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Entry Modes Entry Modes characterize the way a company penetrates a market using equity or none equity means. These means are a successful ways companies can enter a market foreign or domestic. Equity means of entry can be wholly owned subsidiaries, joint ventures, or strategic alliances. None equity based modes of entry are indirect or direct exporting, licensing, turnkey projects and franchising. As these modes relate to India, companies have exercised a number of entry modes to penetrate the vastly growing economy.

India's market is characterized by a huge or significantly growing market capacity, transiting economic and political system changing consumption behavior, distinct culture, and a favorable investment environment, offering a good chance of development (Xuemin Zhao, 2005). In India smaller firms are more successful than larger firms. Also, firms can achieve success by exhausting, early entry, greater entry modes and shorter cultural and economic distance between the home and the host countries. (Joseph Johnson, 2008).

Although companies have exercised many, if not all, modes of entry in India, the concerns are heighten as companies entre India's growing market. Companies must consider two broad categories that drive a firm performance when entering a market which are firm differentiation and country differentiation. Within firm differentiation, two key constructs are firm strategy and firm resources. Country differentiation key constructs is host country characteristics. Among these characteristics, the tow that we identify as important are country openness and country risk (Joseph Johnson, 2008).

With the right mix of the identified sources and market mix of entry and time, a firm can succeed in India's immeasurable market. Advertising Regulations India is one of the fastest growing countries in the world. It has been projected that in 2010, India's economy will grow by 8% (Mishra, 2009). India's retail sector is the 5th largest in the world and is expected to growth at a 10% rate (Mishra, 2009). Changes in government account for desired changes in infrastructure, social sector, and financial sector.

According to Mishra " among other reforms in the pipeline are opening up of retail, insurance and banking sectors to more foreign investment and reducing Government ownership in refineries, banks and fertilizer companies" (Mishra, 2009). India's growing economy and their spending power may attract businesses throughout the world. Many companies have begun to take advantage of the growing economy and have expanded their business into India. While it may be tempting for comings to expand globally there's in no doubt that the company must do the required research prior to expanding into other areas.

As with any other country one must evaluate what has been successful and what has failed in the past. There is no doubt that cultures differences may impact product choices therefore it is an area that must be evaluated closely. Advertisements can impact the success of a company. It is important to have knowledge on what entry modes exist, rules and regulations that must followed, different options for advertisement, consumers goods, media availability, cultural differences, and agency available to help with the process.

Numerous American companies have expanded into India; they have developed a strong business relationship. According to the article American Companies in India “ India is also a large depository of skilled yet cheap labor; hence, it becomes easy for the American companies to optimize their productions in India. ” American companies are taking advantage of skilled employees and the growing economy. Companies use different methods of entry to enter into India. Common modes of entry used are exporting, franchising, licensing, and joint ventures. The American retail giant ‘ Wal-Mart’ has gone into collaboration with Bharti enterprise in the Indian retail sector” (<http://business.mapsofindia.com/india-company/america.html>). Here is a list of examples of well known companies that have entered the market in India: American Express, Cisco, Citigroup, Coca Cola, Colgate Palmolive, Discovery, Federal Express, Ford, GE, General Motors, Gillette, Intel, Johnson & Johnson, JPMorgan, Kellogg India, McDonalds, Metlife India, Microsoft, PepsiCo, Pizza Hut, and Whirlpool.

Advertisement of products and/or services increases customer awareness and can lead to an increase in sales. Companies use different methods of advertisement to reach out to different market segments. The Advertising Standards Council of India (ASCI) has rules and regulations in place to protect consumers and companies. The mission of the organization is to “ maintain and enhance the public’s confidence in advertising” (<http://www.ascionline.org/index.html>).

According to the ASCI website, the objectives of the organization are as follows: ” (a) ensuring the truthfulness and honesty of representations and claims made through advertising and safeguarding against misleading
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advertising, (b) ensuring that Advertising is not offensive to generally accepted norms and standards of public decency, (c) safeguarding against the indiscriminate use of advertising for the promotion of products or services which are generally regarded as hazardous to society or to individuals or which are unacceptable to society as a whole, and (d) ensuring that advertisements observe fairness in competition and the canons of generally accepted competitive behavior. " There is also a strong focus on self regulation.

This concept is enforced to avoid false and/or misleading advertisement, unfair advertisement which protects competitors, and also to increase respect. ASCI states " In India, as in several advanced economies, there is only ONE BODY for Self-Regulation in Advertising ??? the ASCI, which is concerned with safeguarding the interests of consumers whilst monitoring/guiding the commercial communications of Practitioners in Advertising on behalf of advertisers, for advertisements carried by the Media, in their endeavors to influence buying decisions of the Consuming Public. " All guidelines must be followed. Consumers are able to file complaints against any company by visiting the website and completing the required forms. Direct Methods of Advertising

The rules in place are meant to benefit both the consumer and the company. It promotes fairness and allows different portals for advertisement.

Corporations use different methods to promote their products and services.

Advertising is growing at such a fast pace that newspapers, magazines, and the internet rely on the business advertising brings them. The important thing is to evaluate what the return on investment is. Internet advertising,
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gaming, direct marketing, and trade promotion are popular methods of advertisement in India. Internet advertising is growing in popularity and is estimated to consume 50% or more over the next five years. It is easily adapted to the country it is marketing. Anyone irrespective of the place he resides can access the Internet from any corner of the globe which means that this medium provides great reach. Internet has emerged as one of the most convenient ways to promote any brand or company”

(<http://advertisinginindia.wordpress.com/2009/04/05/internet-advertising-in-india/>). Gaming is another method that is gaining popularity; mobile gaming is popular in India especially with the increase in mobile handsets. “ Even online gaming is a huge potential segment for advertising as a result of the increasing usage of PC and internet connections in India”

(<http://advertisinginindia.wordpress.com/category/advertising-through-online-and-mobile-gaming/>).

When it comes to direct advertising, mail service is slow in India yet reliable; telephone service is improving but currently it is poor. Door to door sales reps seem to have the most success. “ Credit card companies are increasingly targeting India’s one million cardholders through directly-mailed offers of goods and services. ” It is common for India’s residents to be visited by vendors and/or merchants to promote product. These various methods of advertising gives companies a variety of options to choose from. Depending on the product and/or service being offered to the consumer it may be a benefit to combine different methods. Product Strategy

In order for a company to be successful in selling products both consumer and industrial in a new market there must be a product strategy in place to <https://assignbuster.com/advertising-in-indiaassignment-assignment/>

mentor to each market of consideration. The product strategies for international markets involve compliance of the “ total product. ” The total product is what the consumer buys, includes the physical product, brand name, accessories, after-sales service, warranty, instruction for use, company image, and package (Donald Ball, 2010). The key to incorporating the right mix of characteristics that meet consumer taste is reverent to the adaptation of the product. Consumers will not purchase product regardless of price, size, or quantity if they simply do not prefer the product. Adaptation is critical to both the consumer and the company.

In creating the perfect consumer taste, the company normally does not prefer to interrupt the overall integrity of the product. Ultimately, the product mix should satisfy, first the consumer, and second the company preference. As it relates to India, a company’s strategy should consider the countries buyers behavior, preference, and taste. India’s growing market has not gone unnoticed. The country is presumed to surpass China as the world most populous country and it is clear that multinational consumer goods and companies seeking faster growth must begin to focus on the subcontinent (V. T. Bharadwaj, 2005). All product penetration in any market requires a strategy, however, the strategies differs between the types of goods being distributed.

There are two major categories of focus concerning products; they are consumer and industrial goods. Consumer Goods Consumer goods are products that directly satisfy the human need or want. These products make up the largest and most diverse category, and by far require the most modification. Some products can be sold unchanged; however, they must

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possess similar characteristics of the consumers overall choice. Where ever there is a product to sell, there is a market to sell it in. Many market segments have comparable characteristics, so several markets can be satisfied by the same products. Most companies will sell their products to a specific market with a specific taste.

If the product meets consumer taste, they will gradually introduce the same product to markets with a similar taste. Most consumer goods are sold on the retail market. This initiation of selling products in an organized fashion is relatively new to India. The concept has caught on fast and is now widespread phenomenon throughout most of India. As with other consumer-oriented goods and services, this sector should benefit from rising wealth, industry deregulation and a greater openness to international influences. Perhaps only 3% of retail sales in India are accounted for by organized retailers. In 2010, the organized sector account for as much as 20% of the total retail sector, based on current trends (Economist Intelligence Unit, 2006).

Many companies have grasp the popularity and requirement of local taste and have become success in introducing their products. For example, McDonalds sells McAloo Tikki, the Maharaja Macs, and Vegetable burgers with cheese on its menu. The change was impacted by the diets and the many different religions in India. By considering the consumers taste and requirements, McDonald has opened over 123 outlets in India (L. Noreen, 2009). Unlike consumer goods, industrial goods require very little modification for appeal. Industrial Goods Industrial goods are typically parts or products a company uses to make other products. In most cases, the <https://assignbuster.com/advertising-in-indiaassignment-assignment/>

company sells the products directly from production or indirectly. Industrial goods are classified on the basis of their use and are seldom modified for consumer buying habits. Critical points on industrial goods are the designation they carry for durability. The designation addresses the expense of the product to affiliate its design with being a capital good or industrial good which in many cases can be enter changeable. There are five subcategories: Installations: Installations are major capital items that are typically used directly in the production of goods. Some installations, such as conveyor systems, robotics, equipment and machine tools, are designed and built for specialized situations.

Other installations, such as stamping machines, large commercial ovens, and computerized axial tomography (CAT) scan machine, are built to a standard design but can be modified to meet individual requirements. Accessory Equipment: Goods that fall into the subcategory of accessory equipment are capital items that are less expensive and have shorter lives than installations. Examples include hand tools, computer, desk calculators, and forklifts. While some types of accessory equipment, such as hand tools are involved directly in the production process, most are only indirectly involved. Raw Materials: Raw materials are products that are purchased in their raw state for the purpose of processing them into consumer or industrial goods. Examples are iron ore, crude oil, diamonds, copper, timber, wheat, and leather.

Some may be converted directly into another consumer product. Others may be converted into an intermediate product to be resold for use in another industry. Fabricated Parts and Materials: Fabricated parts are items that are <https://assignbuster.com/advertising-in-indiaassignment-assignment/>

purchased to be placed in the final product without further processing.

Fabricated materials, on the other hand, require additional processing before being placed in the end product. Many industries, including the auto industry, rely heavily on fabricated parts. Automakers use such fabricated parts as batteries, sun roofs, windshields, and spark plugs. They also use several fabricated materials, including steel and upholstery fabric.

Many industries actually buy more fabricated items than raw materials.

Industrial Supplies: Industrial supplies are frequently purchased expense items. They contribute indirectly to the production of final products or to the administration of the production process. Supplies include computer paper, light bulbs, lubrication oil, cleaning supplies and office supplies (Allison McClintic Marion, Gale Cengage, 2006). India's economy supported the need for industrial products in abundance which was high potential for companies looking to penetrate the market. The Industrial goods sector was characterized by a large width of products, most of which were domestically manufactured.

The range of machinery produced in India was heavy electrical machinery, textile machinery, machine tools earthmoving and construction equipment including mining equipment, road construction equipment, material handling equipment, oil and gas equipment, sugar machinery, food processing and packaging machinery and gambit of machinery (Indian Capital good Industry, 2004). Although the country has experience amazing growth, it also has changed to exporting terms to accommodate the domestic suppliers. Many companies that are considering entering the market have to face some benefits and challenges such as: ??? Low Tariffs ??? Inverted duty structure
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and lack of level playing field ??? Domestic policy constraints ??? Lack of demand growth due to delayed/ shelved projects ??? Inadequate Government spending on infrastructure Removal of restrictions on the import of second hand machinery ??? Foreign financiers and contractors favoring home country supplies ??? High working capital requirement ??? Lack of thrust on export (Indian Capital good Industry, 2004) Companies can elevate some of the challenges represented above, by testing local products and disputing the validity and capability of the products as it relates to the area of competition. Bibliography Advertising, direct marketing and trade promotion. Information retrieved from: [http://www.indiaonestop.com/markets-advertising,%20direct%20marketing... htm](http://www.indiaonestop.com/markets-advertising,%20direct%20marketing...htm) Advertising Standards Council of India, Information retrieved from: <http://www.ascionline.org/index.html> Advertising through online and mobile gaming. Information retrieved from: <http://advertisinginindia.wordpress.com/category/advertising-through-online-and-mobile-gaming/> Author Unknown, American Companies in India, Information retrieved from: <http://business.mapsofindia.com/india-company/america.html> Internet Advertising in India. Information retrieved from: <http://advertisinginindia.wordpress.com/2009/04/05/internet-advertising-in-india/> Mishra, Neena (June, 2009) India Projected to Be the Fastest Growing Economy in 2010, Information retrieved from: <http://seekingalpha.com/article/145032-india-projected-to-be-the-fastest-growing-economy-in-2010> Allison McClintic Marion, Gale Cengage. (2006, May 01). Consumer and Industrial Goods. Retrieved December 03, 2010, from Encyclopedia of Business and Finance: <http://www.enotes.com/business-finance-encyclopedia/consumer-industrial-> <https://assignbuster.com/advertising-in-indiaassignment-assignment/>

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