A

DISSERTATION

ON

BRAND FAILURES: A CONSUMER PERSPECTIVE TO FORMULATE A MNC ENTRY STRATEGY

A DRAFT REPORT

SUBMITTED BY

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Objective:

After the opening up of the Indian Markets, the past four or five years have seen an influx of foreign brands into India in every conceivable sphere of business activity, more so in the consumer goods & durable sector. The cry of Indian Indus" those days was that the days of Indian goods are numbered and most of the Indian ventures would be crushed under the MNC juggernaut. On the contrary, it was observed that success didn't come easily to most of the MNC'S. In cases 1 they were utter flops or have remained in the category of non starters. The list of victims seems to grow day by day -Kellogg's, Nike, Reebok, Mercedes, Mobil, Henkel, Bata, Hiram Walker, Nestle's chocolates etc. The scope of this dissertation would be to find what went wrong in these products which were backed by the financial as well as the intellectual muscle of the Global Corporations. Did they fail to read the Indian Consumer ? The study would base on the consumer feedback's on these products i.e. what made the consumers reject these brands and what association does an average Indian Consumer have with the equity of these international brands. After the primary data analysis, *attempt will be made to chalk out a model entry strategy concerning the 4 P's for a multinational setting up shop in India.*

On The Lighter Side Of Few Failures

Every company venturing into a new international market has to tread very carefully. In a bid to rush into uncharted territories , they often commit grave errors which prove very difficult to undo later on. Some of these errors are absolutely unwarranted and provide no logic as to why the best marketing companies across the world committed them. A few examples...

Scandinavian vacuum manufacturer Electrolux used the following in an American ad campaign: “Nothing sucks like an Electrolux.”

The name Coca-Cola in China was first rendered as Ke-kou-ke-la. Unfortunately, the Coke company did not discover until after thousands of signs had been printed that the phrase means “bite the wax tadpole” or “female horse stuffed with wax” depending on the dialect. Coke then researched 40,000 Chinese characters and found a close phonetic equivalent, ko-kou-ko-le, which can be loosely translated as “happiness in the mouth.”

In Taiwan, the translation of the Pepsi slogan “Come alive with the Pepsi Generation” came out as “Pepsi will bring your ancestors back from the dead.”

Also in Chinese, the Kentucky Fried Chicken slogan “finger-lickin’good” came out as “eat your fingers off.”

The American slogan for Salem cigarettes, “Salem - Feeling Free,” **got** translated in the Japanese market into “When smoking Salem, you feel **so** refreshed that your mind seems to be free and empty.”

When General Motors introduced the Chevy Nova in South America, it was apparently unaware that “no va” means “it won’t go.” After the company figured out why it wasn’t selling any cars, it renamed the car in its Spanish markets to the Caribe.

Ford had a similar problem in Brazil when the Pinto flopped. The company found out that Pinto was Brazilian slang for “tiny male genitals”. Ford pried all the nameplates off and substituted Corcel, which means horse.

When Parker Pen marketed a ball-point pen in Mexico, its ads were supposed to say “It won’t leak in your pocket and embarrass you.” However, the company mistakenly thought the Spanish word “embarazar” meant embarrass. Instead the ads said that “It wont leak in your pocket and make you pregnant.”

An American T-shirt maker in Miami printed shirts for the Spanish market which promoted the Pope's visit. Instead of the desired "I Saw the Pope" in Spanish, the shirts proclaimed "I Saw the Potato."

Chicken-Man Frank Perdue's slogan, "It takes a tough man to make a tender chicken," got terribly mangled in another Spanish translation. A photo of Perdue with one of his birds appeared on billboards all over Mexico with a caption that explained "It takes a hard man to get a chicken aroused."

Hunt-Wesson introduced its Big John products in French Canada as Gros Jos before finding out that the phrase, in slang, means "big breasts." In this case, however, the name problem did not have a noticeable effect on sales.

Colgate introduced a toothpaste in France called Cue, the name of a notorious porno mag.

In Italy, a campaign for Schweppes Tonic Water translated the name into Schweppes Toilet Water.

Japan's second-largest tourist agency was mystified when it entered English-speaking markets and began receiving requests for unusual sex tours. Upon finding out why, the owners of Kinki Nippon Tourist Company changed its name.

Sources Of Errors In International Marketing

Inability To Read Cultural Cues Properly :

Multinational Companies sometimes fail to read the cultural foundations as they move from country to country selling their products. They feel that the strategy which had delivered them success in other countries & their home turf would be replicated in most of the countries but sadly this is not so. A few cases will illustrate the folly in this line of thinking. Procter & gamble blundered while trying to sell Camay in Japan. It aired a popular European advertisement showing a woman bathing. In the ad the husband entered the bathroom and touched her approvingly. The Japanese however considered such behaviour to be very inappropriate and in poor taste for television.

Again, Revlon tried to launch a perfume in Brazil that smelt of Camelia flowers. It overlooked the fact that in Brazil , Camellia flowers are funeral flowers. Predictably the brand failed.

Procter & Gamble , when it launched the “Cheer” laundry detergent in Japan, overlooked the fact that Japanese wash their clothes in cold water & the advertising campaign that Cheer washed clothes at all temperature seemed rather meaningless.

Closer home , there are also cases of reading the cultural cues wrongly. IFB Bosch decided to go ahead with its front loading washing machines ignoring the fact that in India , most of the washing is done in buckets & using the top loading washing machines resembled the act of putting clothes in a bucket. Result, IFB Bosch lags sales & recently the company has decided to hang up its boots.

When Kothari Foods in India decide to launch the Block Buster American brand, Tang from General Foods, USA, it ran into rough weather because the breakfast habits of Indian people are rather diverse and the scope of a fruit juice

Launch Of The Product At The Wrong Time:

Sometimes the product is launched at a wrong time. Timing is one of the critical elements in the launch of a new product. Most firms understand this and also recognize that various culture recognize time differently. Plus the economic & political conditions within the country can also effect the product adversely. Consider this case: Israeli Government launched a tourist campaign in the Netherlands claiming that Tel Aviv & Jerusalem were only a “stone’s throw away” , when the tension of the Hamas in Jerusalem & the Gaza strip was at its peak & TV beamed pictures of stone throwing incidents every day. Predictably the campaign bombed. Even closer home in India , the launch of the international liquor brands of Seagram & W D Gilbey coincided with prohibition being imposed in some of the high potential states like Andhra Pradesh & Haryana , giving them a run for their money. Reebok also launched its high priced shoes in the face of a growing recessionary trough in the Indian economy. Ignoring the fundamentals of the economy was one of the reasons of the company doing badly.

Communication Problems:

This is one of the nagging problems that face international marketers. The examples cited at the beginning demonstrate the severe repercussions that ill planned & under researched communication can do to products. One of the United Airlines campaign used the slogan “ We know the Orient “ . In the ads, the names of the far eastern countries were printed beneath their coins. However the slogan was not very convincing because the names & the coins didnot match.

Nike faced this problem in several countries when its slogan, “Just do it”, was found to represent a sexual innuendo in several countries. Predictably Nike has not done well in those countries.

Closer in India , McDonnel Douglas tried to enter the Indian market but botched up its chances totally when it distributed a brochure that contained picture of Indians who were all represented turbaned. The company had used *old National Geographic* pictures & had overlooked the fact the men were *actually Pakistanis* and not Indians.

The Marlboro man depicts a strong virile image. But the campaign was unsuccessful in Hong Kong where the residents who are primarily urban, didliot associate with the horseback riding in the country side. So Phillip Morris changed the advertising to a Hong Kong style Marlboro man. He is younger, still has a virile image, owns a truck & the land that he is standing upon. The sales shot up.

Faulty Promotional Methods

Sometimes the method of promotion that is adapted is faulty in itself. For example , bill boards were perfectly legal in the Middle East but companies which used them realised that no bill board could weather the hot & dry climate for more than three weeks. In India , Reebok tried to promote its shoes by signing the sports stars for endorsing the shoes, notable among them being Baichung Bhutia, the Sikkimese footballer. However football in India is not a mass popular sport except in Bengal and it didnot have much effect on the sales. Bata after having been in the market for nearly a century , tried to take a different tack that nearly finished the company. It tried to change the focus of its promotion from the low priced bread winner brands that were popular with the middle class to high priced international brands like Hush Puppies, Adidas, Marie Claire etc. The sales people were given incentives to push the foreign brands while the bread winners languished. Thus the sales dropped & neither the sales of the International Brands picked up because they were priced a trifle out of reach of the middle class which constituted of the bulk of that Bata clientele.

Ignoring Racial, National & Religious Sentiments:

The ignoring of racial & religious sentiments can also backfire badly for companies. Muslims in Dacca, Bangladesh went on a rampage, ransacking shoe stores because they mistook the Thorn Mcan logo on some sandals as the Arabic character for “Allah”. They thought that the western company was denigrating the religion. Police were called in to stop the rioting and at least one person was killed and fifty injured.

When Pepsodent was launched in SE Asian countries, it’s teeth whitening property was positioned as “ Wonder where the yellow went”. It was taken as a racial slur.

In India , the programme “Nikki Tonight” tried to experiment as a wacky , irreverent show but certain comments on Mahatma Gandhi that were aired earned extremely bad publicity for Star Plus & the show was taken off air.

Till recently, the widely publicised plans of Cadbury Schweppes to open a huge champagne shaped bottle of Canada Dry of the midnight parliament session commemorating 50 years of Indian Independence backfired & earned the company rather negative publicity. The statements made by Ms. Rebecca Mark, the CEO of Enron India that she had spent money for educating Indians earned negative publicity for it.

Inability To Read The Market Forces:

The inability to read the different forces that operate in the market is the most common cause of the failures of products.

Most of the multinationals that rushed into India misread the size of the market. The Indian Middle class was said to be 200 million strong that provided the MNC’s with a huge potential market. However the MNC's failed to realize that the a person with an annual income of Rs.40,000 per month also falls within the middle class segment. Compounded with it, a majority of the Indian female population doesnot work . That translated really into the fact that the amount of disposable income with the middle class was not really as high as it was thought. Thus the sales of most Consumer Durables, Automobiles & luxury products have fallen way short of expectations.

One segment that was expected to do well was that of the foreign liquor (FL) segment. Thus we saw the spate of entrants into the FL segment like Hiram Walker, IDI, Seagram & W D Gilbey. However they had no idea of the tremendous competitiveness of the IMFL , (Indian Made Foreign Liquor) segment , supplied primarily by the bootleggers. Hiram walker had estimated that out of the 1.5 million cases of Scotch that was sold in India , 180,000 was officially imported, the rest was spurious scotch supplied by the bootleggers. So Hiram Walker had conjured the picture of selling 2 million cases per year. however the company fell so hard that after one and a half year of operation, it has only been able to garner 4.5 % of the market from the bootleggers. The other companies share another 4.5 % among themselves. So what went wrong for these companies. Initially they assumed that any scotch label would do well in India as far as it was foreign. What they mistook here is that Indians buy scotch more to flaunt rather than to consume. What excited him was more elite brands like Johnny Walker Black Label, Chivas Regal & Royal Salute. Rather than getting those, he got lesser brand names like Highland Queen & Spey Royal. Thus he found no compelling reason to discontinue the bootlegger. Besides most of the people believe that the quality that is being offered is far lesser than the actual quality because most of these brands have been blended with Indian Whisky. Thus they have fallen way short of their expectations.

Reebok also read the market pretty badly, guided by the 200 million myth. It launched its products with fanfare, with swank outlets that were called infinity & with outrageously priced shoes that. were locally sourced from Phoenix International. Everything was Indian except the brand name. However it had overlooked the fact that Indians are not so fitness conscious and sports shoes are a fashion accessory in India & worn primarily by young people. By pricing it outrageously high, it had shut out the bulk of the middle class consumers who had rather cheaper choices from Liberty, Lakhani & Action shoes. Coupled with it , the average number of shoes that an Indian owns is not more than 1. Thus it was saddled with rising inventory & sagging sales which worsened as the economy hit a recession. Reebok was forced to do a Seconds sale in Bangalore. Having burnt its fingers, the company is now redoing its strategy , lowering prices & trying to deliver value for money.

After having examined the following live & practical points, let us examine certain theoretical basis to marketing failures. Leo Burnett in an article in the journal of Marketing described the five common fallacies in marketing . There are also certain generic marketing failure reasons which we will also examine.

Leo Burnett's Fallacies of Marketing

Fallacy As To New Markets

Limited definition of the "competition" under which chief marketing strategies are to attain the largest possible market share of the existing market, rather than to create new markets & add to the total consumption.

They key to creating new markets is innovation. The charge into already fragmented markets brings in larger probabilities of brand failure . The marketing companies should try to create new markets & build new consumers. The example of a rather painful failure was the debacle of Spa launched by the Henkel AG of Germany. The product was launched in the form of deodorant, eau-de-cologne & soap. however as the company failed to communicate a distinct USP to the consumer., the product bombed very badly. The product was withdrawn when losses mounted up to Rs. 4 crores.

However , *caution should be exercised in expanding markets because in certain cases markets can't simply be created.* For example Nestle tried to create a market for iced tea in India by launching Paloma in eighties & again with Nestea in the nineties & both the cases came up with a failure. The idea of having a beverage cold came up with a rather cold response from the consumers because Indians traditionally like to have their beverage hot.

Fallacy As To Competition

Competition is a closed system, and our competitors are making similar products & offering the same services that we are.

Most of the competitors are trying to add value to their consumers in their own possible way. If a particular company relaxes & takes its competition for granted, it won't be very long before it is knocked out of competition.

with breakfast is a distinctly western concept that Indian homes were loathe to pick up. Result was that the brand vanished from the market overnight.

Fallacy As To Marketing Foresight

People already in the marketing field are the ones who understand it best and know what the potential customer wants.

The truth is that the person who actually knows what is best for him is the consumer himself. The marketer sometimes become oblivious to the needs if the people & decide for themselves that what. they think is best will be best for the customer also. for example the RJR Nabisco company sunk in billions of dollars into the Premier smokeless cigarettes and the product bombed very badly & had to be abandoned because consumers reacted very adversely to the concept.

Fallacy As To Income Brackets:

Appealing to only present income brackets

Most of the products that are launched, unless it is new to the world innovative product, it will have creation entrenched competitors in that segment that vie for consumers with the same level of income. A good example is the Indian mid car segment where a plethora of players are entering, targeting the same fixed number of consumers. Unless the USP offered is very great, the consumer has literally no means of discerning between the complicated specifications & claims of the different models. Result is that brands like Fiat Uno & Pal Peugeot 309 has more or less been marginalized. However Kinetics' City Car is targetting a different income segment, a segment that is one notch lower than that of Maruti and if it can offer a good product, it will definitely sell. However the cost has to be substantially lower than the Maruti 800 to make any real headway.

Fallacy As To Decision Making

Because we are living in the age of specialists, only qualified experts with specialized skills will be competent in the future to make decisions.

The trends as of these days is that more than specialists the market place is in the need of generalises, who are not myopic in their approach but can see a holistic picture. Since most of the marketing decisions are a mixture of scientific & subjective methods, more commonly called "Gut feel" , it is the generalises that are more equipped to take the subjective decisions rather than the specialists.

Few Generic Failure Reasons

The better mouse trap nobody wanted

Most common product failure reason. The product just was not good or it didnot add value to the consumer in any way. The best example probably in this sphere is that of the IBM PC Jr. This product had different architecture, it had keyboards that were soft & non impact & came to be known as Chiclet Keyboards because while typing, it was felt as if one was typing on chiclets. The market simply rejected the product. (this accounts for 23 % of the failures)

Me too product

Most of the products that are launched are me-too & unless these products certain unique benefits that forces the customer to switch , the customer will never switch from the brand that he is currently using.

Competitive One-Upmanship

In certain cases, the competitor might set out to destroy one product. For example before P&G launched Head & Shoulders, HLL bought majority of the display space in the premium outlets & started giving one Organics free with a purchase of one to load the consumers and postpone brand switching, if any. Such competitive moves might lead to the failure of a brand.

Technical Dog

There are certain products that simply don’t work in spite of the hype built around it. It is not a surprise that they fail.

Price Crunch

Sometimes because of a very high development cost, the initially launched product becomes prohibitively costly deterring customers, thus hastening its death.

Plain & Simple Ignorance

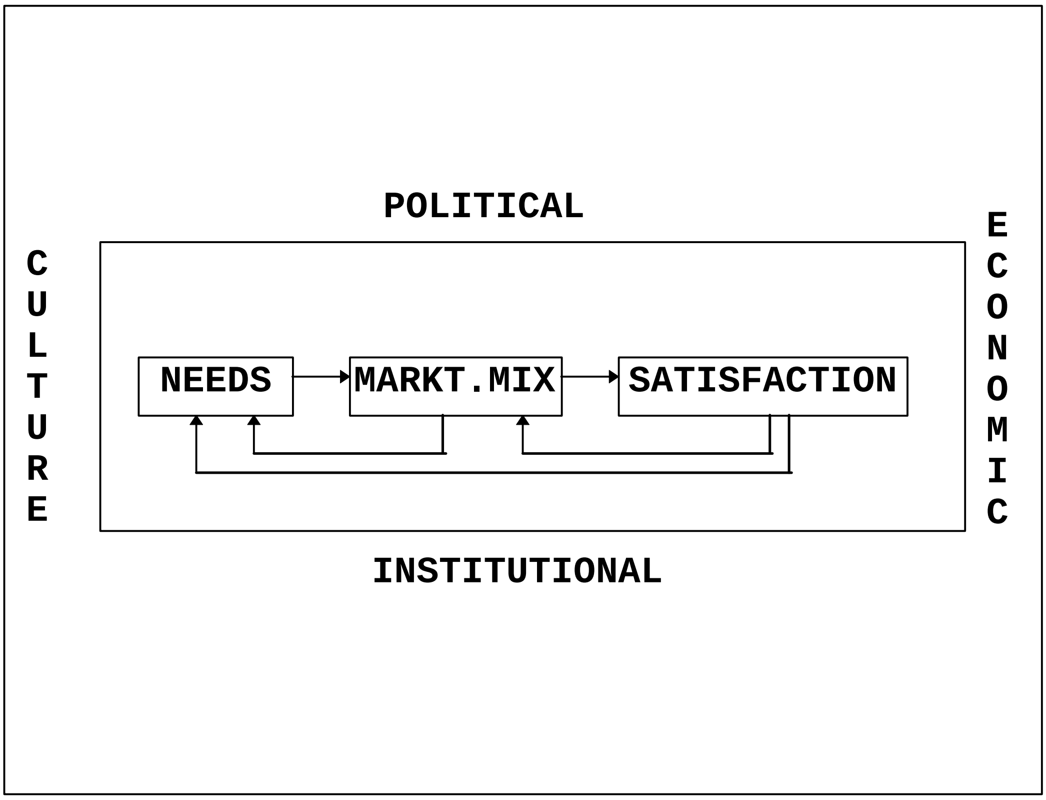
Sometimes blunders happen because of the ignorance of the part of the marketers as to the realities of the market place . The previous examples illustrate some of the ignorance errors.

Attribution Of Product Failures By Consumers

Consumers attribute product failures to a few specific reasons. Primarily they attribute failure to a defective product or inadequate performance or the product as simply being unnecessary. However sellers hold this bias only for products and services that they themselves offer. Mechanics blame apparel sellers or manufacturers for clothing defects, and clothing sales clerks blame mechanics for car problems to the same extent as the buyers & sellers of these products and services. Thus sellers try to attribute the brand failure to the success of other producers whereas the buyers tend to attribute the product failure to the malperformance of the actual product. However both the views are to a certain extent responsible for the failure of the product. The bad product is indeed bad and the competitors definitely take away the sales from the bad product. In the scope of this study, 1 will attempt to look at the consumer attributions of three product categories, Reebok shoes, & Kellogg's (Breakfast Cereal).

Strategic Approach To International Marketing

Before any company embarks on the process of International Marketing & selling its products in foreign countries, it is proper that it does a sort of strategic analysis to examine the feasibility & its scope for success. The whole *marketing mix* sometimes needs to be given a fresh, time consuming look to get an idea about the suitability of the mix to the various international markets. Now one should not be oblivious to the fact that in an international marketing situation, the environment goes on changing from country to country and with it should change the marketing mix. If we were to draw a framework for such a situation , it would be as follows :-



In other words , the marketing mix can be said of consisting of two sets of ingredients : *external - uncontrollable elements* and *internal - controllable elements* . The concept can analyzed more specifically as follows :-

External - Uncontrollable Elements

The elements that fall under this heading are divided into four major parts,

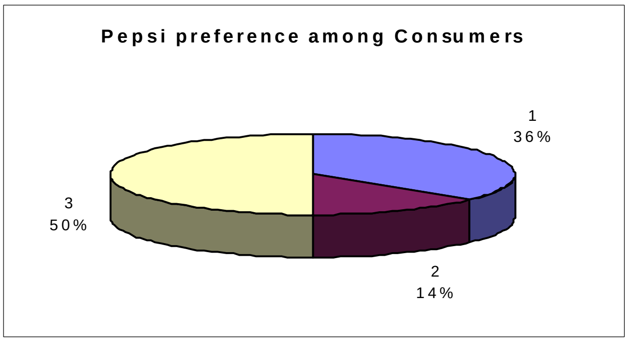
Environment
Competition
Institutions
Legal System

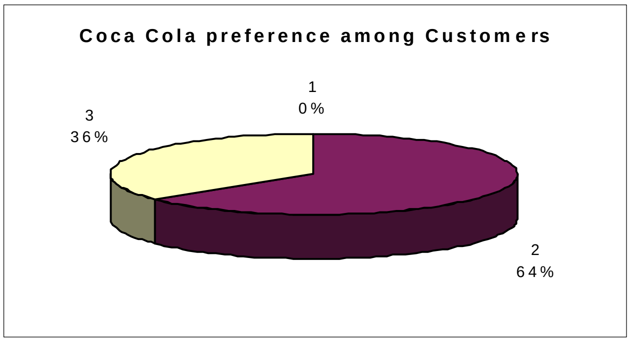
Many of the International Marketing ventures fail because of the uncertainties that accrue from these uncontrollable factors.

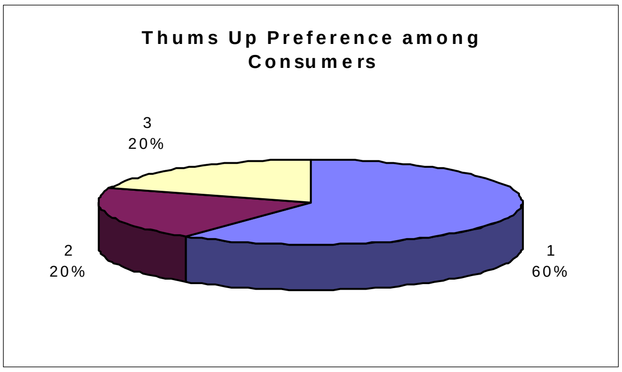
Environment :

The environment encompasses the socio -political system as well as situational circumstances. Mostly political turmoil creates uncertainties in operation . Coca Cola was made to leave the country in 1970s because of Coca Cola incurred the wrath of politicians, most particularly George Fernandes who was singularly responsible for throwing out the “Real Thing”. An international firm should be very careful of its operations throughout the globe and bad publicity can affect it where it least expects the damage to happen . Foe example, the fact that Nike uses cheap labour in China with substandard salaries to outsource its production has earned bad publicity for the Shoe giant in US & Europe.

Strategy Point 1 :
Refrain from investing in large amounts unless the MNC is absolutely sure of the Environmental certainty. Easier way out would be tie up with a local player, use its distribution channel and manufacturing facilities , with a timed expiry of the contract. However the partner should be chosen with care. Once the market is relatively risk free & not unknown, invest in a big way.



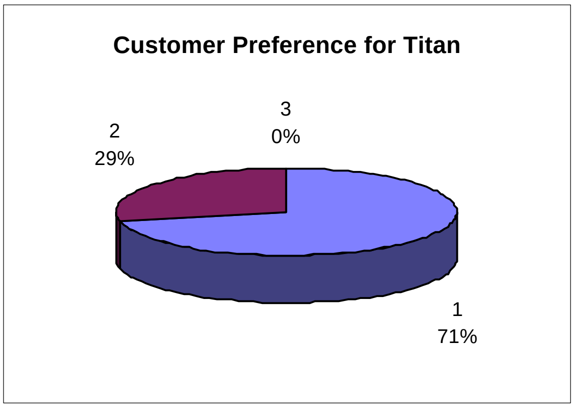


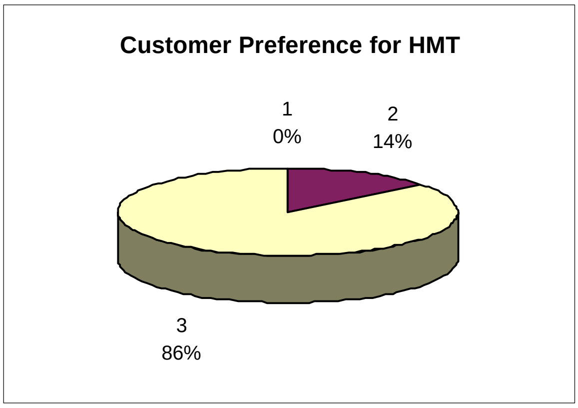


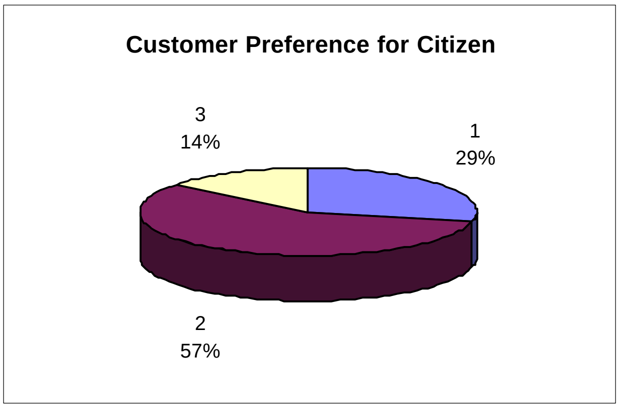
Competition :

Definitely one of the most important of the factors that decide the success of an international venture. Sometimes the international marketers, especially in developing countries like India , underestimate the strength of the local brand. Classic example in the Indian context - Thums Up. Thums up as a brand is still strong and rides far ahead than both Coca Cola or Pepsi. Coca Cola in its endeavour to concentrate on Coke neglected Thums Up to a certain extent and lost market share to Pepsi. But the consumer survey indicates that Thums Up still rides high . The result is given under :-

Thus we find that a whopping 60 % of the consumers surveyed (45 sample size) , still prefer Thums Up over any other Cola brand. Pepsi which has had a earlier entry lags far behind with 28 % indicating it as their first preference. Coca Cola is still to come to reckoning for it only managed to have a second preference. However the flip side is that it is the second preference of maximum number of customers - 64 %. In case Coke succeeds to kill Thums Up , it might have a chance. However as of the moment, Coke is having the "Bone in the Throat problem" . Thums Up is the bone in Coke's throat, it cannot afford to strengthen it - Against Coke's world-wide policies & it also cannot afford to kill it. If we examine the watch industry we again have a idea of the competitive strength of two Indian Brands vis-à-vis a well known foreign brand , Citizen.







We find that a whopping 71 % of the people prefer Titan watches over anything else. It would be uphill task for Citizen. and for that matter any watch manufacturer to upstage Titan. Foreign brands will definitely sell as 29 % have their first preference as Citizen , but to gain profitable volumes - it will have to struggle hard.

Strategy Point 2
Gauge the strength of the market leader. Use Bypass Attack initially by not taking the Numero Uno head on but in some areas where it is underrepresented or is less strong. Establish Brand Equity & then launch the Broadside.

Institutions :

Institutions sometimes can make or mar a firm's marketing efforts. In India , to start up a Food Processing or Fast Food chain, you have to obtain a host of approvals and they are not easy to come by. Kentucky Fried Chicken was given a unhygenic tag (though motivated politically) by the Public Health & Engineering Department and it resulted in closure of KFC's outlets. Though Multinationals bring in supposedly superior technology & Service standards, local authorities have to be satisfied in order to allow them commence Business in India.

Strategy Point 3
Comply with all possible Institutional regulations. Maintain proper records of all operations & transactions.

Legal System :

Last but not the least is the legal system in the country of operation. The procedure of getting legal sanction to do business sometimes can take years. In case of disputes also, the legal system of the country should be able to provide redressal. The only disadvantage of doing business in China for the MNC's are that Chinese Legal System is based on Communist Ideologies which might stand in the way of favourable judgements for the MNC's in case of disputes. A wrangle in the legal system was recently observed by the Enron case & the Maruti Suzuki Case. Suzuki for the case be arbitrated in the International Court of Justice because it felt that the Indian Judiciary could be influenced by the Indian Government.

Strategy Point 4
Obtain a thorough understanding of the country's legal system. Draw up detailed legal documents before commencing business & comply with all legal requirements. In short, be on the right side of Law, Always.

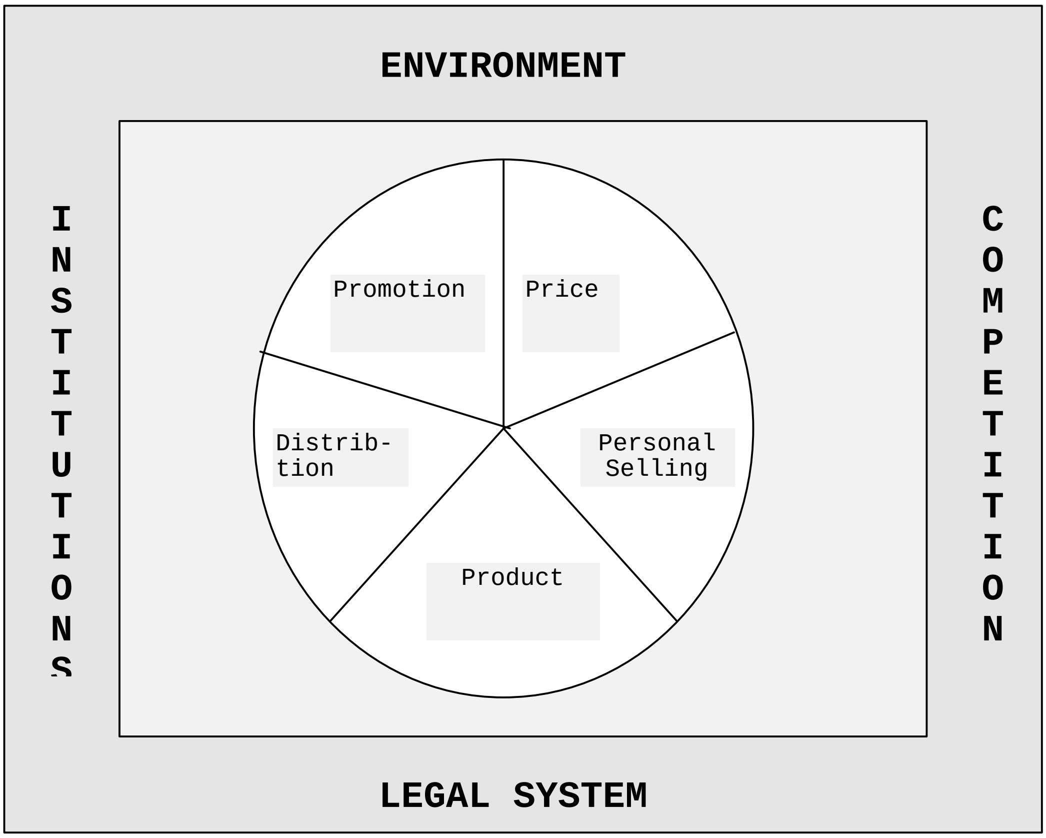
Internal - Controllable Elements

The Internal controllable elements are as follows :-

Product
Price
Promotion
Personal selling

Distribution

Obviously the Marketing Mix elements are referred to over here but it should also be remembered that these are also the *Internal Controllable Elements* and it is within the hands of the MNC to see that the Marketing Mix works. However it is in this regards that most MNC's fail, rather than in the *External - Controllable Elements* . This was the case with Kellogg's & Reebok. As we develop the following section. we will examine the reasons for the failure of the above mebtuoned brands & also examine what went wrong in their Marketing Mix, as revealed from the Consumer Survey. The both concepts can be simplified as follows :-



The marketing mix is a fundamental concept that is well understood by most of the marketers and it is common knowledge that both the internal & the external ingredients need to be taken care of before a marketing programme is launched. However in practice the process suffers from a lack of harmony and inadequate symbiosis between the ingredients. It is this lack of harmony that sows the first seeds of brand failures.

Product :

The product decisions are the most important because because the product is at the heart of each & every marketing mix. The two cases that we have considered out here examples of faulty product policies. Both Reebok and Kellogg have stumbled to a ceratin extent on their product policies. The process of launching a product should be preceded by the following questions ;-

Is The Product Suitable For The Market ?

This is the Fountain Head decision as concerns a MNC launching a product in the new country. The product might be very suitable for some markets but absolutely unsuitable in others. This is more the case with food products. In India, the habit of the people is to eat fresh products that are bought from the market. If a MNC were to launch tinned food products in India, it is doubtful that the concept would succeed. The fold up of All Season Foods (ASF) is a case in point. ASF tried to launch ready to eat preparations like Pulaos & Vegetable preparations but failed miserably. Predictably the brands disappeared from the market without a trace.

It is said that the average Indian palate prefers slightly sweet taste. Coca Cola , which has a slightly bitter taste, didnot find many takers in the Indian Cola drinkers market till Coke slightly modified the formulation to a slightly sweeter formula. It is not surprising that the two international markets in which Pepsi outsells Coke are the Middle East & India , where the consumers have a preference for sweeter taste . Pepsi formulation is far sweeter than Coke. Coke should have realized this & launched the product for the first time using the sweeter formulation. However there have been certain MNC's that have managed to indigenize their products pretty well or seem to have anticipated the requirements of the Indian market. Whirlpool has provided its Refrigerators with the capability to withstand heavy voltage fluctuations, the bane of most houses in the country. It struck a relevant cord with the consumers. Whirlpool has notched up over 20 % of the Indian Market. Their problems stem from other quarters with which we will deal with later.

Kellogg in its spirited rush into the Indian Market overlooked the critical fact that Indians like to have their milk hot. The American concept of having cold milk in which Kellogg's Cornflakes stay crisp was sadly not possible in India , the flakes turned into a soggy mass as soon as they hit the hot milk. Besides Kellogg's got its pricing wrong. We will examine it when we examine the relevance of pricing, the singular most important factor that let to the downfall of Kellogg.

The housewives surveyed in Calcutta (12 in no. & all have bought Kellogg's at some point of time) are of the o[pinion that quality wise , Kellogg is definitely good but the quantity that comes in one pack lasts for only two to three days if a family of four have it. At close to Rs 40/- a pack , this doesnot work out to be value for money. Many have shifted back to their old breakfast habits , sans back to their old breakfast habits , sans cereals, whereas others have switched to lower priced Indian variants like Mohans. However most agree that the first time they used corn flakes for breakfast was after Kellogg's was launched. The impact of Kellogg in the market is definitely palpable & has expanded the fledgling market. However the gainers from the fight ? *The local brands* !

Is There A Market Big Enough For The Product ?

Before the MNC launches a particular product in a market, it should deliberate as to the size of the market for that particular product. If the market size estimation is erroneous or over estimation is done, it can result in huge inventory of unsold products. This was typically the case in the Indian market, especially for the white goods & the auto marketers. The overestimation of the purchasing power of the Indian middle class is the bane of most of the MNC's in India. Is the market size of the Indian middle class 150 million, 200 million or 300 million ? Answers are really fuzzy. However now it seems that the conservative estimate of 35 million homes with high disposable incomes was also on the higher side. Sometimes the methods applied by the companies are also ridiculous. It is said that a Us sports shoe manufacturers chief of Indian operations had multiplied the no of Maruti in India by four. The logic - any body who has a Maruti can by four pairs of expensive sneakers for his family members a year. Similarly , Sony & Panasonic has fallen into the market size trap in India. Three years ago , the market for colour televisions were supposed to grow from 1.5 million sets in 1995 to around 7 million in 2000. Two years later the market is still at 1.8 million sets. Now the projection for 2000 is a realistic 3 million sets. Same with the foreign car manufacturers. Two years after the launch of Mercedes Benz in India , Telco sells barely 40-50 E220's every month . Original target was 10000 a year. Obviously the market in India was hyped up and it also shows the lack of proper market research by the multinationals setting up shop in India. This leads us to a particular strategy point , listed under .

Strategy Point 5
Customize products for local markets as far as possible without compromising on quality. Production should be undertaken in conservative amounts, with capacity to produce excess if demand far exceeds supply.

Price :

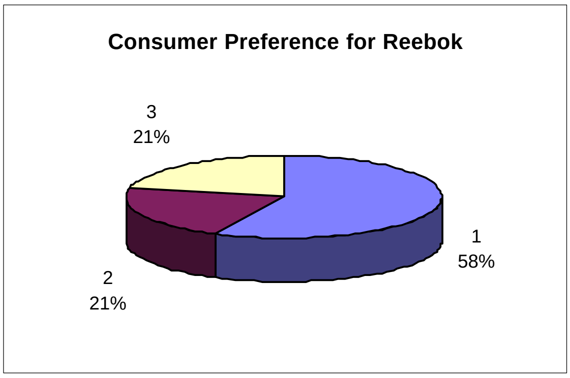
Pricing is the second vital decision that the MNC has to take. Both the products that are being dealt here in the scope of this study suffered from the same pricing problem. We will deal with each case separately .

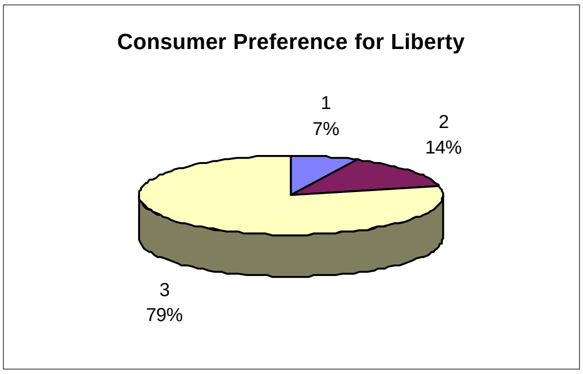
Kellogg's :

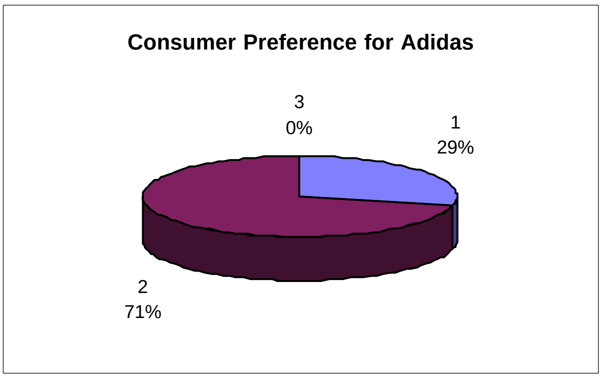
The initial pricing of Kellogg's products was an exact equivalent of **dollar to rupee pricing.** The Kellogg's packs which started from around Rs 40 for a 500 gm pack was 80 % more expensive than its Indian counterparts. Though initially the launch was phenomenal, with consumers lapping u[p the product displayed in an attractive package , the consumers, typically the housewife who bought it realized that the product didnot provide value for money. During the course of the author's survey in Calcutta , it was revealed that the price , qty combination was rather pathetic. No house wife could afford to spend Rs 40 every two or three days and preferred to switch to local brands like Mohan's or stop consuming cornflakes at all. Four respondents (out of 12) revealed that their initial purchase had been an interest purchase and that they stopped buying it after some time as their fancy wore out. The rest stopped (6) buying it after some time. Two respondents were still buying it, though they had shifted to Kellogg's *Chocos* after starting with the Cornflakes. Kellogg of late has realized that it had goofed in the pricing and the customers perception was that Kellogg was not Value -for-Money. In an effort to set its pricing right , the company has started to reduce price gradually, the latest being a Rs. 5 /- on the occasion of new year.

Reebok:

Reebok also committed the same mistake. Initially it had priced its products very high, at around Rs 1000 base level. This was in spite of the fact that it was sourcing its products from the local Phoenix International. The quality / cost trade off was not exactly favourable because the locally made products didnot deliver International standard quality. Reebok's upper range stopped around Rs. 4500. To expect volumes from a product priced that high in India was short of suicide. With the existence of several local players like Liberty, Action, & of course Bata , not to mention of the huge un organized sector, the volumes didnot materialize. Result was that Reebok had to resort to huge volume price cuts & sales. However the interesting fact is that there are consumers willing to buy Reebok , ***If only the Prices were Lower.***







As it is quite clear from the results obtained from the Consumer Preference Survey , Reebok is still the number one choice with over 58 % of the consumers preferring Reebok, they didnot have monetary constraints or if Reebok was priced similar to the other brands. This proves that Reebok squandered a golden opportunity . It had a following, readily recognizable brand name . If only it had its pricing right.

Strategy Point 6
Never price the product much higher than local competitors, more so if local competitors have strong brand equity. However some price premium should be maintained to lend exclusivity to the product.

Promotion

We have dealt in detail about the faulty promotional campaigns in the previous sections. The promotion can be in any of the approved forms, except that it should not be irreverent to the Indian Culture & Nationality. In the consumer survey the following result was obtained.

Consumers Willing To Buy Product With Irreverent Advertising	**7 %**
Consumers Not Willing To Buy Product With Irreverent Advertising	**93%**

(**Sampler size of 45 respondents in Jamshedpur & Calcutta)**

Thus we find that the number of consumers who are averse to buy a product that treats Indian Nationality or Culture in an irreverent way is very high. So a promotional campaign should be designed with infinite care , without appearing condescending or portraying Indian s in a bad light. Cadbury Schweppes earned bad publicity for itself by planning to get Asha Bhonsle to open a Canada Dry bottle of the midnight session of parliament in the 50 years of Independence celebrations. It had to ultimately drop the idea.

Strategy Point 7
Promotion should be focused & targeted to reach the maximum of the target consumers. In case brand name is unknown , the promotional campaign should be heavy initially. The promotional campaign should not be irreverent to the country's culture or ethos & need to be researched carefully before launching.

Distribution & Personal Selling :

Distribution needs to be taken care of, especially in the FMCG 's. In a country such as India , the distribution aspect needs to specially taken care of to reach the masses. This can be done by either piggybacking on the distribution system of a company with an established network or setting up networks with the help of professionals already experienced in this field.

Strategy Point 8
The distribution system should be in line with that prevalent in that country , though innovative avenues can be explored.

Results of the Consumer Preference Survey for Brands across several categories :

The survey of Brand preferences was administered on a sample size of 45 respondents, in the 20-40 age group. ***The results are summarized for the major brands in the Appendix. However the following trends emerged.*** ***<u>All these points have been taken into consideration in formulating the eight strategy points as enumerated in the previous section.</u>***

1. Foreign Brands normally tends to have higher preference rankings in Consumer Durables & Automobiles, e.g. Sony & Opel Astra. Local brand preferences are more in case of FMCG's.

2. Certain local brands like Titan, Kwality, BPL , Thums Up , Amul , Taj , Park Avenue are extremely strong and have the capability to give the MNC's tough fight.

3. Certain MNC brands that had done their positioning & pricing right & have been successes enjoy high consumer preference in spite of the relatively short period in market. e.g. Arrow, Lee Cooper, Head & Shoulders, Compaq, Benetton, etc. But the surprising fact is that most of them are in form of joint ventures. Arrow & Lee Cooper have left the marketing To Arvind Clothing & Fashions Limited, Benetton with Dupont Sportswear, P&G initially with Godrej, Compaq with Wipro etc.

4. For MNC's that have been in India for a long time, they consistently have higher preferences than those that have been in India for a short period e.g. Castrol vis-à-vis Mobil & Philips vis-à-vis GE.

STEPWISE INTERNATIONAL MARKET ENTRY PLAN

Market Research

The MNC wishing to set up shop abroad must be able to answer the following questions related to market research.

A What is the Market Potential for its Products in Foreign Markets?

What does its product do? What other products or means can perform the same function? o What are its product's advantages? o What are its product's disadvantages? o What are the competitive product's advantages? o What are the competitive product's disadvantages?

B. What are the needs filled by its product in the domestic market?

Are these the same needs that would be filled in foreign markets? If not, what needs would its product fill abroad?

C. What and to whom are competitive products sold abroad?

D. How complex is its product?

What skills or special training are required to:
o Install its product?
o Use its product?
o Maintain its product?
o Service its product?

E. What options and accessories are available?

Has an aftermarket been developed for its product? What other equipment must the buyer have to use its product?

F. What complementary goods does its product require?

G. If its product is an industrial good:

What firms are likely to use it?
What is the useful life of its product?
Is use or life affected by climate? Is so, how?
Will geography affect product purchase?
e.g. Transportation problems—will the product be restricted abroad?
e.g. Tariffs, quotas, or non-tariff barriers

H. If the product is a consumer good:

o Who will consume it? o How frequently will the product be bought? o Is consumption affected by climate? o Is consumption affected by geography?
e.g. Transportation problems, climate o Will the product be restricted abroad?
e.g. Tariffs, quotas, or non-tariff barriers

I. Does its product conflict with traditions, habits or beliefs of customers abroad?

Preliminary Country Market Screening:

o What Countries Offer the Best Prospects?

Since the number of world markets to be considered by a company is very large, it is neither possible nor advisable to research them all. Thus, a firm's time and money is spent most efficiently and in a sequential screening process.

The first stage in this sequential screening process for the company is to select the more attractive countries that it wants to investigate in detail. Preliminary screening involves defining the physical, political, economic, and cultural environment. Among the factors to be included in each category are the following.

Demographic/Physical Environment:

- Population size, growth, density
- Urban and rural distribution
- Climate and weather variations
- Shipping distance
- Product-significant demographics
- Physical distribution and communication network
- Natural resources

Political Environment:

- System of government
- Political stability and continuity
- Ideological orientation
- Government involvement in business
- Attitudes toward foreign business (trade restrictions, tariffs, non-tariff barriers, bilateral trade agreements)
- National economic and developmental priorities

Economic Environment:

- Overall level of development
- Economic growth: GNP, industrial sector
- Role of foreign trade in the economy
- Currency: inflation rate, availability, controls, stability of

exchange rate

o Balance of payments

o Per capita income and distribution

o Disposable income and expenditure patterns

Social/Cultural Environment:

o Literacy rate, educational level

o Existence of middle class

o Similarities and differences in relation to home market

o Language and other cultural considerations

o Business customs

This ordering of countries will vary depending on the particular product group being considered and the knowledge and experience of the marketer.

The International marketer will eliminate some foreign markets from further consideration on the basis of this preliminary screening. An example would be the absence of comparable or linking products and services, a deficiency that would hinder the potential for marketing company products.

Once several attractive countries have been selected for further study, the firm is ready for the second stage of the screening process. This stage involves assessing industry market potential for each selected foreign market. At this stage, the company will want to determine the present and future aggregate demand for the industry within the selected markets. Factors to be studied at this stage include market access, product potential, and local distribution and production.

Market Access

o Limitations on trade: tariff levels, quotas

o Documentation and import regulations

o Local standards, practices, and other non-tariff barriers

o Patents and trademarks

o Preferential treaties

o Legal considerations investment, taxation, repatriation, employment, code of laws

Product Potential

o Customer needs and desires
o Local production, imports, consumption
o Exposure to and acceptance of product
o Availability of linking products
o Industry-specific key indicators of demand
o Attitudes toward products of foreign origin
o Competitive offerings

Local Distribution and Production

o Availability of intermediaries
o Regional and local transportation facilities
o Availability of manpower

o Conditions for local manufacture

Indicators of population, income levels, and consumption patterns should be considered. In addition, statistics on local production trends, along with imports and exports of the product category, are helpful for assessing industry strength and demand within a foreign market. A manufacturer of medical equipment, for example, may use the number of hospital beds, the number of surgeries, and public expenditures for health care as indicators to assess the potential for its products.

Product Planning

The MNC must be able to answer the following questions during PRODUCT PLANNING stage:

What Sales Volumes and Profit Margins Be Expected in Each Market?

Once a few attractive countries have been identified for international market entry, the next step involves assessing company sales potential based upon the earlier analyses. The issues that must be addressed at this stage include forecasting sales volume, landed cost, cost of internal distribution, and other determinants of profitability.

Sales Volume Forecasting

o size and concentration of customer segments
o Projected Consumption statistics
o Competitive pressures
o Expectations of local distributors / agents

Competitive information in the foreign market is often very valuable in determining export prices and, hence, export profitability. To help project sales, factors such as quality, design, sizing, and packaging should also be compared to competitive offerings.
Estimating company sales and profitability often requires field research. Some type of primary data collection usually will be undertaken in the foreign market, sometimes with the assistance of market research firms. One of the best ways to gather this information to visit potential foreign end users and distributors. Industry trade shows and fairs are also useful in sizing up the competition and meeting potential distributors. Advertisements can be place in trade journals. International marketers also value surveys or direct mail campaigns end users or distributors.
o When product modification may be desirable

Product Evaluation: Consumer Goods

To determine whether a consumer product is suitable for sale abroad, the following factors should be examined. Market surveys, trade and consumer interviews and comparisons with competitive products, will provide answers to each of the following questions.

A. The Product Itself (Engineering)

o Is the use of certain materials or additives prohibited or regulated? o Does the product's taste, color or composition require changing? o What are the applicable regulations regarding safety, consumer protection, etc.?

B. Operation and Usage Condition

o Must the product be changed because of different user or consumer habits? o Is the product more economical than competitive products and does it offer additional advantages? o Must instructions for use be written in the country's language(s)? o What are the warranty and / or installation and maintenance services usually offered?

C. Package Type and Design

o Which is the most commonly used type of package (glass, plastic, cardboard, etc.)? o What are the usual sizes (net weights, dimensions)? o Are there regulations regarding net weights or allowances? o What information must appear on the package? o Do climatic conditions necessitate special protective packaging? o What factors (shape, colors, etc.) should be taken into account for package design?

D. Distribution and Sales

o What are trade requirements regarding the product and its packaging? o What measures must be taken to avoid spoilage or damage during transport and warehousing? o Is the sale of the product regulated? o Can the product be sold only to certain categories of retailers?

E. Trademarks and Brand Names

o Which trademarks or brand names have been registered abroad? o Is there a risk of confusion with other brands? o Could the chosen brand name be misconstrued or have unfavorable connotations? o Can it be readily pronounced in the country's language?

F. Long-term Sales Potential

o Does the product offer a definite consumer advantage over competitive products? o Are trade outlets well established or will they have to be developed? o Is the product protected against imitations through patents, regulations or special manufacturing processes? o Are there many competitive products? o Are other similar products likely to be launched?

Product Evaluation: Industrial Goods

The export suitability of industrial goods (equipment and machinery, components and assemblies) is determined by factors that are quite different from those affecting consumer goods' export potential. Almost invariably, the after-sales services offered by the manufacturer are of decisive importance, especially in countries where there is a shortage of trained engineering personnel, where machine operators are not too well trained and where quality control is still not fully developed.

A. Engineering/Operation

o What are the requirements regarding output, life expectancy, reliability? o Will operating conditions (climate, inexperienced operators, etc.) be more severe? o To what safety regulations is the product submitted? o What are the requested terms of warranty? o Does the product meet the buyer's specifications?

B. Product Service Requirements

o Which of the following services does the buyer expect:
spare parts, maintenance and repair?
assembly and installation?
operator training?
other services (accessories, supplies, etc.)?

C. Comparison with Competitive Products

o What advantages does your product offer in terms of application and output? o In what ways are competitive products superior? o Are essential product features protected by patents, etc.?

Package Design

The development of packaging for international markets is both an engineering and design problem. Even packaging engineers and art directors with a successful record of package development for the home market often experience difficulties when they are asked to create a package for an environment that is foreign and unknown to them. To guide the development project and to avoid costly mistakes, a detailed technical and design briefing is essential. The right man to draw it up is the international marketing manager—who knows from market research and previous experience what is needed—and what pitfalls must be avoided.

This checklist indicates the main points of a package design briefing.

1. Engineering Standards

o Materials (glass, metal, plastic, etc.).
o Size (dimensions, net capacity).
o Protection against climatic conditions and other influences. o Stacking height and safety during transport. o Closing system. o Throw-away or re-usable packaging.

2. Design and Artwork

o Attractiveness and quality image.
o Product identification (brand name).

o Differentiation from competitive products. o Registered trademark and industrial labels. o Product description or illustration. o Directions for use or other instructions. o Colors, design features to avoid.

3. Laws and Regulations

o Applicable standards and rules.
o Required labeling.
o Warnings and other indications.
o Indication of dimensions, weight and price. o Coding and other distinctive marks.

4. Shipment and Transportation Requirements

o Transport, stock maintenance and control.
o Point-of-sale display suitability.
o Show-through or moulded packages.

Pricing

The MNC must be able to answer the following questions related to PRICING:
What pricing methods and alternative trade terms should it consider?

The price of an exported product will affect the international marketer's ability to compete. If competitors' prices are available, obtain copies of their price lists in order to establish a price range within which your type of product is sold---then establish a price for your product. The three most common methods of pricing exports include:

Domestic Pricing

Using the product's domestic price as a base and adding export costs, such as packaging, freight and insurance. Because the domestic price already includes an allocation for domestic marketing costs, prices determined using this method might not be competitive. The following factors should be taken into account when the pricing decision is made.

Landed Cost

- Costing method for exports
- Domestic distribution costs
- International freight and insurance
- Cost of product modification

Cost of Internal Distribution

- Tariffs and duties
- Value added tax
- Local packaging and assembly
- Margins/commission allowed for the trade
- Local distribution and inventory costs
- Promotional expenditures

Other Determinants of profitability

- Going price levels
- Competitive strength and weaknesses
- Credit practices
- Current and projected exchange rates

Channels of Distribution

CHANNELS OF DISTRIBUTION depend largely upon the foreign markets distribution system.. The MNC must answer the following questions related to DISTRIBUTION:
How can It select overseas distributors?

Many MNC's decide to sell their products abroad using overseas distributors/dealers. To achieve profitable long-run sales, a MNC must have a good working relationship with its overseas associate. For this reason the firm should exercise great care and be willing to invest a substantial amount of management time and effort in appointing a foreign representative.

The selection process should include the following steps:

1. Determining criteria for identifying the types of distributors that match the firm's marketing needs. Before signing with an overseas distributor / dealer, MNC’s should satisfy themselves on the following points:

a. Verify the distributor's financial standing.
b. Check the distributor's reputation with its customers.
c. Determine the nature of the distributor's existing business.
d. Find out the extent of the distributor's market coverage.
e. Determine the distributor's own business strategy.
f. Test the distributor's commitment to your business.

2. Preparing a list of qualified representatives.
3. Evaluating possible representatives and narrowing them down to a few finalists.
4. Visiting the remaining representatives.
5. Selecting its representative.
6. Drawing up a final agreement with the representative selected.

Advertising and Promotion

The International Marketer must be able to answer the following questions related to ADVERTISING and PROMOTION:

What promotional support is needed for international sales?

Successful entry into foreign markets requires careful, thorough product promotion. Product names and brands familiar in the home country or some countries may be virtually unknown overseas. In addition, the needs and buying habits of foreign buyers often differ significantly from those of domestic buyers. For these reasons, persons familiar with the foreign culture should aid in promotion. An important aspect of overseas promotion is product packaging. Home packaging frequently must be redesigned for foreign tastes. Certain photographs, signs, colors and symbols may be considered inappropriate overseas. Other important considerations in designing packages for foreign shipments and sale include protection against breakage and spoilage while in shipment, and ability to attract buyer's attention, identify the product, and provide a reason to buy. Overseas sales agents can often make valuable suggestions regarding package design. Because they play a critical role in the success of a product's overseas sales, an attempt should be made to package products to please these agents. To adapt or redesign packaging can be expensive, and this cost should be considered when evaluating foreign markets.

Advertising Directed To Prospective Distributors Or Other Customers

Many companies have found it useful to generate inquiries and subsequent orders by advertising their products in trade journals, directories, or other publications. Still others engage in direct mail campaigns in order to uncover potentials.

Participation In Trade Fairs

A related approach to delineating foreign market opportunities is through attendance at foreign trade fairs and shows. In some cases, thousands of buyers from around the world congregate at international trade fairs for specific industry branches. Companies generally rate trade fairs for specific industry branches high in effectiveness.

Culture

Foreigners know little about cross-cultural communication, which is a key to the success of an MNC . When MNC officials are sent abroad to deal with foreigners, they should be carefully selected for their suitability. Formal training in language, history, government, and customs is only a first step. Of equal importance is an introduction to nonverbal communication. The marketer must be aware of the elaborate patterning of behavior which prescribes the handling of time, spatial relationships, attitudes towards work, play, and learning.

Strategic Planning

- **What Performance Criteria Can Be Used to Monitor Company Activity?**

Companies should penetrate international markets within the framework of an overall marketing plan. Essential questions to be answered in this regard are:

o Has management developed an international marketing program with accompanying market research tasks?

o Does management understand that foreign market research is an ongoing activity?

o Have procedures been developed to monitor, evaluate and correct international marketing performance?

o Has the firm provided means for timely warning of pertinent changes in foreign markets?

o Does the international market research seek the most specific information concerning the firm's products?

o Is mature judgment being applied to the facts developed by the international market research efforts?

- **What organizational arrangements are best for international business?**

Companies can use one of the following alternatives for organizing their international activities. International marketing can be handled:

o A. As part-time activity of domestic marketing staff
o B. By an international manager who is part of the domestic
marketing staff
o C. By an international department that is independent of domestic
marketing
o D. By an international division

An alternative to internal organization is to rely on the services of an Export Management Company (EMC) or an Export Trading Company (ETC). These companies can provide a variety of services and assistance including:

o Research foreign markets

o Traveling overseas to determine the best method of distributing a company's products through distributors or sales agents

o Exhibiting a company's products and international trade shows

o Handling routine details in getting the products shipped to the foreign customer (e.g., export declarations, customs documentation, insurance, and instructions for special packaging and marketing)

o Providing financing terms, thereby assuring payment to the manufacturer

o Preparing advertising and sales literature in cooperation with manufacturer and adapting it to overseas requirements for use in personal contacts with foreign buyers

o Corresponding in the necessary foreign languages

o Advising on overseas patent and trademark protection requirements

Conclusion & Bibliography will be provided after Feedback on Draft Report