MARKETING STRATEGIES OF GLOBAL BRANDS IN INDIAN MARKETS

Dr. Girish Taneja, 
Associate Professor, 
Head of Department, School of Business, 
Faculty of Business & Applied Arts, 
Lovely Professional University, 
Phagwara, Punjab, India 

Rajan Girdhar, 
Research Fellow, 
Faculty of Business & applied Arts, 
Lovely Professional University, 
Phagwara, Punjab, India. 

Neeraj Gupta, 
Lecturer, School of Business, 
Faculty of Business & Applied Arts, 
Lovely Professional University, Phagwara, Punjab, India. 

ABSTRACT 

With increasing globalization and international trade, a number of international brands are entering into India which is one of the fastest growing and highly competitive markets in the world. Though, most of the global firms failed to understand the needs of Indian consumers as well as the market characteristics but there are a few of them who have been successful in positioning their brands into the Indian market because they attempt to understand well the needs of target group before introducing a brand into the market. Even some of the most successful brands in today’s time had committed several blunders or mistake while initially entering into Indian market. For instance, Kellogg’s, McDonald’s, LG, Reebok and Coca-Cola are among such global brands who initially introduced standard products by following standardized global strategies but later realized their mistakes and thus modified their product or services according to the needs of Indian consumers and became successful. This research is an attempt to investigate why some international brands, that are successful globally, fail to attract significant market share in India.

Keywords: Globalization, Global brands, Indian market, International marketing.
INTRODUCTION:

When the Indian markets were opened to the world after the complete overhaul of the policies related to the entry of Multi National Corporations (MNCs) in India, most of the global brands started entering into the Indian markets. India is among the largest markets of the world in terms of its sheer size along with China which together account for 37 percent of the overall world population [1]. Having the huge potential, India is one of the most promising and progressively growing economies in the world. Followed by China, it has a large consumer base backed by the huge populations having a considerable amount of spending power. Though, a large number of Global brands have entered Indian markets, but not all were able to crack the success mantra for the mysterious, complex and a diversified market where the tastes and preferences of customers change after a few kilometers to the either side of the market. Indian market is so complex because of the large number of cultures, religions, diverse levels of income of the people. Moreover, a wide rural and urban divide creates another challenge in front of companies while establishing effective distribution network. Given the huge diversity of people and challenges related to distribution, the Global firms need to adapt to the local market conditions in order to attract the customers towards their brands.

Despite huge potential, a number of MNCs have not been able to reach the levels of success that they have either enjoyed in their home markets or the markets world over. These global brands upon their entry in the Indian markets used the most successful of their companies’ strategies the world over, but these strategies failed in the Indian market because of which these MNC’s sometimes incur huge losses. According to Choudhary et al. (2012), the MNCs can try and use a three steps approach to succeed in the Indian market – (a) organize its business structure for Indian market; (b) customize their offerings for Indian markets; and (c) form partnerships with Indian companies [2]. In this paper, the cases of such selected Global brands are discussed who initially could not understand the dynamics of Indian market and needs of consumers and suffered huge losses. They repositioned their brands only when adapted to the local market needs and became successful.

METHODOLOGY:

This research paper is an attempt to explore how some global brands have been making inroads to the hearts of Indian consumers after committing some initial blunders. The relevant information using secondary data is collected from various sources such as websites, case studies, newspapers, academic journals, and business magazines in order to understand the marketing strategies adopted by selected global brands including Kellogg’s, McDonald’s, LG, Reebok, and Coca-cola in the India. The marketing strategies of these Global brands have been critically analyzed to present the view of how they encountered with initial failures and were able to overcome the enormous amount of challenges due to diverse nature of the Indian markets.

CASES OF SELECTED GLOBAL BRANDS IN INDIA:

KELLOGG’S: FROM TASTELESS TO TASTEFUL:

Kellogg’s is one of the most successful Global brands from U.S. which was world’s leading producer of cereal and convenience foods. It is hugely popular breakfast cereal brand that is being sold in 160 countries with sales turnover of over $9 billion. On its initial entry into the Indian market, it used similar marketing mix which it had been using in other Global markets [3]. When Kellogg’s first entered India in 1994, it heavily bet on transforming the Indian breakfast cereal market through switching breakfast habits of Indian consumers who were used to hot breakfast foods. The company wanted the Indian consumer to change its traditional habits of having either Idli Dosas or Paranthas in their breakfast and these habits too varied from region to region with the northern region preferring Paranthas and southern region preferring Idlis, and Vadas etc. and the western region preferred alternatives like Poha. They wanted them to make an instant switch from their own traditional habits to start having the healthier breakfast cereals which was a huge challenge for the company. India became extraordinarily tough market for Kellogg’s because it had to change ingrained eating habits of consumers. It passed through different though difficult phases of life-cycle before it has become the strongest player in breakfast cereal category in India. Presently, Kellogg’s is estimated to hold about 60-65 percent of India’s Rs. 400 crore worth of breakfast cereal market. While introducing a new product category, it was not easy for Kellogg’s to establish a foreign brand into Indian market where food habits of people change after a few kilometers [4]. The snapshot of Kellogg’s journey from failure to success is briefly discussed in the following section:

INITIAL BLUNDERS:

In its initial advertisements, Kellogg’s showed that what Indian public was having in their breakfast was not at
all healthy which hurt the sentiment of the typical India ladies who had been serving traditional breakfast for ages to their families. The advertisement negatively affected the mindset of major influencers and initiator groups in the Indian families. Also the kind of breakfast which Indians were having was available in many varieties at cheaper prices than Kellogg’s modern breakfast of corn flakes. It was enormously difficult for the company to convince them to leave their traditional food or breakfast options and replace it with cereals. In addition to this, the company could not understand another cultural aspect that Indian consumers have had warm milk in their breakfast whereas; the corn flakes (cereals) were preferably used with cold milk. Even when they consumed it, they found that crispiness of flakes were completely eroded as soon as they were dipped into the warm milk, thereby losing the points of positioning which promised the flakes to remain crispy when it is to be consumed. Due to all the problems that Kellogg’s was suffering from, its sales declined by 25 percent in April, 1995 as compared to the sales of previous month March, 1995 [5].

INDIA SPECIFIC STRATEGIES: A TURNAROUND:

After learning several lessons from the initial mistakes, Kellogg’s completely revamped its marketing initiatives as well as brand building programs and made it India-specific. First of all, to overcome the price sensitivity of Indian consumers, it launched small sized pack at Rs. 10 only for Indian market. Then, they decided to tap the Indian public’s love for Hollywood superstars by launching a limited edition Kellogg’s Chocos Spider Man 2 “web-designed cereal”. The use of few specific words taken from Indian language – Hindi, such as Corn Flakes with Iron Shakti and Calcium Shakti in the launch of new variants gave it a local feel which was a good initiative taken by the management. Packaging was used as an effective tool for brand communication with consumers which gave the brand an on-shelf differentiation from, though a handful number of, its competitors. It also started some other brand building initiatives by portraying itself as a socially responsible citizen, whereby it started recycling and reusing materials, improving the access to health and human services in the local communities [3].

These moves have shown that the brand was customized specifically for the Indian market, and new variants were introduced for the Indian consumers. It also launched the sugar coated Froasties as Indians wanted to have food that was good in taste. Moreover, it launched Chocos Wheat Loops coated with chocolates to widen the product choices. The company reduced its costs to be able to make its offerings affordable for the price sensitive Indian customers by localizing the whole raw material and packaging material requirements. Also the company decided to appeal to the larger masses in order to increase its presence in the Indian market. It set up its manufacturing facilities in India in Taloja near Mumbai, to reduce the overall transportation costs and undertook many other steps to be able to succeed in Indian market. To make the brand more acceptable among the female consumers the brand launched a new product Kellogg’s Special K for women who want to regain their fitness levels and chose Lara Dutta (a famous Bollywood actress) as their brand ambassador for this variant, whom female consumers could identify with as women aspired to be fit like her.

All these initiatives taken by the Kellogg’s for repositioning of its brand helped it in gaining around 60-65 percent of the market share of the breakfast cereals market and hence became a market leader. To expand its business further, the company has decided to promote the brand as an evening snack as well.

MCDONALD’S:

McDonald’s made an entry into the Indian market at a very appropriate time as soon as the Indian government opened up its market to the Global brands. It made entry in the Indian market in the year 1996 by forming two 50:50 joint ventures, one with Hardcastle Restaurants Private Ltd. in Western India and another with Connaught Plaza Restaurants Private Ltd. in Northern India, with the first outlet opening in Mumbai. Though, McDonald’s had got clearance from the Foreign Investment Promotions Board1 (FIPB) in 1991 itself, but it made the final entry in the year 1996 which clearly suggests that company was not going to be caught unprepared in the market. It took so much of time to study the market that is so diverse in terms of geographical make-up, the consumer diversity as well as in the variety of food items the Indians had.

INITIAL BLUNDERS:

When McDonald’s made entry into the Indian market, it faced several challenges which it needed to manage so that it could be successful in such a diverse market. They entered with price points that were too high for the Indian consumers to be affordable. Few other challenges included – (a) majority of the Indian population was

---

1 A Government organization in India that offers a single window clearance for proposals on foreign direct investments.
vegetarian and even in non-vegetarian category the people did not eat beef which was an important component of McDonald’s menu worldwide. (b) the people in India worship cows as motherly figures and it had to face a lot of resistance in the Indian market with political parties like Shiv Sena (an independent political party in India) making demands for the company to leave the Indian market for using beef in preparations of its French fries in US market. But, McDonald’s clarified the situation by presenting the true facts that though it used beef in preparation of French fries in U.S. market, it had never used it as a component for making French fries for Indian market. In addition to all these, McDonald’s faced competition from the lots of local food retailers who had been in the market for years and had an edge over McDonald’s in terms of prices, and knowledge of the local tastes [7].

INDIA SPECIFIC STRATEGIES: A NEED OF THE HOUR:

To address all issues stated above as well as the price sensitivity of Indian consumers, first of all it introduced the Value Meal it its menu, making it affordable for Indian masses [7]. To make sure that the company succeeded in Indian market, it followed the approach of being “Glocal brand”. Under this approach, it segregated the kitchen areas and cooks for the vegetarian and non-vegetarian menus as Indians in some areas did not even like to have the vegetarian food if it is touched by some non-vegetarian food item. They Indianized their menu by adding Aloo Tikki, McSpicy, and special range Cheese burgers. To cater to the price sensitive of consumers, they launched the happy price menu, which along with affordable prices also focused on the family fun element. The pricing strategy used by McDonalds was value based with the price points even at entry level reaching the levels of Rs. 20. This point was very beautifully conveyed through the advertisement campaign – with the tag line –“Aap Ke Zamaane Mein Baap Ke Zamaane Ke Daam”. They also used open kitchen system where the customers could see with their eyes the levels of hygiene and safety conditions in the kitchen for the preparation of food and other items being served, which was not usually followed by the local restaurants that it was competing with. It continued with a philosophy of Quality, Service, Cleanliness, and Value (QSCV) in the Indian market. [8]. By ensuring that it catered to the local tastes and preferences by changing its marketing mix for the Indian consumers, the brand has been very successful in the Indian market. Now, it has geared up with respect to its expansion plan of launching 50 new stores with an investment of Rs.150 crore by 2013 [9].

LG IN INDIA: A JOURNEY FROM HAVING NO LIFE TO LIFE’S GOOD:

LG Electronics India Limited (LGEIL) is a wholly owned subsidiary of Seoul based parent company. The company’s focus on growth in Indian market has been inch perfect and that is why it has been able to get the share of Indian market (by volume) equivalent to 29.4 percent in refrigerators, 26.5 percent in color TVs, 35.8 percent in Washing Machines, and a crushing 38 percent in Microwave ovens. LG’s Indian market share in GSM handsets is now 6 percent and rising [10]. As per the Managing Director of LG the Indian consumers are complex, so to force long term relationships with them the companies must make long term commitments and investments to understand them to be successful.

REASONS OF INITIAL FAILURE:

LG’s first attempted to enter India during early 1990s floundered as a result of difficulties encountered mainly working with the local importers. Initially it was known as ‘Lucky Goldstar’ and it faced two major challenges including the failure of joint ventures and de-licensing of the consumer electronics industry leading to the discontinuation of its operations in Indian market. Moreover, as Lucky Goldstar, the company’s biggest fault was that it did precisely what other white goods brands of the 1990s were doing such as some half-hearted advertising and pushing the products only when the consumer entered the store [19]. But, it again entered the market in January, 1997 after the Indian Government’s light for establishing state-of-the-art white goods factory in Greater Noida and it was named as LG Electronics India Private Ltd. a 100 percent subsidiary of Korean chaebol. During that time, there was such an intense competition in the Indian markets with the Japanese players dominating the Indian consumer electronics market. Low brand awareness among consumers was another challenge for LG in India. It was one of the last consumers electronic MNCs to enter Indian markets and its competitors had a two years jump start over it. Secondly, it had to take care of high levels of import duty, the high levels of competition from the local players and other MNCs, and the sensitivity of Indian consumers towards pricing issues.

STRATEGIES THAT MADE LG’S LIFE GOOD IN INDIA:

The company overcame all challenges by using innovative marketing strategies, specifically planned for Indian
markets, with the introduction of innovative technologies in consumer electronics and home appliance segment. In order to develop a stronger connect with the Indian audience it initiated a close tie-up with cricket that included signing on leading Indian cricketers and launching cricket games on its television models [11]. It was recognized as the first major MNC that forged very strong tie-ups with cricket by sponsoring the World Cups in the year 1999 and 2003. It focused on products which took care of the health of the Indian consumers only with launches like “Golden Eye” colour television, ACs using the “Health Air System” and the microwave ovens with “Health Wave system” etc. To avoid the reasons for its failure during the first time, it entered the Indian market it shifted the manufacturing base for many of its products like PC monitors and refrigerators and used the technique of contract manufacturing for production of color televisions (CTVs). This also helped the company to reduce its costs. They also came up with localized products like CTVs which had Hindi and regional language menus as options. For the price conscious customers it introduced low priced “Cineplus” and “Sampoorna” range for the rural markets [12]. It had a distribution network in which the distributors work directly with the company. This shows that how LG was also able to turn around its fortunes and be a successful global brand in the Indian market the second time around by learning from the mistakes it had made for the first time.

REEBOK:

Reebok India is the subsidiary of Adidas group from Germany and it had for the first time entered in the Indian market in the early 1990s.

INITIAL BLUNDERS:

When it entered for the first time in Indian, made certain assumptions which were totally wrong such as every car owner of India must have a Reebok sneaker. This assumption which may have been correct in other markets totally failed in India because here the car owners had either bought their cars in installments or the cars provided to them were of their employers and not owned by them. This problem coupled with another one related to its research which produced inappropriate results when it hired an agency to measure the market potential for Indian markets. The agency advised the company to divide the market according to the postal codes which looked good on paper but and later the company realized that this would also not work because for some areas such as Greater Kailash post office in New Delhi is a high profile locality including a number of mid income families near locality of Zamroodpur under it. This practice was inappropriately followed to decide where to open the stores in those chosen areas.

STRATEGIES FOR BECOMING LEADER IN INDIA’S FOOTWEAR MARKET:

Despite all these setbacks faced by company, it eventually came out as a winner in the Indian market with a 53 percent market share of the branded sportswear market with an estimated size of Rs. 3500 crore per annum. Reebok as a brand enjoys total brand recall in Indian market and it is available at the lowest price point starting from Rs. 990 per pair which helped to establish the brand as a mass market brand for the Indian market. The brand has got more than 300 stores to cater to the lower end of the market offering close to 80 SKU’s for under Rs. 2590. The 80 percent of the manufacturing for the brand is done in India to keep the manufacturing costs down. The company to grow further added a lot more of product lines and SKU’s for adults, kids, teenagers and even females so that it could grow its market as much as it could and to ensure that the brand is able to cater to the requirements of its consumers it comes up with around 42 new units every month in the Indian market. It has launched a lot of sub brands in the Indian market named – Easytone, Fish Fry, and separate range for kids, women and senior citizens keeping in mind the different requirements of these different kinds of consumers [13].

To reach out to a larger segment of market it decided to keep a focus on the Tier II cities in the Indian markets and to expand further and attract more and more customers in Indian markets the brand decided to rope in top cricketers of the Indian cricket team. It also sponsored the KKR outfit in the IPL to appeal to masses. Reebok understood the importance of localizing its brand and positioned itself as a fitness brand and went out of its way to develop close affinity with cricket. Reebok’s marketing strategy to associate itself with the cricket frenzy Indians, instead of banking on the aura of international sports stars to push its wares — which Nike, Adidas and Puma tried doing unsuccessfully in India — proved to be a resounding success. Thanks to its association with cricket, Reebok enjoys total brand recall and stickiness in the minds of consumers. Already, the brand’s association with the ICC Cricket World Cup 2011 and its endorsement deals with the likes of M. S. Dhoni and Yuvraj Singh (players of Indian Cricket Team) are paying rich dividends. Reebok saw same store sales increase by 20% in April 2011 over April 2010. The sale of merchandise too shot up after India’s World Cup victory across its 1,000-plus franchisee outlets [14]. It also entered into a marketing tie-up agreement with UTV Motion

pictures for supplying the wardrobe for both Bipasha Basu and John Abraham (famous Bollywood stars) in the soccer based movie ‘Goal’. Reebok set a blistering pace in the Indian sports good market, far outpacing its formidable rivals, Adidas and Nike riding on the strategies mentioned above [15].

COCA-COLA INDIA:
Coca-Cola is a leading player in the Indian beverage market with a 60 per cent share in the carbonated soft drinks segment, 36 per cent share in fruit drinks segment and 33 per cent share in the packaged water segment [16].

INITIAL BLUNDER AND SUFFERINGS:
Coca-Cola Initially entered the Indian market during the late 1970s and the Government’s order had forced the company to leave the Indian market. The company again made an entry into the India in the year 1993 after the government decided to liberalize the market again. This time the entry into the market was more dramatic for the company as it bought out all the leading Indian soft drink brands like Thums-up, Limca, and Gold Spot leading to a situation where it was accused of killing its competition by using its financial strength. But, even after years had passed in the Indian market, the company was not able to realize profits because of its very aggressive strategies of huge amounts of promotions and very aggressive pricing strategy to try and beat the competition. It also suffered in the Indian market because of the pesticides controversy took place in 2003 that resulted in 11 percent decline in the sales during that time. It had a very negative impact on Coca-Cola’s brand image in the minds of the Indian consumers [16].

STRATEGIES TO OVERCOME CHALLENGES:
To be successful, the company decided invested more than US$ 1bn to build overall infrastructure required for succeeding in India. The company invested in setting-up 25 wholly owned bottling plants in India. All these steps taken by the company ensured that the company was able to ensure a deeper level of penetration in the Indian market – even in the rural areas. (Mukherjee, et al. 2008). While re-launched the Coca-Cola brand in India, it went ahead with global communications only, but sooner it realized its mistake and the company quickly adapted its communication to ensure proper appeal to Indian consumers. The company rode on two of the strongest pillars, a brand can use in Indian advertisement and communication industry to succeed i.e. Bollywood and Cricket. It roped in multiple filmstars and cricketers so as to promote its brand in the Indian market. Its campaign with the tag line “Thanda matlab Coca-Cola” was able to create the mass appeal for the brand in the market. This campaign was very well thought out, as Indians used to refer to anything that was chilled as “Thanda”. For positioning the brand Coca-Cola for rural consumers, the company roped in Aamir Khan (a famous Bollywood filmstar) who helped in popularizing the use of cold drinks in rural areas. To increase penetration in rural market, the brand also reduced the entry level price point to Rs. 5.only [16].

The company was also able to successfully overcome the biggest challenge it faced in the year 2003 of the pesticide controversy. They hired Aamir Khan and Smriti Irani - a very popular TV actor at that time to ensure that customers retain the faith they had in the market and they showed commercial where Aamir is given a tour of the Coca-Cola factory and is briefed about the 400 quality control tests that are a part of the production process to convince the customers that the brand they are consuming is totally safe for them. After overcoming all these challenges, Coca-Cola was again set to expand India as a market further and took it from number 7 in the global pecking order to a market that is number 5 for Coca-Cola globally and for achieving this objective the company has earmarked US$ 5 billion for ensuring that the company is not letting go its focus on developing the Indian market further successfully [17].

CONCLUSION:
After discussing cases of some specific brands, we can argue that the Global brands failed initially mainly because they failed to understand the dynamics of the Indian consumers as well as the markets they were going to serve. Therefore, they had to reframe their strategies and then enter the market with a completely changed mindset as per the market dynamics. This mostly happened because what they had done for them was either guided by their parent markets or in the markets world over where they were successful. This mantra had never been successful in India because of the complex structure of Indian markets and diversity among people of the country that have ever changing tastes and demands.

In today’s scenario, for any Global brand to succeed in Indian markets, the companies need to shift their focus from forming global strategies for the overall market, to the strategies that adapt to the local market conditions in the India. The Global firms operating in India must try to be as local as they can be, by converting themselves
into Glocal brands i.e. being global at heart. The companies can achieve these objective, either by using local manufacturing, producing Indianised variants of their products to take care of local consumers tastes, to use local celebrities as brand ambassadors, and tackle the issue of price sensitivity of the Indian consumers by launching value for money products which are affordable for the masses and forming long term relationships with intermediaries in the market and instill in them a sense of confidence that they are your brand’s partners in your journey towards success and they too will benefit if you as a company will succeed and if your brands succeed in Indian market.

It was beautifully illustrated in an article titled “Made In India, Only For India” recently published in ‘The Strategist’ stated that “Now for most of the successful MNCs operating in India, exclusively for India has become an integral part of their overall product development strategy”. Through this paper, it is attempted to highlight that MNCs must introduce the products or services matching to the needs of Indian markets in order to be successful. For instance, Honda Motorcycles recently launched bike “Dream Yuga” to tap the entry level segment to take on its competitor and erstwhile joint venture partner ‘Hero Moto Corps’ that holds leading market share in this segment. Similarly, GE Healthcare launched an Electrocardiogram(ECG) machine especially to be used by rural markets where the clinics do not have much space to operate those complex ECG machines which also runs on battery to overcome the electricity problem caused by the frequent power-cuts in Indian rural markets. Even Korean automobile company launched Hyundai Eon in the Indian market after conducting a research which revealed to them a slight change in preferences of Indian consumers i.e. they now valued mileage, then styling, space, interiors and then finally pricing while purchasing a care, while it earlier used to be mileage, price, styling and interior space, and it was based on this research only that Hyundai Eon was launched in the Indian markets. So this new mantra of being global but acting locally is being adopted by most of the MNCs to succeed in the Indian market [18]. The MNCs’ and their brands that are successful in Indian markets are switching to this strategy of presenting themselves as a local company so that people can identify themselves with these firms as their own and this is the reason that why most of the global firms are now focusing on local promotions, local products, pricing strategies as per local requirements and local distribution for Indian markets instead of using their global marketing communications mix to attract the Indian consumers to their brands. The growth for these brands in Indian markets has been increasing throughout depending on how they are tapping the markets by offering more and more regional flavours and tastes which are pushing these brands forward.

REFERENCES:


----