaq and many others have set up shops in the Indian subcontinent.

The Lucre of Indian market:

According to a report prepared by NCAER (National Council of Applied Economic Research) there are 65.1 million middle-class households earning more than Rs. 18,000/- per annum. Out of this 3.7 million earn over Rs. 78,000/- per annum . One million households earn more than Rs. 1 lakh per year. Per capita income has increased at 5.5% per year through the 80s. In 1991, the average Indian had a purchasing power equivalent to $1,150 (Rs. 35,650) per year according to the 1993 World Development Report published by the World Bank. This is several times higher than the India's per capita income $350 (Rs. 10,850/-). In the nineties, through income growth per capita has fallen to 3.5% annually, the top 1% has had an annual increase of

10%. Even if one million households form a small part of the Indian population, it is comparable to the size of may foreign markets. (For example, Norway has a population 4 million; Austria has 8 million). According to NCAER high middle-class households (Rs. 78,000/- plus) in the rural areas has grown from .6 million to 1.6 million between 1989-90 and 1992-93 (166%) (A&M, June 30, 1994). Table - 1 gives an idea about the size of the Indian market and growth opportunities in selected product categories.

TRENDS IN THE INDIAN MARKETS - 2000 A.D.

Television	- 4 million units (Current Demand 1.35 millions)
Light-commercial vehicles	- 1.6 lakhs per year (Current demand 90,000)
Cars	- 8 lakhs (Current demand 2.4 lakhs)
Refrigerators	- 4 million units (Current demand 1.5 million)
Personal Computers	- 1.4 million units (current demand 2.5 lakhs)
Air-conditioners	- 7.5 to 9.0 lakh units (Current demand 2 to 3 lakhs)
Soft-drinks	- Increase in per capita consumption from the present 3 to 6 bottles
Luggage	- Expected to grow to Rs.1500 crores (Current market Rs. 750 crores)

(Adapted from A&M, April 1995)

Liberalization policies of the government, changing lifestyles, enhanced purchasing power of consumers are some of the significant aspects which influence the Indian markets. From a handful of brands across product categories, there is a proliferation of brands in almost each product category. Saturation of markets in the west, availability of 300 million middle class consumers and the emergence of 'neo-rich' segments (Ramesh Kumar, 1994) are probably certain factors which have ushered in the entry of a host of multi-nationals into the Indian marketing playground.

In this context, it would be interesting to analyse the strategic advantages multi-nationals have in Indian markets. The emerging scenario will require an examination of several inter-related marketing aspects for a firm to decide its strategies. These aspects could range from the advantage a firm has in strategic alliances to positioning strategies which deal with the psyche of consumers. The article attempts to probe into the existing state of the market and trends in specific product categories with a view to provide inputs on the strategic entry of multi- nationals.

Kinds of entry strategies

There are six kinds of entry strategies for new markets (Shama, 1995). They are -

a) Export/Import: Thisis a commonstrategy. An existing product is merely shipped to a foreign country. The advantage of this strategy is that it has low degree of financial risk and it extends

the domestic market into international marketing. (Rice, raw cotton exports are typical ofthis type of entry. Rock phosphate, potash, chemicals used for dental applications are imported by India.)
b) Licensing: This involves granting the rights and methods for production to a host country firm in return for a royalty fee. Advantages are low capital requirements and circumvention of import restrictions. It is a low-risk strategy but also generally offers low returns.

c) Joint Venture: This involves two companies that form a partnership under a new corporate name. This is very suitable for large and successful multi-nationals which want to expand from their own markets which have reached maturity or which want access to new sources of raw materials. Advantagesare the synergies between the host country firm's localized knowledge and skills and the foreign company's capital and technology. It allows a foreign company to enter a market which is otherwise inaccessible due to trade barriers. (DCM-Daewoo and Pal-Peugot are typical example of joint ventures in India).

d) Franchising: This is a form of licensing and it combines the franchisee's local knowledge, capital and entrepreneurial talent with the franchisor's standard bundle of products, expertise and support systems. Advantage of this strategy is the speed with which a foreign company can enter a domestic market. (Mc Donald in India). e) Consortia: In this strategy, a group of companies join to take advantage of the participant's location or technological risk. Consortia merge resources and reduce the risk of individual companies. (Co-operative exports in categories like incense sticks - agar-bathis, fire works in India).

f) Manufacturing/wholly-owned subsidiary: This is the highest- risk strategy with the highest potential return and it involves setting up manufacturing operations in a foreign company. Advantages are capitalizing on low/labour costs, avoiding import taxes and transportation costs and access to raw materials. In this strategy, the company is much more subjected to the vagaries of political instability and government policies. (COCA-COLA, KFC are examples in the Indian Context)

FACTORS AFFECTING CHOICE OF ENTRY

Ownership advantages:

Companies will have to be strong in their asset base to directly compete with host country. Costs of marketing will have to be balanced with economies of scale (Hood and Young, 1979). The size of a company reflects its potential for talking on these costs (Buckley and Casson 1976) .

Firms need asset power to engage in international expansion and to successfully compete with most country firms. Resources are required for high costs of marketing and for achieving economies of scale. The size of firm represents its capability for the absorption of these costs ; Kumar 1984)

International advantages

A study on the mode of market entry with five major factors - product differentiation, size and multinational experience, market potential, investment risk and contractual risk (cost of making and enforcing contracts) has yielded the following results (Agarwal and Ramaswamy 1991)

a) Multinational firms appear to have a higher propensity for entry through a joint venture mode in high potential markets

b) Firms that have higher ability to develop differentiated products do not have a specific preferenec with regard to entry in markets associated with investment risk

The incorporation of global strategic variables

In the attempt to expand the existing entry mode analysis, Chan Kim and Peter Hawang (1991) suggest that the following aspects could be considered by a firm

1) Global Concentration
2) Global Synergies and
3) Global Strategic Motivations

In a number of markets around the globe, limited number of multinationals compete with each other Under these situations the action of a firm in a market may influence other markets This is global concentration (Watson 1982 and Kim and Maubornjne 1988) A multinational could use its inputs across several markets around the world (Honda's core comptence in engines to expand in automobiles, lawn movers and snow blowers), (Willing, 1978) Strategic motivations of multinationals may be linked with future expansion plans, errecting barriers for future global competitors or any strategy to enhance the corporate efficiency of the firm

ENTRY-MODE MODELS

Stopford and Wells (1972) observed that entry is contingent upon firm's experience in global markets and its ability to diversify product lines Kogut and Singh (1988) found that industry, firm, and country-specific factors influence the selection between joint venture, acquisition and new venture

We shall now look at the entry strategies followed by various multinationals into India in various product categories

CONSUMER ELECTRONICS/APPLIANCES

Matsushita Electric Industrial Co , the $84 billion multinational entered India with its wholly owned National Panasonic India (NPI) and it has set for itself a sales target of Rs 3100 crores in the year 2000 Matsushita had earlier entered India duringthe early seventies with joint ventures to manufacture dry cells It was not allowed to take a controlling stake in the two companies (Indo National Ltd and Lakhanpal National Ltd) In 1993 it launched the rice cooker (under

'National' brand). In order to understand the local markets it has chosen 'Salora International' (which owns a plant for manufacturing colour TVs) as its partner for consumer electronics (for manufacturing) and in 1994 it formed NPI. It's rice cookers are being made by 'Indo Matsushita Appliances Co.' a joint venture with the Madras based Obul Reddy Group. NPI's strategies in India are

a) to enter a vast number of product categories and offer the widest variety in each of these. b) to have a competitive pricing structure and then move to the upmarket segments.

c) to use the manufacturing capacity of 'Salora International' to put together knocked-down kits (two lakhs colour TVs and four lakhs audio units per year)

d) to launch an advertising campaign only after its products are available nationally. e) NPI aims for a market share of 15 per cent in all markets it enters. It has the futuristic plan of introducing refrigerators, washing machines, air-conditioners, micro-wave ovens and vacuum cleaners by 1997. It has also finalised a deal with 'Sab Electronics' for the manufacture of key telephone systems. By 2000 NPI plans to have 6000 dealers (A & M, 15 July, 1995).

'GOLDSTAR' a leading Korean Company is the only company which might challenge 'National' in the Indian market with regard to all its product categories (A & M 15 July, 1995). It is a high- quality low/cost player and it has 30,000 employees with an international network of about 50 branches. It sells in 170 countries around the world (A & M, Jan, 1995) 'GOLDSTAR' began its Indian operations in 1984 with a liaison office at Delhi and began exporting colour picture tubes to the former USSR through this office (LG Electronics). In 1994, it launched its TV's and VCR ranges in the Indian market. 'GOLDSTAR's strategies in India are

a) to introduce top/end audio systems each with double/deck and CD player

b) to introduce a range of home appliances by '96

c) to utilise its low production costs to price its products competitively. (A & M Jan, 1995).

The Korean (LG Group) group produces over 25,000 products from petrochemicals, pharmaceuticals to electronics and its turnover was $3.5 billion in 1994 (A & M 15 June, 1995).

'SAMSUNG' has entered India through 'SAMSUNG ELECTRONICS INDIA LTD' which has an alliance (51% stake) with 'REASONABLE COMPUTER LTD.', AHMEDABAD. It has allocated $100 crores for its first phase of operations. It plans to spend Rs.100 crores for its phase of operations. It has launched the world's flatest TV in India (29"). It's strategies in India are

i) to use models launched in the top end of the market for building its equity

ii) to develop its dealer network (it plans to build 3000 in the next few years)

iii) to launch 'new to the market' products (like its "COUPLE" model which has a TV/VCR combination by which consumers canview one programme and record another, camcoders etc.) (Financial Express, 5 Jan, 1996).

SONY: 'SONY INDIA PVT. LTD.', a wholly owned subsidiary of 'Sony Corp' ($45 billion turnover in 1994) has launched its 'Trinitron' color TV in India. It is made with 99 per cent imported content at Sony's plant at Dharuhera (Haryana) which has a capacity to produce three lakh sets. It has invested Rs.15 crore ($5 billion) A & M, 31 July, 1995). The company's strategy is to manufacture colour television exclusively for the Indian market It has opened up sixty service centres and 'SONY' has plans to enter TV film production It also proposes to launch its 'Sony Handycam' camcoder in Indian market 'Sony' is planning for a market share of 3-5 per cent in the 21-inch colour television segment has tied up with Digital Equipment India Ltd

'Godrej and Boyce' (G and B) has formed an alliance (with 60% stake) with 'General Electric Appliances Ltd '(GE) to in the area of appliances The company has put up a washing machine plant (5 lakh capacity) near Pune and a refrigerator plant at Chandigarh (collective cost is $63 million) (A & M 15 May, 1995)
The company's strategies are
a) to employ cost control systems ('GE target 10' system) b) to increase the sale of higher capacity refrigerators (over 165 litres)
c) to introduce products suited to Indian needs, for example- a vacuum cleaner that wet-cleans floors and low priced microwave ovens
d) use the synergy existing between the companies (distribution strength of Godrej & Boyce and the expertise of GE Appliances) (A & M, 15 May, 1995)
WHIRLPOOL COMPANY, (net earnings $8 1 billion in 1994) entered the Indian market striking an alliance with Madras based TVS (in 1987) The company is currently manufacturing automatic and twin-tub washing machines at its plant at Pondicherry In 1994, 'Whirlpool' raised its stake in the alliance apart from buying a controlling stake in Kelvinator of India for ($120 million) This gives 'Whirlpool' access to 3000 dealers of Kelvinator in addition to the manufacturing unit at Delhi 'Whirlpool' has also shifted its 1 2 million no-frost refrigerator unit from China to India and it is planning to invest $200 million in the plant (A & M, 31 July, 1995)
Whirlpool's strategies in India are
i) to launch a consumer credit company in alliance with a domestic finance company
ii) to introduce CFC free, super efficient refrigerators (this is a global strategy)
iii) to add features to products which would save time for the consumers (also a global strategy) (A & M, 31 July, 1995)

LUBRICANTS

The lubricant market is worth about (5000 crores or $1 14 billion)(The Economic Times, 29 December '95) The total investment required in petroleum industry is about Rs 3,00,000 crores (by 2010) (The Economic Times, 29 December '95) A number of multi-nationals have entered the Indian market

'INDO-MOBIL' (a 50 50 joint venture between Indian Oil Corporation and 'Mobil Oil Corporation') has planned the following strategies for the Indian market
i) to expand into oil and gas industry apart from lubricants
ii)to concentrate on lubricants and oils for the power generation and marine segments
iii)to have Indian Oil Corporation distribute "MOBIL" branded products ('The Economic Times', 29 Dec 1995)
iv) to differentiate the brand and target car owners through positioning strategies (A & M, 15 July 1995)

"SHELL" has entered India through the joint venture 'Bharat Shell Ltd.' (Shell has 51 per cent stake) (A & M, 15 May, 1995). It's strategies are
i) to set up demonstration pumps to explain its concept of retailing (Economic Times 29 Dec, 1995) ('Retail Visual Identity Programme').
ii) to make soft drinks facility available and 'Bank of Baroda'
credit card facility available at petrol bunks (A & M, 15 May, 1995).
iii) to make use of 4000 outlets of 'Bharat Petroluem'.

'CALTEX' has entered India through its alliance with 'Indo- Burma Petroleum' and 'EXXON' (earlier 'ESSO') has entered India through its alliance with 'Hindustan Petroleum Corporation. Both these companies (like other companies which have alliances with public sector units) have distribution strengths and they would be using it for marketing lubricants (as 70% of sale of lubricants in India occurs at petrol stations) (A & M, 15 May, 1995).

'TIDE WATER OIL' ("VEEDOL" brand) is another player. It plans to raise the advertising expenditure in 1996. 'ELF' is another company which has developed about 6000 dealers and has signed a tie-up with 'Lucas' for another 30,000 outlets ('The Economic Times' 29 Dec, 1995). 'PETROSIL' ('GULF' brand) which has entered India has introduced a range of car care products through its group company 'Gulf Carex India Ltd'. It also plans to develop its brand image 'GULF' (A & M, 15 May, 1995). 'PENNZOIL' another multinational to enter India has put up exclusive outlets at Bangalore and Pune (PENNZOIL SHOPPES'). It has tied up with 'Rallis India' and has access to 40,000 outlets of the company. It also plans to enhance advertising expenditure in 1996 (A & M, 15 May, 1995).

COMPUTERS:

A number of multi-nationals have entered India especially to cut software costs. India will need more computers than the domestic industry can produce. India has emerged as a global resourcing market. India can produce software at a fraction of the cost in the U.S., Europe or Japan (Nancy Hass, 1992). A survey shows that in 1994-'95, the PC market exploded, growing by 67 per cent from 1.5 lakh units to 2.5 lakh units. The table-2 below (A & M, 30 June, 1995) gives an idea about the joint operations which multi-nationals have in India.

Table - 2

Multinational	Revenue 1994 in $Billion	Indian Partner
Acer	3 2	Wipro
Apple	9 1	Wipro, Odin
AST	2 3	Digitron, Usha, AMD
Compaq	10 0	CMC, ICIM, Unicorp, Microland, Tangerine
DEC	13 4	Digital Equip - India
Olivetti	6 0	Modi Olivetti
HP	25 0	HCL-HP
IBM	64 0	Tata Infor Systems

Major multi-nationals are adopting one of two strategies in India They have a financial stake in the Indian venture (Hewlett-packard, Olivetti, Digital, IBM and ACER) or they operate through multiple partners (Apple, AST, COMPAQ) The only exception is DELL which markets its products through PCL Several multi-nationals are opting for multiple distributorships ACT has nine partners (like CALS, USHA, CMS, PCS, DATA, GENERAL and DDE ORG) COMPAQ has five (ICIM is showing distribution with MICROLAND LTD AND TANGERINE ELECTRONICS SYSTEMS P LTD) International brands have gone up from 11,000 units in 1993-'94 to 60,000 units in 1995

HEWLETT-PACKARD The company entered India in 1976 with one alliance of HCL (1994-'95 turnover of HCL-HP is Rs 605 crores) It has the highest selling PC brand (35,000 units in 1994-'95) (A & M, 30 June 1995) HCL-HP introduced its international range 'VECTRA'in the India market apart from "OMNIBOOK" a range of portable PCs with multimedia features It is positioning the product as an "intellectually fashionable" products and as a part of the strategy it is planning to plant sample units in suites of five-star hotels (A & M, 31 July, 1995) Itis also promoting the product through HCL Frontline Ltd , a chain of PC dealers established by HCL Hewlett-Packard India Limited is another company in which it manufactures oscilloscopes

<u>ACER</u> The company has a tie-up with "WIPRO INFOTECH" ACER has the strategy of "Global player with the local touch" It has 19 manufacturing plants worldwide and selects local partners based on their strength to serve local market needs It has selected "WIPRO" because of its software strengths and competence in server technologies (Business India, 4 Sept, 1995)

COMPAQ COMPAQ has a tie-up with five companies (including TANGERINE and UNICORP INDUSTRIES LTD) for the distribution of its products It has launched the 'PRESARIO' international range in the Indian market targeting the home market which is about 5 to 8 per cent of the overall market MICROLAND which is a value added distributor for

'COMPAQ' is planning to penetrate the SOHO (small Office Home Office) and home segments with bundling benefits of low-cost CD titles with personal computers. It has developed software specially for Indian needs. It also offers a financing scheme (A & M, 30 June, 1995).

AT & T: AT & T (1994 Revenue - $75.1 billion) (A & M, 11 July, 1995) entered India as 'AT & T Global Information Solutions Asia Pacific Limited' and launched its range of notebooks, desktops and servers (under the brand 'AT & T Globalyst') in 30 June, '95. AT & T's strategy is to market its PC's by synergising them with its strengths in the telecom sector. Futuristic needs will combine together personal computing with communication (A & M, 31 July, '95). It positions its products as computing and communicating products and its company as one which could be a source for such synergised needs. It is also selling its products at competitive prices. It is offering product features and communication - specific add-ones which cannot be offered by its competitors. It bundles its "VISTIUM" share software with its machines and this enables applications to be shared by personal computers with modems. It also has a personal video facility which works for video conferencing. It has two distributors (CMS Computers Limited and Unicorp Industries Limited).

TELECOM:

The 'National Telecom Policy' of 1994 promises to provide 10 million phone connections (A & M, 30 Nov, 1995) during the Eighth Five Year Plan. There are a number of markets in the telecom industry - pagers, VSAT's. Cellular phones and basic services are the segments which are currently experiencing the entry of multi-nationals. In the basic services sector, the Department of Telecommunication has divided the country into 20 circles and a number of companies have offered to pay a total license fee of Rs.100,000 crore in the next 15 years (A & M, 30 Nov, 1995). Currently the formalities are being worked out by the Government.

Reliance-Nynex and AT & T - Birla are among the two alliances which figure in this sector of basic services ("The Hindu" 2 Jan, 1996) Companies are yet to formulate strategies in this sector. In 1995-'95, there was only 1.08 phone per 100 persons in India (A & M, 30 Nov, 1995).

The cellular (mobile phones) market has been a new segment in the telecom market. But already about 30,000 bookings have been made in the metros. Companies are expected to invest about Rs.2500 crores in equipment over the next five years (A & M, 31 May, 1995).

Hutchison Max Telecom Ltd. operating in Bombay collaborates with Hutchison Whampao and BPL the other operator in Bombay has 'France Telecom as the foreign partner. 'Bharti Cellular' operating in Delhi has 'C-General Des Eaux Entel' and the other Delhi operator 'Essar Cellphone' has 'Cellular Communications International' as its partner. In Calcutta 'Usha Martin' has 'Telecom Malaysia' as its foreign partner while 'Indian Telecom' (also at Calcutta) has 'Telstra Australia' as its partner. The Madras operator 'Skycell Communications' has 'Bell South' as its foreign partner.

"Skycell" highlights the features of "NOKIA" handset in its positioning ("The Hindu" 7 Jan, 1996)

Regarding the strategies of these companies, they import the handsets from Ericsson (Sweden), Motorola (US), Nokia (Finland) and Siemens (Germany). As a part of the after-sales service BPL provides that consumer with a spare one if its set gets damaged. 'Bharti' spent 1.7 crores in six months on advertising when it launched its service (A & M, 31 May, 1995) 'Essar' also ran a major advertising campaign. Hoardings is another strategy followed by all the marketers in the various metros (A & M, 31 May, 1995) The market for handsets has been stimulated by the cellular segment The market for handsets is 900 crores in the first year of launch of cellular phones (A & M, 31 May, 1995) 'Motorola' is expected to start a handset manufacturing unit to avoid import duties In the next few years marketers will concentrate on business executive segment A recent entrant to the market is "RPG ERICSSON" which has positioned itself on product features (The Hindu, 7 Jan, 1996)

In the pager segment 'MOTOROLA' and 'PHILIPS' are the two multi-nationals operating in the Indian market In just a few years the product category is likely to have a market for 1000 crores (A & M, 15 Dec, 1994). 'MOTOROLA' after comprehensive research adopts the segmentation route It will be targeting superior technology models to the executive segment and rugged models for the trade segment (sales persons, shop-floor users) and elegant models for the household segment It will also offer models for consumers who need long messages (A & M, 15 Dec 1994). MOTOROLA has a model with voice mail service ('The Hindu' 2 Jan, 1996). "PHILIPS" relies on superior technology, its brand image, after - sales service and its 3000 strong dealer network (A & M, 15 Dec 1994) 'SAMSUNG' and 'MATSUSITA' are likely to enter the market for pagers (A & M, 15 Dec, 1995)

The market for VSAT (Very Small Aperture Terminals) which connect remote computers for data communications is also taking off in the Indian market 'Huges Escorts Communications Ltd ' (CHECL) (a joint venture of 'Escorts') has decided to manufacture VSAT's in India to avoid import duties. currently as a part of its strategy it is offering these systems (Rs.7-10 lakhs) free for potential customers to try out. 'The Australian Telecom Company' is in the process of spending Rs.25 crores in promoting its range of cellular and VSATs. As VSATs is linked to computer markets, (anticipated at 650 by 1998) (A & M, 30 Nov, 1995). HECL has alliances with computer companies like TISL, MICROLAND, MODI-OLIVETTI, UNICORN and WIPRO-BT British Telecom is offering value added VSAT services in India. 'COSMAT MAX' a joint venture between 'Cosmat International Ventures' and 'Max India Ltd'

CONSUMER CONSUMABLES: SOFT DRINKS -

PEPSI:

Pepsi Company Incorporated entered India in 1990 by buying the Voltas stake (initially Voltas had a tie-up with Pepsi for its introduction in India) along with the factory in Aurangabad. It also bought out the Bombay based 'Duke and Sons' The acquisition gave Pepsi, a much needed boost in the Western India (Duke had 34% in Maharashtra) - access to Duke's bottling plant in Bombay a large number of retailers and over 100 delivery trucks. Pepsi also bought out 'Sunrise Products' in Calcutta (after the launch of 'COKE' there) and three franchised bottling plants in Madras, Madurai and Bangalore. One of the strategies of 'Pepsi' is to ease out franchisee business to make it company owned for better control ('The Economic Times' 22 June, 1994). Pepsi has notched up 1,75,000 additional outlets and installed 4000 visi-coolers (refrigerators with see-through glass doors) and5000 fountains. With the introduction of 'COKE', 'PEPSI' replaced all its 250 ml bottles with 300 ml apart from pushing economy in all sizes (500 ml for Rs.7) ('The Economic Times' 22 June, 1994). Initially soon after entering the market, Pepsi's strategy was to increase the per capita consumption of soft drinks and expand the aerated soft-drink market. It positioned 'Lehar-Pepsi' for all ages, 'Lehar-Seven Up' for teen agers and 'Lehar-Miranda' for children. India was the only market for which 'Pepsi' made an advertising campaign which featured local stars (A & M, Oct 90).

COCA-COLA: 'COCA-COLA' re-entered India after a gap of 17 years with its tie-up with 'Parle Export'. 'Coke' spent 30 crores on advertising in 1994. It's marketing research rivaled that adults over 35 years and young adults in the 15-24 age group are the largest consumers of soft drink. "COKE" introduced a national integration theme advertising campaign and replaced it by a trendier international image campaign. This was in compete contrast to the "Pepsi" campaign which Indianised its message ('The Economic Times' 22 Jun, 1994). By tying up with 'Parle', 'Coke' has access to 62 bottling plants. The strategy of 'COKE' is to innovate in India while confirming to the stringent standards of 'Coke' system worldwide. COKE's strategies in India are

a) to increase the per capita consumption of soft-drinks
b)to compete with beverages like tea and coffee (to ensure consumer would prefer 'COKE' whenever he wants refreshment)
c)to create new channels of distribution (like tricycles and push carts)
d) to develop "one-way" bottles to get over the problem of 'turn- around' time in re-cycling of bottles
e) to increase volumes rather than margins across markets (as research worldwide has shown that soft drink demand is price- sensitive) (A & M, 30 Nov, 1994).

CADBURY SCHWEPPES:

Cadbury Schweppes Beverages India Ltd. launched its soft-drink "CANADA DRY" at Delhi, Bombay, Madras and Hyderabad. The global player has positioned the drink as drink for adults (300 ml priced at Rs.5.50). The launch was made after the company's research on "taste and concept" aspects. The company has an alliance with "Pure Drinks" (its bottler at Delhi). It is trying to create a new "adult" segment (aged between 20-30 years, "independent and having distinctive taste." It has hoardings in Delhi and it has launched the the variant of the 'Fido-Dido' commercial which was associated with "7-Up" ("7-Up" is its global brand but marketed by "Pepsi" in India). The company plans to launch a range of new products in the Indian market (A & M, 30 June, 1995)

CHEWING GUM

The chewing gum market (estimated at Rs 28 crore) accounts for only 4 per cent of the Rs 650 crore market for confectioner products "PERFETTI" ($1 billion or Rs 3100 crore) Italian confectioner has entered India has a target to expand the market to 25 per cent of confectionery market in the nextthreeyears It's brand 'BROOKLYN' has been launched in Oct 1994 with an advertising spend of Rs 65 lakh for the first two months It's other brands include 'Centerfresh' and 'Big Babol' "Perfetti"s strategy is to get its products across first and then shift to communicating brand benefits It operates in the premium brand It has launched a pan-variant targeting the "younger chewers" who might be used to betal nut "BROOKLYN" is targeted at the adolescent consumer, Centrefresh at adults and 'Big Babol' at the pre-adolescent Another company to enter the Indian market is 'Carbur India Ltd ' a joint venture between 'Dabur' and the Spanish company "Agrolimen" (1994 turnover $1 billion) This company also operates in the premium band "WRIGLEY INDIA" ('Wrigley' is a global leader) is likely to enter India It has a tie-up with 'Parry's' for distribution (A & M, 15 Feb, 1995)

LIGHTING

This industry is estimated around Rs 1200 crores and it is growing at (3 - 5 per cent a year) 'GE Apar Lighting' (a joint venture between 'GE' of US 'Apar Lighting' India) has entered India by introducing a range of GLS (General Lighting System on the incandescent bulbs) with three shades and a bug- lite' which is designed to keep bugs and insects away It has introduced new product-variants in tube lights (like natural and bluish light) It has about 1000 distributors and is planning to expand it The company's strategy is to change the buying pattern of lighting in the country and create brand preferences (packaging innovation will be one strategy) ('The Hindu - Business Line, 17 Aug, 1995)

DESIGNER BRANDS - TEXTILES

LEVI STRAUSS and CD (1994 turnover $6 billion or Rs 18,600 crore) company which has sold more than 2 4 billion jeans since 1853 operates in more than 24 countries It's entry into india ('Levi Strauss India Ltd ') is a part of its global expansion plans It proposes to invest about $3 million (Rs 9 3 crores) in India It's strategy is to aim at the age group of 15 - 25 years Product positioning will be its priority with regard to its strategies (A & M, 15 Feb, 1995)

France based 'PIERRE CARDIN' (1994 turnover $2 billion or Rs 6200 crores) entered India in 1989 in a licensing arrangement with 'Majestic Apparels', Delhi On liberalization it has set up its own unit with 26 per cent stake ('SM Finance' has 34 per cent, 'Sai Group' 20 per cent and 'Ruhil' another 20 per cent) The company opened nine franchised show-rooms in a few metros and spent 20 crores in the launch campaign The retail show- rooms address the needs of the entire family (in the premium segment) The show-rooms also sell leather accessories, bags, jewelry, ties and pens

FOODS:

Cereal giant "KELLOGG" entered India in 1986 with a liason office at Delhi It invested $40 million to build a plant and establish a distribution network. 'Kellog's' wholly-owned subsidiary in India launched its products in April 1994 with a high-visibility campaign. 'Kellog' is trying to change the breakfast habits of Indians to create a market for 'ready-to-eat- cereals'. The company has developed 'Basmati' flavored cereals for the Indian taste. It plans to launch a line of food products for children (A & M, 30 Jan, 1995 and 'The Hindu - Business Line, 30 Nov, '95).

'Pepsico' Restaurants International of India' has entered India with its outlets 'KFC' ('Kentuky Fried Chicken' and 'Pizza Hut'). It plans to invest $80 million over the next seven years to set up 30 'KFC' and 30 'Pizza Hut' outlets across the country. 'KFC' which has 2,200 outlets in Asia, had to close down its Delhi unit because of the order of the Government based on sanitation violations of the outlet. The company has postponed its strategies due to the anti-multinational stance of the Delhi government which oppresses the entry of multi-nationals in areas other than that which involves high-technology (The Hindu- Businessline 30 Nov, 1995).

AIR-CONDITIONERS:

A sharp fall in the duties to 40 per cent in the last two years, have brought the national players into the active "playing field" after years of domination of the market by the unorganized sector. The current market size is 2-3 lakh units and it is likely to treble by 2000. There is low level of penetration in the consumer segment and market expansion may depend on the entry of foreign players like 'National', 'General Electric' apart from the existing players. The split model may be in high-demand in the commercial sector because of the space crunch in cities and the sub-1 tonne model (initially introduced by Usha Shriram) will catch up in the home segment. It is interesting to note that 'CARRIER AIRCON' made a loss of 7 crores during 1992-'93 and bounced back this year (1994-'95) with a profit of 12 crores. This remarkable growth was because of 62 per cent sales increase in window-type, 94 per cent in split and 41 per cent in compressors. Worldwide 'CARRIER' leads in all countries it operates in (except Japan) carrier's strategy in India is (A & M, 15 Oct, 1995)

i) to target the fragmented split AC segment
ii) to position "Carrier" into the 'consideration set' of consumers as the brand is hardly known
iii) to open up exclusive show-rooms - a first in the industry
iv) to build up a good distribution network (at present it is 193).

'Carrier Aircon' established itself in the high-margin, low- volume segment (which is its forte worldwide). It can choose from 300 products of its parent company and launch them in India according to local needs. It's strategy is to introduce atleast three new products every year. The company also makes compressors for captive consumption which will also give it a competitive edge in the market.

CARS

DCM-DAEWOO

'DCM' after its unsuccessful alliance with 'TOYOTA' in the light commercial segment (due to appreciation of yen), it has forged a joint alliance with the Korean Company "DAEWOO" The Korean company has a 51 per cent stake ($37 8 million or Rs 117 2 crore) It plans to invest $1 billion (Rs 3,100 crore) in India in the next few years In July '95 "DCM-DAEWOO" launched "CIELO" a family in the price range of '4 lakhs and above' segment which in 1994-'95 accounted for 24,000 units Contrary to the popular notion the company has based its strategy on the premise that "CIELO" will be a "mass market" car and not a pretty and symbolic car aimed at a niche It's objective is to sell 1.5 lakh cars by the turn of the century. The company's another strategy is to export components to other "DAEWOO" factories worldwide The company plans to rise the indigenous content from the present 30 per cent to 80 per cent to keep a control on the pricing aspects. As the model is positioned on product attributes, it has several product features (like the multi-point fuel injection system) which reduce running costs and enhance safety "PAL-PEUGOT LED" plans to launch its "Peugot 309" in the same segment in which "CEILO" is positioned (A & M, 31 March, 1995)

GM-HINDUSTAN MOTORS

'General Motors' (1994 turnover $155 billion or Rs 480,500 crores) (A & M, 31 May, 1995) entered India with an alliance with "Hindustan Motors" It has launched "ASTRA-OPEL" in the Indian market This is in the same segment which is currently under competitive threats from other multi-nationals The model has positioned itself on a number of product features

TYRES

With the entry of several multinationals in the automobile sector their tyre suppliers are likely to enter the Indian market as these foreign car manufacturers have strong relationships with transnational tyre manufacturers (A & M, 31 May, 1995)

"Goodyear" entered India through its Indian subsidiary and also has a strategic alliance with "CEAT" to jointly make radials The joint venture company is "South Asia Tyres Ltd" will synergise on the technological strengths of "Goodyear" and the distribution strengths of "CEAT", "APPOLO" "JK" and "MODI RUBBER INDUSTRIES LTD " have got together with the German group "CONTINENTAL" to set up "INDO GERMAN TECHNICAL COLLABORATION COMPANY" This new entity will provide support to all these firms to manufacture radials Multi-nationals may be keen to enter India because car manufacturers abroad are unlikely to source tyres from Indian companies that have no relationship with their own international tyre suppliers (A & M, 31 May, 1995)

EYE-CARE:

"CIBA" a global group in areas of chemical and biological products based in Switzerland entered India as "Ciba Vision" in the eighties. It operates in two segments namely opthalmic pharma and optics. Opthalmics segment is related to eye-related problems and optics is related to vision correction. It plans to introduce a range of products in the opthalmics segment (eye cleaners for women who use make up is one of them). It's another major product is contact lens which it intends to promote through eye specialists across the country. In opthalmics (where eye care products are involved) the company will operate in small towns and cities. It has launched the replaceable contact lenses in Delhi. It has a scheme for sustaining regular customers of this product. The company has also launched lense care solutions from its international stable. Direct mailers are used to expand the customer base. There are four million requiring cataract operations every year and this offers opthalmic products a huge potential (The Hindu - Businessline 28 Dec, 1995).

"BAUSH and LOMB" is another company which has entered India in the eye care segment. It is the world's leading marketer of optical and eye care products with sales of $1.9 billion (RS.5,890 crores - 1994) from 70 countries. It entered India in 1990 in a joint venture with "Montari India" to market contact lenses and sun glasses. It has introduced its brand "Ray-ban" (sunglasses) which holds 40 per cent of the global market for premium sunglasses. The company is planning to introduce its range of disposable contact lens in global markets.
(A & M, 30 September, 1995)

'Through the brand' equity of several global players entering India may be strong, it would be worthwhile for these players to study the unique buying behaviour and psycographics of Indian consumers before they target their offerings. Marketing concepts could be used to study the interaction of several marketing variables before strategies are evolved.

CONCLUSION:

In this article an attempt has been made to compile entry strategies followed by multinationals into India in various prodcut categories. A cursory look at the strategies adopted points to the following aspects.

1. India is emerging as a major market that cannot be ignored by Global giants
2. Backwardness of Indian technology in most product categories appears to be another motivating factor for multinational rush into India.
3. The interst in India is not merely having a presence alone which is evident from the fact that a number of companies are setting up wholly owned subsidaries.
4. The joint ventures with Indian companies is used as an entry mode by multinationals that require quick access to the complex distribution system prevailing in India.
5. Awareness about global brands in India much before the opening up of the Indian markets, provided the impetus for the entry of multinationals. (Brands like Sony, National, Sharp and Akai were well known brands in India.)

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