EFFECTIVE BRANDING STRATEGIES OF MULTINATIONAL CORPORATIONS IN INTERNATIONAL MARKETS: THE CASE OF INDIA

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Abstract

Introduction: In order to be competitive in today's universal marketplace, Multi National Corporations (MNCs) need to set up effective branding strategies. Depending upon the structure of the company and the product offered, MNCs can use different strategies. Many a times the MNCs rush to capture the lucrative foreign markets without contemplating on the appropriateness of the branding strategies. In turn they often commit serious errors with such an intense impact that it becomes almost impossible to take a remedial action to correct them at a later stage.

Objectives: The purpose of this research paper is to analyze some of the branding problems, which are commonly faced by Multi-National Corporations in international markets, with India as a special case. It tries to explore sources and reasons for brand failures of MNCs. This paper also aims to explore suitable strategic approaches for international branding.

Methodology: The analysis has been based on extensive literature survey and data derived from real life case studies of the leading MNCs like Kellogg's India, Mercedes Benz, Dollops Ice cream etc.

Findings: The findings indicate that the success of MNCs entering into a country lies in their clear vision and well-planned strategy. It is important that they understand the preferences and lifestyles of the local consumers to be successful in the local market. MNCs also require continuous support from the parent organization, which will enable them to bring in the best practices across the world to the local management.

Managerial Implications: The policy makers at MNCs need to understand that although doing business in emerging markets like India contains risk and uncertainty, these obstacles can be avoided if a suitable strategy is adopted.

Key Words: Multi-National Corporations (MNCs), Brand Failure, Branding Strategies, and Brand Localization.

Field of Research: Brand Management

Introduction:

In response to the opening up of Indian markets, the last two decades have witnessed the inflow of various foreign brands in India in almost every sphere of business activity. The critics of globalization were of the view that the products and services being provided by the MNCs would cause major harm to the Indian ventures. But in reality, it was very difficult for the MNCs to achieve success in the Indian market .As a matter of fact, many turned out to be failures and a few remained in the category of non-starters.

This bitter experience made the MNCs realize that whenever a company plans to venture into an international market it has to be very careful while selecting its branding strategies. Many a times the MNCs rush to capture the lucrative foreign markets, and in turn they often commit serious errors. The errors are of such intense impact that it becomes almost impossible to take a remedial action to correct them at a later stage.

A few of these global branding errors include:

- **Life Fitness** is a maker of exercise equipment, bikes, ski machines etc. The logo used by the company in America was not in line with the basic idea of using the equipment. The fitness conscious Americans read it as “4F”.”4F” is a code in American Military for those who are physically unfit and unacceptable to the army. So “4F” was a rather inappropriate logo for a health fitness machine.
- **Pepsi** was sued in Hyderabad in public interest litigation for glorifying child labor in a television advertisement. In the advertisement, the Indian cricket team is in a celebrity huddle when a young boy serves them Pepsi.
- **Gerber,** the name of famous baby food maker, is also the French word for vomiting. It becomes a bit limiting when the organization goes global.
- **Volkswagen** named the sedan version of Golf the Jetta**.** However the letter ‘J’ does not exist in the Italian alphabet, so Jetta is pronounced as ‘Letta’, which means misfortune.
- **General Motors** had a perplexing problem when they introduced the Chevy Nova in South America. Despite their best efforts, they weren’t selling many cars. They finally realized that in Spanish ‘nova” means “it won’t go.” Sales improved dramatically after the car was renamed as the “Caribe.”

These global branding errors have brought us to a platform where we need to understand the reasons responsible for such brand failures and the possible strategic options that can be chosen by a multinational for operating in India.

2. Some Case Studies to elaborate the viewpoint:

2.1. Kellogg’s: A Brand Culture Failure

Kellogg’s is a powerful brand. People across the globe consume its cereals more than any of its rivals’. Its sub-brands are an all-time favorite of millions of the world population.

During the latter half of 1980s, Kellogg’s was at the peak of its performance. It had captured a 40 per cent share of the US ready-to-eat market from its cereal products alone. In this period, Kellogg’s sales reached to a high of more than US $ 6 billion.

But in the 1990s Kellogg’s began to struggle. Competition from its close rival i.e. General Mills created a tough pressure for Kellogg’s .To add fuel to fire its management team was accused of being ‘unimaginative’ in an article by the Fortune magazine in 1997. Kellogg’s also realized that its core markets i.e. the USA and the UK had been stagnant for the cereals industry. Therefore it tried to look beyond these traditional markets and venture into more promising set of international consumers. In its search Kellogg’s found India as the most ideal destination. After all, India was a country with 950 million inhabitants, of which 250 million were the middle class and a completely untapped market potential.

In 1994, Kellogg’s launched its number one brand ‘Corn Flakes’ in India. But what they did not realize was that their enormous brand was about to face an adversary like no other: The Indian consumer. The common Indian’s breakfast eating habits are absolutely different from other populations around the globe. Their heavy breakfast habits were traditions that have been around for centuries. For the masses it was an entirely new concept of consuming cereals for breakfast. This implied that Kellogg’s had very few direct competitors. At the same time it also meant that the company had to promote not only its product, but also the very idea of eating cereals for breakfast.

Initially, the sales figures were quiet satisfactory, which indicated that breakfast cereal consumption was on the rise. But it soon became clear that many people had bought the cereal as a novelty purchase. The Indian consumer did like the taste but found Kellogg’s corn flakes to be too expensive. It was priced a third more than its nearest competitor.

Despite being aware of this fact, Kellogg’s still remained unwilling to reduce the prices. Rather, it decided to introduce some more variants like Kellogg’s Wheat Flakes, Rice Flakes, Special K, Chocos etc. in the Indian market. None of these variants could replicate the success they had encountered in the West.

Admitting the relative failure of these brands in India, Kellogg’s has come up with a new strategy to build brand equity in the market. If cereal is not a lucrative option, then diversifying into the biscuits category is assumed to be a suitable proposition by Kellogg’s. Kellogg India has decided to launch more than one new product into the market every month for the next six months. The idea is to establish brand equity in the market.

Although most of the biscuit launches (which are priced quiet low) have been successful amongst Indian children, Kellogg’s is still struggling in the cereals category. Although Kellogg’s has provided a lead in a shift in Indian breakfast habits and adapted its line of cereals according to the Indian taste, the price of its products still prevents its consumption amongst the less affluent and the rural households.

2.2. Dollops Ice-Cream in India

Dollops is a MNC brand that tumbled down in the Indian market. Cadbury’s launched this much-hyped brand in India in 1989 in association with Brooke Bond. It was one of the most prominent MNC brands to serve the Indian market.

The Indian consumers were keenly interested in Dollops because of the endorsement from Cadbury’s. Dollops was positioned as a premium ice cream and was able to create hype during its launch.

During that period of time, the local players and powerful brands like Kwality dominated the ice-cream business. By the year 1993, Cadbury understood that the ice-cream market in India was not as lucrative as it thought it to be. During 1993, Cadbury began the process of focusing more on its confectionary business.

For Cadbury’s Dollops became a liability. So it chose to concentrate on its core business. It was around that time that Hindustan Lever Limited (HLL) began to aggressively pursue its interest in ice cream market. Pursuing its interests, HLL acquired Kwality and Dollops.

HLL already had its international Wall’s brand, which it planned to launch along with Kwality and Dollops. Since Kwality enjoyed good brand equity in the Indian market so HLL decided to keep this brand.

Dollops could not find any place in the product portfolio of HLL and had to be killed. By around 1995, Dollops moved out of the Indian market.

So, Dollops had a short life in the Indian market. It came into limelight only because of the Cadbury’s brand endorsement. The brand was in a tough market, which had even humbled the mighty HLL.

A few other examples include:

2.3. Mercedes-Benz: An outdated product in an upcoming market

In 1995, the Germany based car giant opened a plant in India in order to produce its E-class Sedan. The target set of customers for the car was the growing wealthy middle class people of India. But the car failed to inspire its targeted set of customers. By 1997, the plant was using only 10 percent of its capacity. Indians did not like the car because Sedan was a model older than the ones sold in Europe. Mercedes had to export excess cars to Africa and other countries.

2.4. Citibank: From Micro market to Mass market

Citibank entered the Indian market with the aim to target only high-income earners. But it soon realized that in India it makes sense to go the mass banking way rather than class banking way.

The above case studies draw attention to the point that MNCs in India face some diverse and augmented business risks than they do in their home country. Thus, it is sensible that they modify the governance framework according to the Indian situation.

3. Sources of Errors in International Branding:

Most of the MNCs are excellent performers in their home countries, but they often have to struggle in their overseas entities. While their business processes are managed well in their home countries, these MNCs find that the same processes turn out to be sub optimal and many a times unsatisfactory in other countries. This mostly occurs as an outcome of duplicating the business models, processes, practices and organizational structure in their foreign entities without understanding the fact that businesses have to be managed and organized differently based on the local factors.

The paper focuses on finding out what went wrong with those brands, which had the intellectual and financial support of these Global Corporations. The sources of brand errors have been identified below:

3.1. Being unresponsive to the cultural differences of the new audience

Marketers can get into trouble when they introduce their brands without paying close attention to the cultural differences. For instance, when Gerber introduced baby food in Africa the sales were very disappointing. On investigation, the brand managers discovered that although the jars of the product featured cute babies, the mostly illiterate population of Africa expected labels to visually portray the contents of the package. Cute babies did not attract them towards the brand.

3.2. Lack of Effective Communication

For the international marketers communication is one of the major problems that they face in overseas marketing. The above-mentioned examples of Life Fitness, Gerber, Volkswagen and General Motors demonstrate the severe consequences of a poorly planned communication campaign.

3.3. Inappropriate Promotional Tools Used

Many a times, the method of promotion that is used by MNCs brings failure to the brand. In India, the most popular example of a faulty promotion method is that of Bata. For quite a long time Bata catered to the needs of the middle class population of India by offering low priced brands. It later tried to change the focus of its promotion by offering high priced international brands like Hush Puppies, Dr.Scholls and Marie Claire. The salesmen also pushed these high priced brands. Resultantly, the sales declined as the breadwinner brands were not being promoted effectively.

3.4. Introducing the product at the wrong time

The time of launching a brand in a new location decides the fate of the brand. In India, the international liquor brand Seagram was introduced during the period when prohibition was being imposed in some of the high potential states like Haryana.

3.5. Inability to respond to the socio-cultural complexities and market forces of the foreign country

One of the reasons why Kellogg's had a tough ride in India was because it was blinded by figures. The Indian population seems to be quiet big, but its middle class accounts for only a quarter of the total population. Moreover, MNCs failed to realize that a person who earns a monthly income of Rs. 40,000 also falls in the middle class category. And, majority of the Indian females are housewives. This translates into the fact that the disposable income of an average Indian household is quite less than its western counterparts. As a result, only those brands, which align with India's socio-cultural complexities, stand to be successful.

After identifying the sources of brand failure it is vital for the MNCs to undertake some strategic actions that can help them to establish a strong foundation in India.

4.A Strategic Approach to International Branding

In today's global marketplace, MNCs need to set up effective branding strategies in order to be competitive. They can use different strategies depending upon the products offered, organization structure and local requirements. A few of these strategies have been mentioned here:

4.1. Experiential marketing

The modern Indian customers are being increasingly characterized as being 'non-conformists'. They demand good experiences besides the products. This implies that the MNCs operating in India need to involve the customers all through the value chain .The synergy leads to memorable and cherishable experiences for the customer, and better financial result for the MNCs.

4.2. Providing services along with products

Customers no longer like being sold a product but love being serviced. The success of a brand lies with coping with the changing market forces and the recognition that services in combination with products could provide higher profits than products alone.

4.3. Localizing global brands

In 2003, Mc Donald's announced that all of its restaurants i.e. 30,000 of them in over 100 countries would be adopting a single set of brand packaging, with a single brand message concurrently around the world. Two years later, the company appeared to backpedal when it announced plans to localize nutritional value charts on its packages.

Microsoft India produces software in fourteen official Indian Languages to cater to the local needs.

The above examples indicate that localizing is key to the successful launch of a brand into a new market with a new set of audience. Effective localization is about being committed to the brand's core values, identifying how these connect with the cultural perceptions of the new audience and then setting the volume controls for each value to play most effectively with the audience.

4.4. Use local brands to establish market presence

Successful MNCs are entering and succeeding in emerging markets like India by launching adapted products and acquiring local brands. They aim to bring their global brands into rapidly industrializing economies characterized by big market potential and weak domestic competitors. But these 'weak' domestic competitors many a times enjoy strong loyalties in the local market.

For instance, when Coke reentered India in the 1990s, it was not able to establish itself with its global brand image . It soon realized that acquiring an Indian brand was necessary to strengthen its presence. So Coke purchased "Thums-Up" a popular Cola brand in India. Coke later promoted Thums-Up as a flagship brand in the country. This example indicates the prudence of a MNC, which strengthened its position in a new market.

4.5. Emphasizing on own brands

When it is not possible to abide by the above-mentioned strategy, the advisable strategy for a MNC is to create its own brand. This becomes possible by identifying the unfulfilled needs of the target customers.

ITC Limited, a MNC operating in India has been engaged in agricultural product business and marketing. It undertook a rural development initiative which became popular as “e-Choupal”. E-Choupal is a village-based organization that aims at providing technical knowledge to the farmers and also purchases the entire produce of these farmers. This successful initiative of ITC was meant to unleash the immense potential of the Indian agriculture.

4.6. Brand Stretching

Brand stretching through extensions provides a way by which a company can capitalize on its brand equity. MNCs should concentrate on the extent to which these brands be stretched so that brands do not get diluted.

This aspect of brand extension applies very successfully in the case of ‘Walt Disney’. It is a synonym for family entertainment across the globe and has its presence in diverse segments like merchandising, theme parks, television etc.

4.7. Creating Brand Awareness/Visibility

A good brand should be quite visible so that people know that it is reputed. Traditionally television and print advertisements and celebrity endorsements were used as tools to increase the visibility of a brand. Today, new forms like Twitter and Facebook are significantly contributing towards building brand awareness. In India where a significant portion of population is either unemployed or under employed, new and innovative methods of creating brand visibility can be adopted. They may include measures such as employing these less privileged sections of society as salespersons or offering them a free meal once a weak etc.

Recently Kentucky Fried Chicken (KFC) has launched a socially responsible cause marketing campaign to increase its visibility. It is hiring deaf and dumb people in its outlets to show its responsibility to the society.

4.8. Improving Brand Communications

A successful brand communication strategy connects an organizations' positioning across each of its stakeholders. Steering and aligning the direction of the two will lead to business and marketing effectiveness. Effective Brand Communications should focus on four key dimensions i.e.

- The functional dimension-It ensures that the benefits of the products are clearly communicated to the customers;
- The social dimension-It ensures that the brand gives a social value and satisfies the esteem of users;
- The Spiritual Dimension: It ensures long term lasting relationships with the customer by reaching their 'touch points' like religion; and
- The Mental Dimension: It allows that the customers are free to express themselves about their positive and negative experiences with a brand. This then becomes a source of product improvement.

These dimensions if addressed properly can lead to a sustainable brand in India.

Thus, it is imperative for the MNCs that branding in India may challenge the standardized approach, as the Indian market is a mix of local, national and global brands. The MNCs will have to create and invent new strategies to create a powerful brand in India.

5. Conclusion:

Indian markets from low-involvement to high-involvement product categories have been experiencing sweeping changes in the past decade. Changing consumer preferences lifestyles, fragmented market segments and intense competition from the brands of MNCs have made branding strategies a prerequisite for marketing success.

This paper uniquely contributes to the field of marketing by providing deep insights into the branding problems and challenges, which are commonly faced by MNCs in international markets, with India as a special case. It highlights various sources of brand failures of MNCs in international markets. The paper points towards the fact that the success of MNCs entering into a country lies in their clear vision and well-planned strategy. It is important that they understand the preferences and lifestyles of the local consumers to be successful in the local market. MNCs also require continuous support from the parent organization, which will enable them to bring in the best practices across the world to the local management. The paper also indicates suitable strategic approaches for international branding which policy makers of MNCs planning to operate in Indian market can implement.

In nutshell, sustainability and the profitability of any MNC in India depends upon the identification of the causes of the brand failures in the past, learning from their experiences and accordingly selecting the most suitable strategy for their own brand.

This research can be further extended to identify the future opportunities and challenges for MNCs in India in the light of changing socio- economic conditions of the country.

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