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INTERNATIONAL MARKETING STRATEGY FOR INDIAN COMPANIES: VALUE, IMAGE AND OTHER ISSUES

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ABSTRACT

The paradox of India's dismal share in world trade is baffling, for a country housing a billion people. This paper analyses this paradox from the point of view of the value-addition process, and country image. The authors, supported by case studies from their consulting assignments, suggest a two-pronged strategy to lift India's share of the world markets to new heights. In Particular, the authors look at branded, manufactured goods and value-added services as potential winners. Building a firm's image in international markets through conscious and well-directed strategies is discussed in terms of concrete actions which the firm can take.

Key Words: Branded Goods, Value-added Services, Country Image, Firm's Image

INTRODUCTION

We have around one-fifths of the world's people in India. We have been an independent country for the last fifty-four years, free to choose whatever economic and trade policies we want, free to decide how to respond to our economic and social needs. Our country has been an internationally renowned producer of cotton, silk, pepper, tea and leather for centuries and yet today, our share of the global trade is less than one percent.

It is pretty obvious that the world has come a long way from the days of ancient trading caravans travelling a long way to reach India, the land of fabulous wealth, and of traders playing a premium to buy Indian spices and gems. Today, it is the manufactured product, not the handcrafted one, which commands attention in the global marketplace.

And globalisation is by no means easy, as Hastings (1999) has so elaborately explained through the example of Lincoln Electric's expansion into Europe and Asia. They faced several problems, prominent among them a lack of understanding of foreign culture and environment. Das, Quelch and Swartz (2000) in their article also warn about the great amount of preparation and homework required for pricing your products internationally. For example, they ask suppliers to be wary of quoting lower prices (unjustified) due to pressure tactics by a bigger buyer abroad. An Indian manufacturer of lathe machines, which the authors know closely, fell prey to such tactics by supplying high quality at very low prices, made worse by unjustified rejections at the slightest pretext. It was a win-lose game.

But if India wants to get ahead, it must have a strategy. Otherwise, it will be an also – ran, and its citizens will not reap the benefits of a potentially high economic growth through export growth and imports to match.

CURRENT SCENARIO

We will start our analysis by comparing India to Japan, another Asian country with a large population and much less by way of natural resources. We will look at two dimensions – Image and Recognition – which we believe are the most vital if India is to make any significant headway in improving its position. We define Image of the Firm as composed of several dimensions - including country image of the country it is seen as belonging to, its perceived technological prowess, stage of the value-chain to which its products belong, quality attributes of its products, and so on. We define Recognition as the extent to which the individual firm is known in international markets it seeks to operate in. Image will be on a scale of Good to Bad, and Recognition, from High to Low. The unit of comparison will be the individual firm from either country. Recognition essentially captures whether a firm's name is known outside its domestic market and Image finally manifests itself in the firm's reputation as a quality supplier. Plotting a grid with the two dimensions of Image and Recognition, and placing some known companies from Japan and India in the four quadrants indicative of their international standing, we see the picture that emerges as depicted in Fig. 1.

"Insert Fig. 1 about here"

We find that almost no Indian company commands the kind of instant recognition and good image that many Japanese firms can boast of. With the possible exception of a few Indian corporates like Tata Consultancy Services, Infosys, Wipro and Sundaram Fasteners known at least in the big American market for high quality, there is hardly any Indian supplier, either of services or consumer goods, recognised around the world.

The Japanese companies represented in box 2 of Fig. 1 are only a small and significant sample from a long list of reputable companies that Japan has built up. One interesting explanation cited by Krugman (1996) for Japan's success in exports of various products is that its import protection policy helped Japanese companies to achieve economies of scale in the domestic market, and "dump" the same products in other markets at prices below domestic prices. But it seems as if this idea has either not occurred to Indian firms, or that they have missed the bus due to their quality not being up to the mark, at least in advanced country markets. This theory could have otherwise worked to India's advantage because India's market was also protected from imports of most goods until 1991.

One possible explanation for India's dismal performance on the export front comes from a study by Mascarenhas, Baveja and Jamil (1998), who argue that Reliable Processes are a feature of many successful multinational companies. Indian companies are not very well known for process reliability in various functional areas, even though many have acquired an ISO certification.

If we add a third dimension to this figure (Fig.1), that of the Type of Markets – (a) Developed and (b) Developing, the picture that emerges may be slightly better in India's favour in terms of some brands that are Indian and sell well abroad in the developing countries. For example, Kirloskar brand of pumps are well known in countries such as Egypt, Kenya, parts of the Middle East, and Laos. But on the whole, the picture is dismal as far as selling Indian brands abroad is concerned.

Managing Image in the International Marketplace

Every exporter has to contend with three levels at which Image works – Country Image, Corporate Image and finally, for branded products, the Brand Image.

Most of our exporters suffer due to the poor image that buyers have of India as a country, and of Indian companies. India is perceived as backward, and Indian companies have a non-professional image in terms of almost any parameter known to affect successful marketing. Our quality is perceived as shoddy, packaging is not up to international standards, delivery is unreliable and export procedures unfathomable. There are, of course, some bright exceptions to the generally lackadaisical export performance. But there is still an image problem for India's goods abroad. Issues like child labour, lack of environmental safeguards, and cruelty to animals have also had a negative image contribution to various Indian exports such as carpets, garments and leather goods.

The international image of Japan, South Korea, Taiwan or Singapore, on the other hand, is one of an industrialized, highly reliable, quality conscious country, and this now rubs off on all the individual suppliers from those countries. It is however, a point to be noted that this image was not built up easily. It came after years of innovative product design, manufacturing control and automation and of course, marketing. Some of the incremental innovations may have been due to the participatory work culture followed in some of these countries. In other words, these countries have been following good management practices in all the functional areas. Companies like Canon, Toyota, Minolta, Nissan and Honda have all contributed to the powerful image that Japan now has in the world. With the possible exception of biotechnology, pharmaceuticals and computer hardware &

software (Microsoft, Intel and IBM) where US companies still hold a better image, almost all other high technology business areas seem to be in the firm grip of Japan today.

Can India do the same? Possibly it can; and to do it, one of the things we must do is mend our image - project ourselves as people who are industrious, who keep promises, who guarantee their products without questions, and consistently maintain a high quality. It is necessary to work backwards from there and keep the marketing strategy tuned to the needs of customers.

Adding Value

The second major lacuna our country suffers from in the area of international business is the continuing emphasis on export of raw materials and semi-finished goods (see Fig. 2), to the detriment of our balance of payments position, and therefore our whole economy. Value- addition is now almost passe in other regions of the world. And yet, we refuse to look at the writing on the wall. There are some obvious areas like food processing, and branded agricultural commodities or spices that we have not yet exploited to their potential. In some of these like the leather goods industry, we have at least moved in the right direction, recognizing the need for value addition. But in most manufactured goods, we continue to cut a sorry figure in international trade. Our country possesses the potential to manufacture and export almost everything from hairpins to defense equipment. Yet our exports of manufactured goods are insignificant by world standards.

"Insert Fig. 2 about here"

Unless we adopt as our strategy the production of quality manufactured goods, both for domestic and export markets, and work on it, little will change. In a small way, Maruti and a few other car manufacturers have started exporting cars. But why is it that we cannot leapfrog into the forefront of any manufactured goods and be number 1, 2 or 3 in the world? It is not entirely beyond the realm of possibility, as some companies like Moser Baer in hi-tech electronics have shown, for Indian companies to be cost-competitive and hi-tech at the same time. Moser Baer is an Indian company, the eighth largest manufacturer of floppy disks in the world. It is also one of the least cost producers of disks, and supplies disks as an original equipment supplier to Sony, BASF, in addition to selling them under its own brand name Xydan (source: various reports in the Economic Times, and the company's website).

The only area where our country seems to have progressed considerably is in some select services, as indicated in Fig. 3. For example, RelQ is a provider of verification and validation services to software developers and is doing well in a niche market (the Economic Times, 2001).

"Insert Fig. 3 about here"

A TWO–PRONGED INTERNATIONAL MARKETING STRATEGY

Thus, a fresh approach by individual companies is required for international marketing strategy. At its core must be the two factors - value-added, preferably branded products or services, and the cultivation of a high quality image. Then, and only then, can Indian companies hope to achieve the kind of success that their East Asian counterparts have achieved.

Value Addition

The prescription for adding value to goods is comparatively easy to follow, because the crux of it lies in identification of the “correct” (in terms of the strategy) goods. After this, the product design and development has to follow the demand patterns from customers. Good rapport with potential buyers is necessary for achieving this, such as keeping track of changing fashions in readymade jeans. One way of providing added value from the perspective of an Indian firm could be to provide unique tastes, flavours, or “experiences” to global audiences who are bored with the monotony and sameness of their products or “experiences”. Ger (1999) expounds this thesis with a lot of examples from Turkey, speculating how “local” products or services can be successfully marketed globally. Some recent successes of Indian films like Taal, Lagaan etc. in global markets seem to indicate that this is a possible route to success. But care should be taken that such products/experiences do not remain a part of “exotica”, but develop stable and sustainable markets. In the case of services, India is not doing too badly, but care should be taken to keep adding value to our software and other services, to prevent getting stuck in the low-cost services sector. At best, low-cost services can be an entry point into developed-world markets. But we must leverage the entry to graduate to high value service offerings. Lovelock and Yip (1996) have classified services into three types - People-processing, Possession-processing, and Information-based. Among the three categories, India is doing well in the information-based services in the global arena, but can graduate to service "products" eventually.

A good place to begin in the goods arena is the finished goods (unbranded) sector and graduate slowly to the branded goods, one level higher. For example, India produces engineering goods, castings, forgings etc. in large quantities. If these products can be initially sold to leading global buyers to be marketed by them, Indian companies can gain valuable experience of the designs, and price-quality equations in global markets. These can then be used to sell abroad using Indian brand names. Technological, marketing or strategic alliances such as the one between HMT and Guildemeister of Germany, cited by Bajaj (1991), or Kirloskar Brothers and SPP, could be used to graduate to the next level. Some Indian pharmaceutical companies like Ranbaxy and Dr. Reddy's Labs already have a marketing tie-up with multinational companies to market their products in the American market. Just as multinationals use joint ventures or strategic alliances as entry strategies, Indian companies must learn to do the same. Of course, those who can manage entry single-handed without an alliance can take the leap themselves, and reap richer rewards if successful.

Image Building

On the other hand, it may not be so easy to start building an image abroad. A variety of factors contribute to the image a company has overseas. Some of these are within the company's control, and some are not. Of the factors which the company cannot entirely control, are the media coverage of a country by the world press and television, the occurrence of extraordinary events such as the unification of East and West Germany, or the breakup of Yugoslavia etc. which may affect international perceptions. Also, tourists from other countries may carry impressions of a country from their personal experience. In the case of India, for example, recent successes of Indian women in beauty paegents have contributed positively to a good image.

Considering these factors, the international marketer must give top priority to those image factors which he can control. For instance, if he participates at a trade show, he must have complete details of the products he sells, indicative price lists, photographs or actual products where feasible, and possibly keep a person handy who knows two or three major foreign languages during the trade show, to translate for prospective customers who do not know his language. An order which is received must be treated with utmost care and treated as if his life depends on it in terms of product quality and service. Especially important are the first few orders he receives from a new country. Word of mouth publicity may play both a negative and positive role in international markets.

You do not have to be manufacturer of Toyota cars, to have a high quality image in world markets. It could be that you manufacture beer cans (which incidentally, India has the potential to supply the entire western world with) but the image of a top quality beer can manufacturer ultimately helps other suppliers from the country to gain a foothold in the market, and it can have a chain reaction. After all Japanese products have lived with the experience of being known as 'cheap' and 'third rate'. But today their image is enough to sell almost any Japanese product. So much so that someone in the U.S. even prescribed a simple solution for the poor image that U.S. made products now have in their own country - rename the country 'Japan'.

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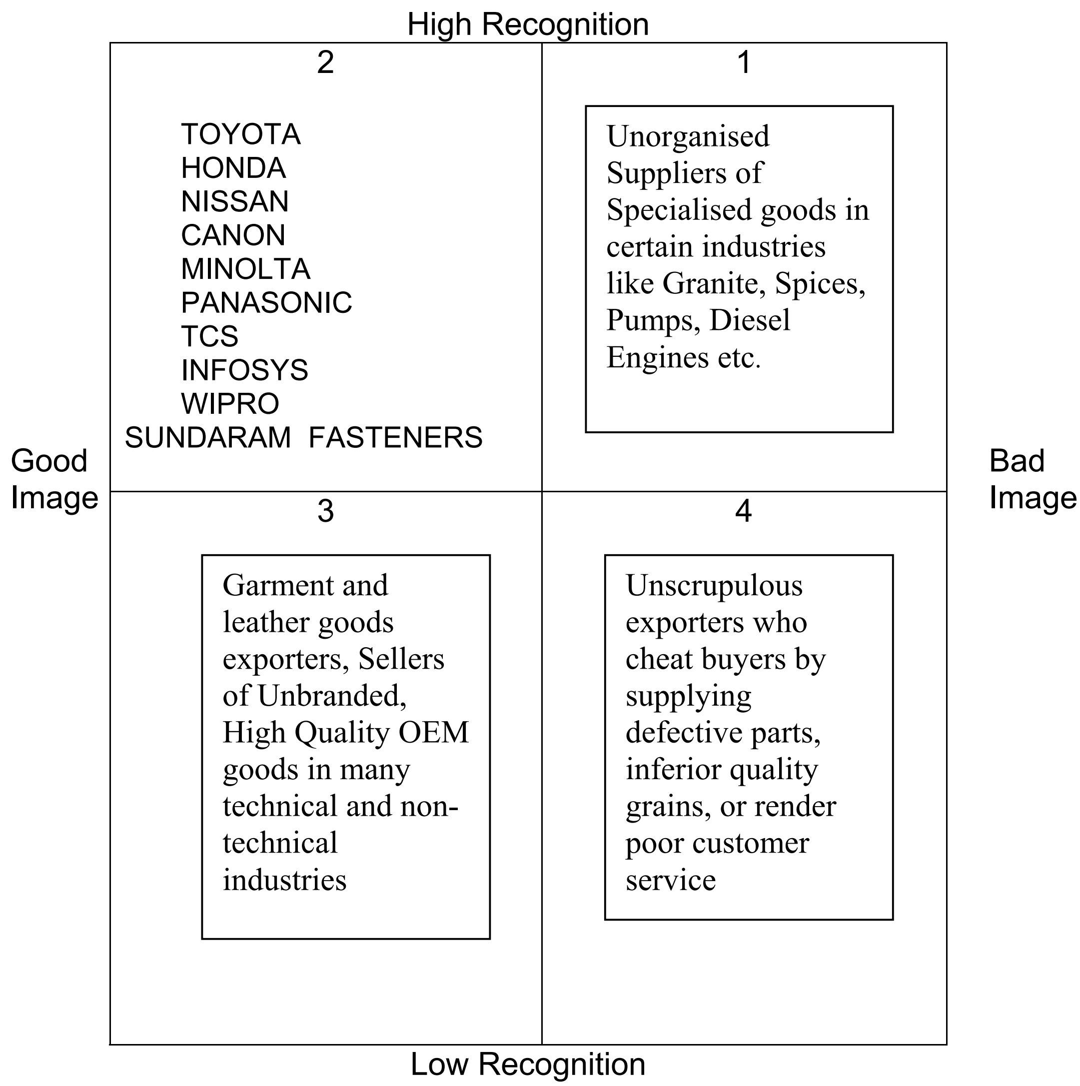

Fig. 1. The Recognition vs. Image Matrix

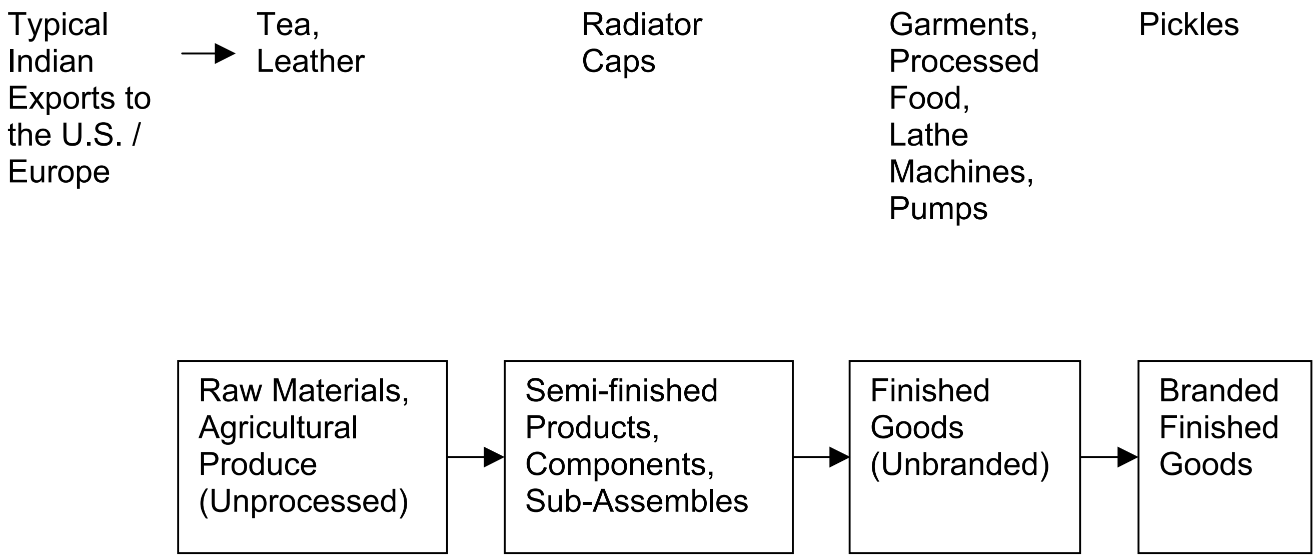

Fig. 2. The Value Addition Continuum for a Country's Goods Exports

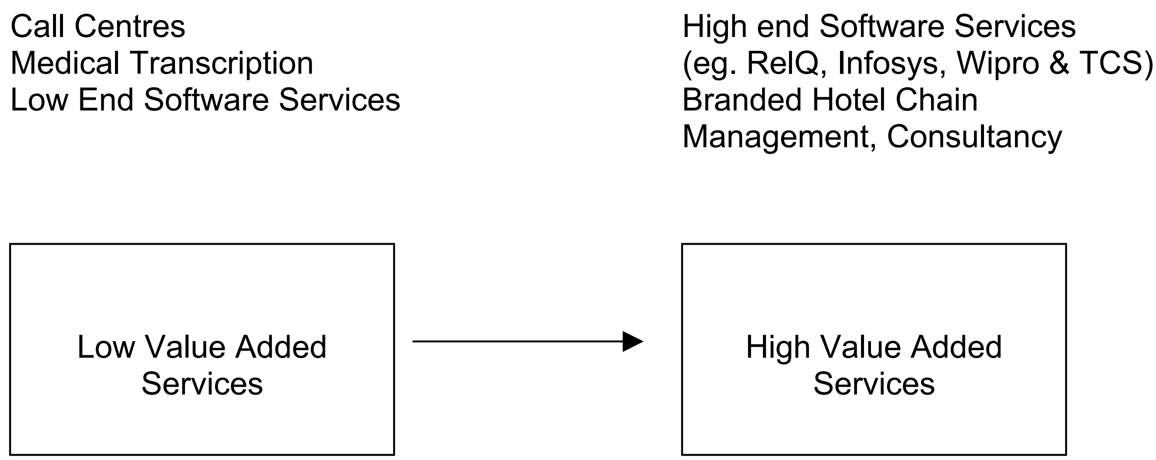

Fig. 3. Value Addition Continuum for Services Exports