palgrave macmillan

Darwinian Fitness in the Global Marketplace

Analysing the Competition

Rajagopal

Darwinian Fitness in the Global Marketplace

Also by Rajagopal

INTERNATIONAL MARKETING: Global Environment, Corporate Strategy, Case Studies

GLOBALIZATION THRUST: Driving Nations Competitive

INFORMATION COMMUNICATION TECHNOLOGIES AND GLOBALIZATION OF RETAILING APPLICATIONS

SALES DYNAMICS: Thinking Outside the Box

PRODUCT STRATEGY AND SIX SIGMA: Challenges, Convergence and Competence (*with Amritanshu Rajagopal*)

CRAFTING MANAGERS: 100 Principles for the Excellent Manager (*with Jerry Banks*)

SYSTEMS THINKING AND PROCESS DYNAMICS FOR MARKETING SYSTEMS: Technologies and Applications for Decision Management

Darwinian Fitness in the Global Marketplace

Analysing the Competition

Rajagopal
Professor, EGADE Business School, Tecnologico de Monterrey (ITESM)

palgrave
macmillan

© Rajagopal 2012
Foreword © John L. Stanton 2012
Softcover reprint of the hardcover 1st edition 2012 978-0-230-36908-5

All rights reserved. No reproduction, copy or transmission of this publication may be made without written permission.

No portion of this publication may be reproduced, copied or transmitted save with written permission or in accordance with the provisions of the Copyright, Designs and Patents Act 1988, or under the terms of any licence permitting limited copying issued by the Copyright Licensing Agency, Saffron House, 6–10 Kirby Street, London EC1N 8TS.

Any person who does any unauthorized act in relation to this publication may be liable to criminal prosecution and civil claims for damages.

The author has asserted his right to be identified as the author of this work in accordance with the Copyright, Designs and Patents Act 1988.

First published 2012 by
PALGRAVE MACMILLAN

Palgrave Macmillan in the UK is an imprint of Macmillan Publishers Limited, registered in England, company number 785998, of Houndmills, Basingstoke, Hampshire RG21 6XS.

Palgrave Macmillan in the US is a division of St Martin's Press LLC, 175 Fifth Avenue, New York, NY 10010.

Palgrave Macmillan is the global academic imprint of the above companies and has companies and representatives throughout the world.

Palgrave® and Macmillan® are registered trademarks in the United States, the United Kingdom, Europe and other countries.

ISBN 978-1-349-35021-6 ISBN 978-1-137-26833-4 (eBook)
DOI 10.1057/9781137268334

This book is printed on paper suitable for recycling and made from fully managed and sustained forest sources. Logging, pulping and manufacturing processes are expected to conform to the environmental regulations of the country of origin.

A catalogue record for this book is available from the British Library.

A catalog record for this book is available from the Library of Congress.

10 9 8 7 6 5 4 3 2 1
21 20 19 18 17 16 15 14 13 12

Contents

List of Tables

List of Figures

Foreword

Competition may arguably be the most relevant concept in modern business. In a positive sense it provides the incentive to continually improve and assess your weaknesses. On the negative side, it can be the reason for lost sales and profits. Therefore understanding competition should be at the top of every business executive's list. Rajagopal's book *Darwinian Fitness in the Global Marketplace: Analysing the Competition* provides an elegant approach to understanding and dealing with competition. He uses a tried-and-true approach to competition: Darwinism. Darwinism is about dealing with change, survival, and evolution. Rajagopal's book is about the same things. This book makes three key contributions that should be mandatory reading for all students of business.

First, it provides a framework to better understand competition as a survival-of-the-fittest approach. He carefully explains how business is Darwinian and what it means. He acknowledges the importance of adapting to an ever-changing environment including technology and globalisation. Second, Rajagopal clarifies the roles of competition and cooperation. He delineates the ideology of strategy formulation through competition and cooperation. Understanding these two concepts will be of paramount importance in a future world of globalisation, new players in the market, and shifts in power between customers and suppliers. Finally this book provides examples of best practices. There is no better way to make theory come alive and be actionable than to show examples of companies that are (implicitly or explicitly) putting these theories into practice. These examples bring to life the Xs and Ys into everyday decisions and behaviour. This is not a book of examples, it is a book that outlines a way to go to market, to compete, and/or cooperate. The examples make it clear that it can be done successfully.

This is not a book for all executives. It should however be mandatory reading for those executives who have competition, who face challenges of a changing environment, and who are perplexed by new products, new competition, new customers and consumers. Darwin points out, 'In the struggle for survival, the fittest win out at the expense of their rivals *because they succeed in adapting themselves best to their environment*.'[1] Read this and you will be better able to adapt, succeed, and survive for the next battle. Marketing and business is a game with no finish line. The battles continue and the environment changes but *Darwinian Fitness in the Global Marketplace: Analysing the Competition* will keep you in the game!

John L. Stanton has a PhD in Quantitative Methods and Marketing from Syracuse University. He is currently Full Professor of food marketing at

Saint Joseph's University in Philadelphia. Besides academia, Dr. Stanton has also worked in the food industry. He was Vice President of Marketing for an international coffee company; he was also Director of Research of an advertising agency and has consulted for many well-known food companies. Dr. Stanton has written over 100 peer-reviewed articles and ten books, including *Making Niche Marketing Work* (McGraw-Hill) a Business Week Book Club choice, which was published in German, Portuguese, Thai, Hebrew, and Korean. Dr. Stanton is currently the Editor-in-Chief of the *Journal of Food Products Marketing* and the *International Journal of Food and Agribusiness Marketing*. Dr. Stanton has been regularly quoted in the media including CNN, the Today Show, and NBC Nightly News. He has been quoted in most of the food-marketing magazines, as well as in the print media, and has been quoted in *Forbes, Fortune, Advertising Age, Brand Week, New York Times, Wall Street Journal*, and many others. He hosted an episode of the History Channel's Modern Marvels titled 'The History of the Supermarket'.

John L. Stanton March 2012
St. Joseph's University
Philadelphia, PA
jstanton@sju.edu

Preface

Darwinism is an axiom of evolution in any form – biological or business related. Social Darwinism is a term used for various late-nineteenth-century ideologies predicated on the idea of survival of the fittest. It especially refers to the notions of struggle for existence being used to justify social and economic policies. The most prominent form of such views stressed competition between firms in laissez-faire capitalism or in the contemporary perspective – globalisation-driven competition. This book deals with competition as its core value. The arguments on competition in this book are woven around understanding rivals, competitor signals, portfolio management, attributes mapping, types of competitors, marketing myopia, competitive strategies and tactics, and customer value in a competitive marketplace.

Globalisation has opened many routes to marketing, including opportunities through the Internet and virtual shops. However, amidst increasing market competition, the rules of the game are subject to change without notice. In this process a company must understand thoroughly all the moves of rival firms from various sources. The locales of business rivalry have to be spotted to assess their strengths. An intriguing aspect of the marketplace is that the nature of competition can change over time. A technology, company, or product does not need to remain prey to another forever. Competitive roles can be radically altered with technological advances or with the right marketing decisions.

Competing firms try to attract customers by various means to polarise business and earn confidence in the marketplace. It is necessary for successful business companies to look for such a place of business that provides them more location advantage and retain customers for their goods and services. Business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions. Even small business companies can compete globally with firms of all sizes through the Internet. The distribution channels, franchisees, carrying and forwarding agents, retailers, and mailers with value-added services represent an increasingly intense business rivalry or competition in all markets or competitive domains.

The school of thought, which has constructed the competition-related theories, may be categorised in two groups – economic theory and industrial organisation perspective. The economists of the former group have discussed many different models of competition. The focus of their work is the model of perfect competition, which is based on the premise that when a large number of buyers and sellers in the market are dealing in homogeneous products, there is complete freedom to enter or exit the market and everyone has complete and accurate knowledge about everyone else. The latter group of the school of thought on competition in reference to industrial organisations postulates that a firm's position in the marketplace depends critically on the characteristics of the industry environment in which it competes.

The philosophy of the free enterprise system has been laid on the basics of competition. Competition is found in all marketing functions which include the prices, at which products are exchanged; the attributes and qualities of products manufactured; the volume of products exchanged; and the methods of distribution and promotion. Corporate business strategies should possess three generic points: cost leadership, differentiation, and focus. Strategy is an approach in consonance with the goal of the company to be achieved. Strategies are formulated for short and long run according to the goals of the company. Goals indicate what a company wants to achieve in a given environment and time frame; strategy answers how to get there. Every business must develop a tailor-made strategy for achieving its goals. The managerial strategy in business should be to reduce cost of production and distribution. The company cultivates the strengths that will give competitive advantage in one or more benefits. Companies seeking quality leadership must make or buy the best components, put together expertly after careful examination, and so on. It may be hypothesised that the rising prosperity of a nation depends on the productivity with which it uses its human capital and natural resources. This is manifested in the way in which a nation's firms compete. The success in planning and implementation strategies largely depend on the managerial skills delivered appropriately in reference to time, target, and territory. How the path is paved to success in the competitive market environment is manifested in the strategic decisions taken by the managers of the firm. In the present competitive business environment every retailing company lives in fear of the low-end competitor – a company offering much lower prices for a seemingly similar product. The vast majority of such low-end competitors are defined by the functionality of product and the convenience of purchase. Some companies, for instance Big Cola in Latin American market, typically enter a market with a narrow range of product line at low price. Industry leaders have significant advantages for combating low-end competition, but they often hesitate because they are afraid that their actions might adversely affect their current profit margins.

The discussions in this book are divided into nine chapters. The concept of Darwinism in business is discussed in Chapter 1 in reference to cannibalisation and competition in the global marketplace. Most successful global companies have set the example of their evolution in the market over a long period by sustaining in various conflicting situations. The discussions in this chapter delineate the survival of the fittest and struggle for the existence of companies that belong to various taxonomies. At the bottom of the pyramid, local market competition is targeted towards the customers, and the competitors strive to win the customer, temporarily or permanently. However, in business-to-business process, competition turns more tactical and strategic in order to outperform rivals firms. In this way competition can be seen as a regulated struggle. Academic insights on learning market competition, competitive strategy, technology and competitive advantage, defensive growth process of firms, and process of strategy implementation in the competitive marketplace are discussed in Chapter 2. The competitive advantage that firms can derive through the convergence of factors that determine the nature of competition, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products have been discussed in Chapter 3. The following chapter on competition matrix addresses marketplace strategy and capabilities and competencies of the firm. The marketplace strategy has been devised as a way of providing a structure to achieve the key elements of our marketplace policy, and is best understood in conjunction with that document. The discussions in Chapter 4 are built around the context of assumptions, networks, alliances, capabilities and competencies, culture, competitor activities, and customer value chain. Chapter 5 examines the shifts in the philosophy of competition versus cooperation among the firms competing in the global marketplace. The arguments in the chapter are built around sociological, economical, and human behavioural paradigms and analytically discuss the strategic fit of competition and cooperation maxims intended towards the growth of business in a firm. The forecasting and modelling techniques that support development of market-oriented competitive strategy are discussed in Chapter 6. This chapter discusses how many competing firms develop new strategies to shift from traditional management to network orchestration by changing the focus to customer-managed relationships (CMR). Chapter 7 presents decision-making approaches for firms to sustain the competitive threats in the marketplace. The discussions in the chapter intend to offer a framework for assessing the effectiveness of the managerial decision-making process. Discussions in this chapter view decision making as a tool for getting preferred solutions and making the firm stand against competitors. The following chapter deliberates on customer-centric management by retailing firms and suggests strategies towards delivering the complete experience to real customers. Accordingly, Chapter 8 presents information on best practices and customer support policies to develop higher-quality customer-centric retail management in the competitive marketplace. Finally, the last chapter lays arguments on the challenges that emerging companies may face in future.

This book reviews categorically the theories of competition and previous researches and analyses the competitive practices of multinational companies towards strategic and tactical stewardship in business. The book discusses new concepts related to efficiency and effectiveness of competitive strategies required for firms to survive in the global marketplace.

The discussions in this book bring multiple perspectives on making strategic and tactical decisions and present analytical models that managers should understand in determining the business move in a competitive marketplace. This book has a novel feature of building competitive framework models based on systems thinking and delineating insights analysing the extensive survey of literature. The best practices followed by multinational companies have been illustrated throughout the book to support the authors' argument and the suggested managerial paradigms. All concepts are presented in a simple and easily accessible graphic format. The book provides an in-depth analysis of a broad spectrum of important topics on competitive strategies and tactics that are not covered in standard text books for students. Throughout the book, the focus is laid on providing implementable concepts and metrics for managers that help in improving marketing skills in a competitive marketplace. This book significantly contributes to the existing literature and serves as a learning post and a think tank for students, researchers, and business managers.

In view of the extent of knowledge that this book shares, I am confident that it would serve as a principal reference book in undergraduate and graduate courses. Besides serving students, this book would also prove to be inspiring for managers, market analysts, and business consultants to explore various solutions related to product management.

This book has emerged as a result of several brainstorming sessions with peer researchers on convergence of technology and business. Such discussions led to develop insights on market competition and developing appropriate strategies for firms to sustain market uncertainties. Initially, I worked out a research agenda on cannibalisation in market competition and published some working papers based on conceptual frameworks. Some of my research papers on competition among the emerging firms were presented in the international conferences that had driven new insights on the subject. Such refined work has been presented in this book endorsed with applied illustrations and updated research on product management. I am thankful to various anonymous referees of my research works on globalisation and market competition, that helped in looking deeper into the conceptual gaps and improve the quality considering their valuable comments. I sincerely thank my colleagues at EGADE Business School and students for their cooperation in gathering literature on the subject. Finally, I express my deep gratitude to Arati Rajagopal who has been instrumental in completing this book. I acknowledge her help throughout in preparing the manuscript and for staying in touch till the final proofs were cross-checked.

Rajagopal
Mexico City, March 2012

Acknowledgements

Writing this book has been supported by the discussions of my colleagues within and outside the EGADE Business School. I am thankful to Dr. Kip Becker, Chair of Administrative Sciences Department of Boston University and Dr. Erdener Kaynak, Chair of Marketing Department of University of Pennsylvania at Harrisburg, who have been encouraging me to take up new topics to explore conceptually in the area of marketing. I express my sincere thanks to Jim Corlett, Information Manager, and Jeanette Brooks, Publication Director of Inderscience Enterprises Limited (IEL), who granted permission to use my research work published in the academic journals of this publishing company, which includes *International Journal of Business Environment, International Journal of Business Excellence, Global Business and Economics Review, International Journal of Business Innovation and Research*, and *International Journal of Business Competition and Research*. I also express my gratitude to Dr. John L. Stanton, Professor and Chair of Food Marketing Department of Saint Joseph University, Philadelphia, PA, for agreeing to write the Foreword to this book despite his busy schedule.

I also acknowledge the outstanding support of the Palgrave Macmillan team. I extend my thanks to Virginia Thorp, Senior Commissioning Editor, who critically examined the proposal and took the process forward and to her assistant Keri Dickens.

About the Author

Rajagopal is Professor of Marketing at EGADE Business School, Tecnologico de Monterrey, Mexico City Campus, and Fellow of the Royal Society for Encouragement of Arts, Manufacture and Commerce, London. He is also Fellow of the Chartered Management Institute and Fellow of Institute of Operations Management, UK. His biography has been listed in various international directories including *Who's Who in the World* since 2008, and *2000 Outstanding Intellectuals of the 21st Century*, published in 2009 by International Biographical Center, Cambridge, UK. He offers courses on competitor analysis, marketing strategy, advance selling systems, international marketing, services marketing, new product development, and other subjects of contemporary interest to students of undergraduate, graduate, and doctoral programmes. Dr. Rajagopal holds postgraduate and doctoral degrees in Economics and Marketing, respectively, from Ravishankar University in India. His specialisation is in the fields of Marketing Management, Rural Economic Linkages, and Development Economics. He has to his credit 36 books on marketing management and rural development themes and over 400 research contributions that include published research papers in national and international refereed journals. He is Editor-in-Chief of *International Journal of Leisure and Tourism Marketing*, *International Journal of Business Competition and Growth*, and *International Journal of Built Environment and Asset Management*, and Regional Editor of *Emerald Emerging Market Case Studies*. He is also a member of the editorial board of various journals of international repute. He has imparted training to senior executives and has conducted 55 management development programmes. His research contributions have been recognised by the Government of Mexico and he has been awarded the status of National Researcher (SNI-level II) since 2004.

1
Darwinism in Business

Darwinism in business is a concept derived from the Darwinian ideology of biological evolution. Many successful global companies have set the example of their evolution in the market over a long period by sustaining in various conflicting situations. This chapter discusses the survival of the fittest and struggle for existence of the companies that belong to various taxonomies. The discussion in the chapter especially refers to notions of struggle for existence being used to justify various business policies which make no distinction between those companies that are able to support themselves and on the contrary to those unable to cordon their growth in the business against competition.

Business perspectives have emerged in the human mind with the generation of needs and the introduction of money as a tool for transactions in society. As needs turned into desires, the basic economics of demand and supply were enforced in society. The business phenomenon began in human civilisation as the suppliers of food and essential products thought of getting their share in each transaction, which they termed as 'profit'. The motivation for profit created two classes in society: masters who were engaged in planning resources, setting business norms, and managing the local trade; and slaves who worked for their masters and were engaged in production and logistics activities. Slavery characterised every ancient business and civilisation across geographic regions in the world including Egypt, Babylon, India, China, Greece, and Rome.[1] The late-middle ages witnessed the transformation of Europe from a peripheral agrarian economy to a highly commercialised and urbanised business centre. The specific history of reclamation and settlement had given rise to a favourable balance of powers between states, nobility, towns, and rural communities that reduced opportunities for rent-seeking and favoured the rise of efficient markets. This allowed farmers, artisan, and fishermen to take full advantage of new opportunities presented by changing economic and ecological circumstances in the late fourteenth and early fifteenth centuries.[2]

The evolution of markets over the centuries has been a perennial phenomenon congruent with the shifts in social, economic, and technological knowledge in society. The evolution of business and growth has propelled economic behaviour to explore the markets. Sociologically the evolution of markets was based on the understanding that individuals are embedded in various cognitive structures involving business activities. Shifts in the market processes in society are induced by fundamental beliefs and shared assumptions and resemble elements of social culture defining norms of markets, expected behaviour, and thought. Such business evolution paradigms are resistant to minor discrepancies between their fundamental models and contradicting (potentially empirical) evidence. Thus, discrepancies in market behaviour are considered as socioeconomic abnormalities, paradoxes, or puzzles in a given place and time.[3]

Historical documentation reveals that market evolution is a long process that enables some causal attribution.[4] Historical analysis can sometimes enable identification of the reasons for important transitions by highlighting the key events that triggered change and their patterns. Marketing patterns in society are commonly believed to have evolved through five distinct phases of growth since ages. These phases can be categorised as the simple trade era, the production era, the sales era, the marketing department era, and the marketing company era. At the close of the eighteenth century most of the developed countries gradually escaped the Malthusian trap of stagnant living standards as technological progress accelerated along with the population growth. Consequently the industrial revolution adapted to the technological progress and began to keep pace with the population. Such growth in the industrial products and services for consumption and business needs created new markets and by the middle of the nineteenth century the global transformation in product and financial markets were observed.

Such phenomenal change in the global marketplace resulted in the economic dynamism in both developed and developing economies of the countries across the continents. Accordingly many countries jumped into the market fray and started producing a larger variety of products, making them more substitutable, raising the price elasticity of demand, and strengthening competition. Such market development had driven higher competition to modern growth, and competitive firms aimed at larger territorial expansion at lower markups with prolonged break-even. As firms become larger, they find it easier to cover the fixed cost on innovation and technology diffusion and adaptation. As the size of the market is large with significant competitive driving force, market innovation grows endogenously. This, in turn, pushes the market to grow exponentially providing additional incentives to mount competition. The market economy thus graduates in the global marketplace to the era of competition and contests determining the Darwinian fitness theories of struggle for existence and survival of the fittest. Figure 1.1 exhibits the Darwinian principles in the context of global business.

In the growing market competition small firms always face major threats from large firms as the latter possess more resources (physical, financial,

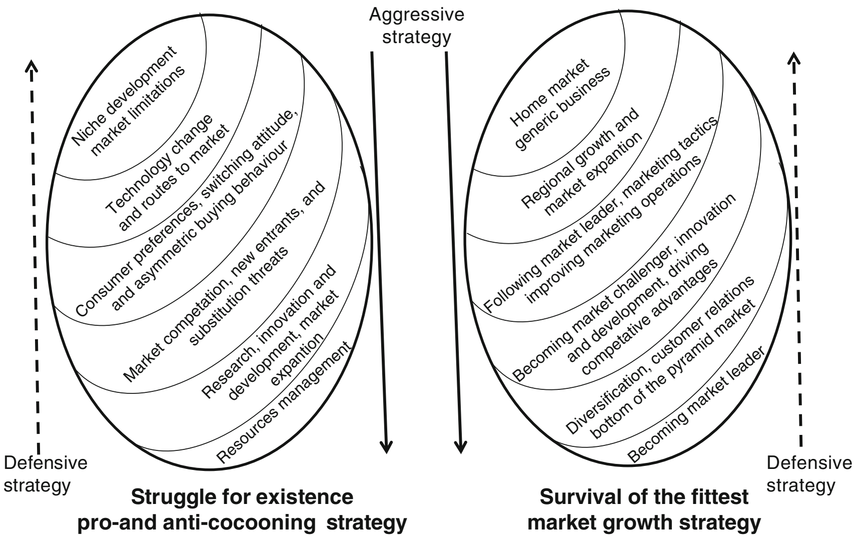

Figure 1.1 Mapping Darwinian principles in business environment

HR-related, and technological) against the smaller firms. Hence most of the smaller firms develop a cocooning attitude and confine themselves to a niche as they cannot continue their struggle for existence in the marketplace. Figure 1.1 illustrates the cocooning pattern among firms struggling to establish their position in a given marketplace. It may be observed that often large firms enter into new market niches created by small firms through technological innovation and ingest the market share of small firms. In view of the Darwinian Theory it may be argued that market conditions and company-specific characteristics explain entry timing and underlying goals of the large firms and such entry might be a continuous process for large firms in different marketplaces. The dominating behaviour of large firms is more likely to be backed by the innovations in the industry in response to the competing firms. Small firms are affected by the entry of firms that are similar in size and resources. When a similar company enters the new market, it raises the probability that the company enters beyond levels based solely on the attractiveness of the market.[5] Hence, small firms play aggressive and defensive strategies to stay in the marketplace despite the competitive attacks by new entrants. On the contrary a consortium of small firms manufacturing identical products also poses major threat to large firms in sustaining the competitive marketplace. For example, more than 20 companies have joined the Taiwan Blu-ray Disc (BD) Consortium, a special-interest group, under the Taiwan Information Storage Association, formed by Taiwan-based companies involved in the BD market in 2010. The consortium includes makers of Blu-ray optical disc drives (such as Lite-On IT), optical discs (such as CMC Magnetics and Ritek), integrated circuit design and components, which hope to join forces to negotiate better licensing terms for producing BD-related products.[6] This consortium may cause a major threat to international BD manufacturers such as Sony to compete in the global marketplace in reference to price and supply of BD products.

Business consortia are alliances of individual business enterprises specifically of small and medium size. Businesses involved in these sorts of consortia are often in the same broad field or industry, though they are rarely in direct competition with one another. Instead, members usually offer products or services that are complementary to those available through other consortium members. Unlike associations and other similar organisations, which engage in efforts to shape legislation and present a unified industry front, business consortia ally themselves for basic business functions, such as marketing. These alliances are not commonplace, but some analysts indicate that in the future, increasing numbers of small business owners may investigate consortia as a way of sharing common costs, increasing purchasing power, and competing with larger companies. Business consortia usually come into being for specific reasons such as competitive threats from a common enemy (whether another business or an unwelcome economic trend), changes in competitive structures, or deregulation. Consortia of small and medium companies help in developing the collective bargaining and purchasing power as well as marketing efforts that can provide the member firms with increased recognition and stature in the community. Further, joint marketing and advertising efforts save members money because they can pool their resources for better rates and they also save member businesses time because they do not have to undertake as much work themselves.[7]

The Darwinian fitness in market evolution argues that when consumers increase, more varieties of products and services penetrate the market driving more demand. Such market thrust in positioning products and services increases the price elasticity of demand. Some management studies exploit this feature and show in a one-period model how the higher elasticity of demand, due to a larger population or more liberalised trade, facilitates innovation.[8] As trade liberalisation continued in the global marketplace transforming the regional markets, the multidimensional growth appeared to be a strong catalytic thrust in the economy of developing countries. The multidimensional growth, in which a corporate firm manages relatively freestanding business units, was the most successful design of marketing organisations of the twentieth century. However, some firms have evolved organisational designs that signal a new way of resolving market competition. These firms are organised around multiple dimensions such as regions, products, services, and accounts that are able to hold different strategies accountable for performance on these dimensions. The multidimensional growth of marketing organisations is best understood as the next step in the evolution from a resource-centric business model to a customer-centric knowledge sharing model. It is a way of managing competitive markets that is particularly well adapted to stimulating the market leadership that is necessary to create economic value in complex markets.[9]

The continuum of market evolution across the regions, products, and services had driven the rapid diffusion of new products in the marketplace. Quicker time to market and shorter product life cycles are pushing companies to introduce new products more frequently in the global marketplace. While new products intend to offer high value, product introductions and transitions pose enormous challenges to managers. Drawing from research at Intel and examples from General Motors and Cisco Systems, it may be argued that the risks impacting a transition identifies a set of factors across departments tracking those risks, monitors the evolution of these factors over time, and develops playbook mapping scenarios of risks and responses in the market. This process of market evolution by nurturing the demand for new product helps firms' expectations in the marketplace, lowers the chance and impact of unanticipated outcomes, and helps synchronise responses among different consumer segments.[10] The factors discussed below contribute to the evolution of markets:

- Long-term changes in growth, demographics, consumption trends, change in substitutes and complimentary products, and improvements in the attributes of the products.
- Changes in buyer segments.
- Improvement in the consumer knowledge.
- Attitude of change proneness among the consumers.
- Reduction of uncertainty.
- Shifts in consumer experience.
- Changes in the scale of business operations.
- Product and market innovations.
- Market innovation.
- Structural change in adjacent industries.
- Government policy change.
- Liberalisation of entry and exit barriers.

The evolution of markets over a period has been driven by both strategic and tactical growth. The strategic evolution of market is attributed by long-range planning while the tactical growth appears to be myopic and causes disequilibrium in the marketplace. At some point in the process of market evolution, every emerging market can be considered a growth point. In the process of market evolution sales is considered as a major measure of growth over other functions of marketing. This might be a wrong notion, because selling focuses on the needs of the seller, whereas marketing concentrates on the needs of the buyer. For markets to ensure continued evolution, they must define their industries broadly to take advantage of growth opportunities. They must ascertain and act on their customers' needs and desires, not bank on the presumed longevity of their products. A market must learn to think of itself not as producing goods or services but as doing the things that will make people want to do business with it, which determines the extent of growth of markets in a given time and territory.[11]

The debate – for and against globalisation

Globalisation can be described as the combined outcome of trade liberalisation, market integration, international finance and investment, technological change, the increasing distribution of production across national boundaries, and the emergence of new structures of global governance. The global market place equipped with the application of global communications has become the focus of the global business arena that makes the world markets remain open and indulge in fair competitive practices. At the same time anti-globalisation moves also exist in the process of development that protest against the hazards of suppressive strategies of global companies that affect regional trade entities. Efficient multinational companies from leading countries enter secured country markets and drain out regional players from the benefit market segments. However, many Japanese companies have not lived up to the anticipated success against international competition. Consequently, the Japanese markets that were long protected under various tariff and non-tariff barriers were removed by the government in consonance with the global business trends of liberalisation. Prominent business moves of multinational companies include Japanese electronics and automobile companies, Germany's BMW, Ciba-Geigy, Nestlé, Procter & Gamble, etc. Operating in the global environment requires mastered skills to penetrate into the host countries, particularly in the conditions when the trade barriers and government protections have been removed and business policies have been restructured. The phenomenon of the global customer is growing in importance every day and so too is the global customer-centric organisation. Yet many companies, especially those designed according to function, country, and business unit, are having difficulty redesigning and aligning their structure with the needs of the global customer. The reasons of the globalisation of business have been revealed in many ways, of these the significant variables include

- market saturation in home country
- trade deficit and long disequilibrium in the balance of trade
- increasing foreign competition
- emergence of new markets

- globalisation and free trade zones
- opportunities via foreign aid programmes.

Globalisation and its impacts have profound implications for a broad range of issues important to the funding community. These issues range from the sustainable use of the worlds' resources and the protection and preservation of the environment, to the need to improve living standards, safeguard human rights, promote and protect cultures, and ensure democratic and responsive global governance. While the idea of globalisation has only recently captured public attention, 'globalisation' has been occurring for centuries.

Globalisation of market opportunities was observed as the outgrowth of the above factors and the scope of such marketing opportunities has increased with the continued deregulation of the significant functional sectors like financial services, leisure industry, information technology, etc.

Globalisation of labour has benefited advanced economies: it has expanded export opportunities considerably and, by lowering input costs and improving production efficiencies, has boosted productivity and output.[12] The largest and powerful multinational business houses prefer to be aggressive to dominate over the most demanding and emerging sectors. General Motors, for example, is offering credit cards and supermarket groups routinely now offer gasoline, banking, pensions, and saving plans apart from the manufacturing and marketing of automobiles. The privatisation of the state- and public-sector ventures like energy, transport, and communication led to industry restructuring and further allowed the multinational companies to compete in these countries. The entry to the liberalised state- and public-sector industries brought more professional rules and guidelines for implementing the quality standards like ISO. But there has been a backlash against liberalism. The traditional calls for intervention to 'save' jobs or redistribute wealth still strike a chord. Moreover, many people dislike the fact that seemingly impersonal market forces hold sway over their lives, even though markets in fact reflect the combined preferences of millions of ordinary people. And there is a widespread distrust of the profit motive, as if making losses was preferable.

Globalisation is not new, but it is more pervasive than before. A century ago, for instance, there was more cross-border migration than there is now. Throughout the past century, new technologies have continuously caused upheaval. But now in the media age, people are constantly confronted with change that they would otherwise not be aware of. There has been a strong social and political reaction in the initial phase of building the concept of globalisation across the countries. The global business process stood by customers, and many firms are engaged in developing customer-centric marketing strategies. The convergence of customer and corporate strategies is one of the core constitutes of global business policies. Such business policy convergence has been explained in Figure 1.1. The anti-globalisation arguments cropped up in reference to economic integration, social integration, and political integration. A study using panel data for 123 countries in 1970–2000 analyses empirically the effects of the overall index of globalisation as well as sub-indexes constructed by measuring the single dimensions on economic growth. The results show that globalisation promotes growth – but not to an extent necessary to reduce poverty on a large scale. The dimensions most robustly related to growth refer to actual economic flows and restrictions in developed countries. Information flows also promote growth, although less robustly, whereas political integration has no effect.[13] The globalisation of capital and product markets has many implications for economic welfare. Countries can specialise in the production of goods for which they have comparative advantages, and capital is allocated more efficiently. However, one potentially adverse effect of globalisation is the possibility that business cycle volatility might increase. Rapid and badly coordinated capital account liberalisation has been blamed for enhancing the vulnerability of emerging markets to unstable international capital flows. At the same time, business cycle volatility in OECD (Organisation for Economic Co-operation and Development) countries seems to have been on a decline in the past decades.

There has been substantial thinking in favour of globalisation. Economists, management experts, and statisticians were of the strong opinion that big demographic and social lifestyle shifts will impact business in this new decade, century, and millennium: fickle fashions, ageing but wealthy populations, retired people inheriting trillions of dollars, an aggressive war for top talent, female consumer influence, human cloning, medical breakthroughs, and a host of other factors, including the huge untapped challenge of mega-city markets in emerging economies. The education system in India continued to be based on the colonial legacy of bureaucratic administration even after 50 years of independence. But, under globalisation and liberalisation policies of the government, higher education in engineering has acquired a new interpretation of increasing *credential* value, where the degree per se is more important for securing a high-paying job, primarily in the software and information technology sector, than for acquiring specific knowledge and skills. This is reflected in the employment pattern of graduates with a core engineering background.[14] These changes are fundamental to the shape of business because they will alter the way people think and feel.

Globalisation and migration intensify relations of interdependence between individuals all over the world and lead to complex forms of social and cultural diversity both within and across societies. The changing structure of family patterns and processes of individualisation also contribute to growing diversity.[15] Fears that globalisation is imposing a deadening cultural uniformity are as ubiquitous as Coca-Cola, McDonald's, and Mickey Mouse.

Many people dread that local cultures and national identifies are dissolving into a cross-regional consumerism. That cultural imperialism is said to impose American values as well as products, promote the commercial at the expense of the authentic, and substitute shallow gratification for deeper satisfaction. The core issues woven around globalisation are that it can free people from the tyranny of geography. Just because someone was born in France does not mean they can only aspire to speak French, eat French food, read French books, and so on. That we are increasingly free to choose our cultural experiences enriches our lives immeasurably. We cannot always enjoy the best the world has to offer. Technology is reshaping culture: just think of the Internet. Individual choice is fragmenting the imposed uniformity of national cultures. New hybrid cultures are emerging, and regional ones re-emerging. National identity is not disappearing, but the bonds of nationality are loosening. Some of the questions that have strong hold in the debate of globalisation seem to be lashing more against the Western influence on pushing global trade.

Cultural diversity has multiple meanings. Diversity within a society refers to the richness of choice within that society. Globalisation focuses on diversity across societies, that is, whether societies are becoming more similar. Cross-cultural exchange tends to favour diversity within a society but not across societies. Trade tends to increase diversity over time by accelerating the pace of change and bringing new cultural goods with each era or generation. Cultural similarities tend to come together over time across the regions. That is, although chain restaurants take an increasing percentage of restaurant sales, growth in dining out has led to an expansion of specialty food opportunities. While cross-cultural exchange alters and disrupts each society it touches, it also supports innovation and creative human energies. The author's views are definitely positive on the benefits of cross-cultural exchange. The *creative destruction* of the market creates a plethora of innovative and high-quality creations in many different styles, and media cross-cultural exchange expands the menu of choice, at least provided that trade and markets are allowed to flourish.[16] Globalisation gathered pace in the 1980s and world inequality has also increased. The strong arguments against the globalisation move argue that while some developing countries were able to take advantage of trade to improve their standard of living, many fell further behind as they depended on a single commodity. Rich countries invested erratically and selectively in developing countries and continued to protect their own markets. The anti-globalisation movement argues that the world trading system is unfair, undemocratic, and unsustainable.

Few subjects polarise public opinion as much as the role of globalisation in developing countries. Foreign direct investment (FDI) boosts their economic performance by endowing them with new skills, new technologies, and new jobs – all of which increase their standard of living. In reality, global corporations and the developing countries where they invest have symbiotic objectives. Globalisation brings broadly positive economic benefits to developing economies, which in turn represent the best hope for the future of global companies. Both sides should recalibrate their approach. The advantages of the globalisation may be viewed as it gives ambitious companies access to the best capital, talent, markets, and resources that the world has to offer. On the contrary it generates neck-to-neck competition for survival for some companies which reveals that every organisation is essentially competing against the best in the world. In this adaptation from *Race for the World*,[17] globalisation explores the economic benefits of free trade and looks at how the changing landscape will force many companies to re-evaluate their strengths and weaknesses. Globalisation is both irreversible and, in its present form, unsustainable. What will come after it is far from determined. It could be a war of all against all, world domination by a single superpower, a tyrannical alliance of global elites, global ecological catastrophe, or some combination thereof.[18] Hence at the positive end globalisation gets mixed reviews. However, increasing interconnectivity among the world's people seems to promise a *global village* in which the destructive antagonisms of the past can be left behind, replaced by global cooperation and enriching diversity.

Globalisation has increased access to the markets as the remote markets have been reduced following the political and economic changes worldwide. Market access has also been improved by growing trade blocks at the regional level. Such accessibility to the markets is further reinforced by reducing the trade barriers through far-reaching business communication strategies, product- and market- development programmes, and customer relations. This situation has given a boost to determining the market opportunities, as narrowing the trade barriers helped in deregulating certain sectors of trade such as financial services. Technical operating standards and protocols are being widely adapted to synchronise with global industry standards. Resources are managed externally to a large extent as the best and low-cost materials are procured locally by multinational companies. The benefits of global sourcing for such companies include low-cost labour, uniform quality, innovative ideas, access to local markets, economies of scale, lower taxes and duties, lower logistics costs, and more consistent supply. However, there are also some risks in global sourcing: political, economic, exchange, related or supplier risks. With globalisation, product life cycles are getting shorter as new products enter the markets with greater speed due to technological development and scale of operations. In this process many products are dropped off the product life cycle either at the stage of introduction or growth. There are few products that survive till the mature stage is passed. The growth of technology and its dynamic synchronisation with the industry is converging fast leading to quick adaptations of global products. The globalisation of customer requirements is resulting from the identification of worldwide customer segments of homogeneous preferences across the territorial boundaries. Business-to-consumers and business-to-business markets are powered by consumer demands from the global companies as they are perceived to be more value oriented and equipped with added benefits.

The globalisation process reinforces the concept of locality, for a very simple reason: what is traded in a global context must be produced somewhere; global networks must begin and end somewhere. So the emergence of the global dimension in the lives of our societies does not mean the disappearance of locality, but rather, the strengthening of a concept which is at the very source of globalisation. Cities are anchorage points for globalisation par excellence because few human territories can offer such complex facilities built up over time, offering so many facets, material and conceptual, inherited and innovative. The process of going global has enabled individuals, corporations, and countries to penetrate faster, deeper, and cheaper in the markets than ever before and equally to derive benefits for them. Globalisation has led to the opening, the destruction of many barriers and walls, and has the potential for expanding freedom, democracy, innovation, and social and cultural exchanges while offering outstanding opportunities for dialogue and understanding.[19]

Global competition is observed on both aggressive and defensive dimensions in the market. The companies that are capable of managing appropriate diffusion of technology and adaptation process among the customer segments are found to be highly successful. Competition among multinationals these days is likely to be a three-dimensional strategic game wherein the moves of an organisation in one market are designed to achieve goals in another market in ways that aren't immediately apparent to rivals.[20] There is a growing consensus among international trade negotiators and policymakers that a prime area for future multilateral discussion is competition policy. Competition policy includes anti-trust policy (including merger regulation and control) but is often extended to include international trade measures and other policies that affect the structure, conduct, and performance of individual industries. The leading alliances between the major multinational enterprises may be seen in reference to production, finance, technology, and supply chain along with other complementary activities. To compete in the major global markets, multinational companies manage with substantial financial resources. Logistics and supply chain management is the art of management of flow of materials and products from the source of production to the end user. This system with the multinational companies includes the total flow of material right from the stage of acquisition of raw materials to the delivery of finished products to the customers. The function of distribution is the combination of activities associated with advertising, sales, and physical transfer of the goods and services to the retail and wholesale delivery points as is being observed by the global companies in order to establish their competitive strength in the market. Logistics management is an important function handled by such business companies in the marketing process, and effective logistics management improves both cost and customer service performance of the company. Globalisation of distribution is particularly important for companies using the Internet for e-commerce as they can operate on economies with wider reach of customers.

Global trade dynamics

Since World War II, international marketing has received increased attention from the governments of developing countries who wish to revamp their economy. Many geopolitical changes have taken place in the global marketing scenario because of the external affairs policies of developed nations. Exports have been one of the major determinants in measuring the economic growth of a country. Hence international marketing rose into prominence in the global economic order and emerged as a discipline in itself for studying the technical, managerial, sociocultural, and economic processes of a country. Observing the dynamism of the international market was viewed as a major strategy to control a substantial share of the trade of a country in the world market. Such attempts were made by the developing nations in the eighties. Later, in the early nineties, the new GATT proposal and evolution of the WTO opened new horizons in the field of international marketing by pushing the export-oriented economy worldwide. Today, the scope of international marketing has grown and includes the manufacturing sector and its services. International marketing broadly includes export and import activities that govern the marketing environment.

The outreach of the global market place has increased manifold with the emergence of a more open world economy, relaxed trade and tariff barriers, growing customer needs, interdependency, and intercommunication factors among the countries. The global marketplace consists a population of over 6 billion people which is projected to touch the mark of 10 billion by 2050 according to the United Nations. The global marketplace is becoming economically, culturally, and technologically interdependent as the convergence of marketing activities has become more effective due to telecommunication and popularity of e-commerce. Leading corporations around the world have turned their attention towards expansion of their business activities in order to maintain their competitive edge and retain customer loyalty. Global business activities of the current period have been described as the second industrial revolution. Organisational reforms have been introduced by many multinational companies in view of changing scenarios in the global marketplace and the nature of competition. As markets globalise, the need for organisational reforms towards workplace management, operating systems, and work culture emerges. However, a balance between consistency in the changes and adaptation is essential for corporate success.[21] As long as there are no imbalances in the change process, maybe by introducing new systems and its rate of adaptation of the change culture, there may not be any threat to the organisational management. The human value system is a synergy of societal, family, and individual values generated through the influence of culture. Personality traits are largely evolved through family and societal values that govern the family value paradigm. Such a process may be described as a paradigm of personality and values which has a large base of societal culture at the bottom of the pyramid, groomed into the family value at the middle level of the pyramid, and ultimately shaping the personality at the top of the pyramid.[22]

Global markets not only provide multiple goods and services to customers but also expose their behaviour to cross-cultural differences and innovations. The specialisation of the production process has also brought such cultural changes by business penetrations in the low-production skills regions across the countries. Apparels from Asian countries like Indonesia and Korea and all types of consumer goods from China, electronics from Japan, and perfumery from France may be good examples to explain the specialisation and cross-culture sharing of consumer behaviour. Conducting business is a creative enterprise and doing it out of one's own country is more demanding. The industry structure varies dramatically across the countries in the world and global enterprises require strong adaptation behaviour to strive against odds. In international business a company needs to best prepare itself to achieve competitive advantage in the marketplace. Global business has controllable factors that a company needs to adjust with and build its organisation within largely uncontrollable marketing environment comprising SLEPT factors – social, legal, economic, political, and technical. Globalisation has helped the trade of less-developed countries by opening up markets in Europe and Americas; however some less-developed countries have yet to exploit this opportunity to their full potential.

> In 2006, Indonesia's real GDP grew 5.5 percent over a year earlier, slightly faster than the average 4.7 percent per year during 2001–2005. While this growth is moderate in comparison to other Asian countries, it has helped improve disposable incomes and accelerate consumer spending. Consumer expenditure reached US$225.9 billion in 2006, up from US$100.5 billion in 2001. This represents real growth of 26.8 percent. The proportion of consumer expenditure on food and non-alcoholic beverages has declined significantly. It decreased from 62.9 percent of consumer expenditure in 1995 to 47.0 percent in 2006. The decline reflects the fact that disposable income has improved in Indonesia and people are able to spend more on non-food items. During 2001–2006, for example, expenditure on communications grew at a real average annual rate of 11.9 per cent. Expenditure on education is also growing rapidly as more people understand the importance of a good education when competition for

> jobs is fierce. Annual inflation is expected to be 6.3 percent in 2007 and 6.2 percent in 2008 down from 13.1 percent in 2006. This will help raise disposable incomes of consumers, which in turn accelerates consumer spending. Inflation has been high in Indonesia mainly as a result of a sharp lift in administered fuel prices in late 2005. The spending patterns of Indonesian households depend on their household structure, economic status and income. Businesses could select their target markets based on the spending patterns of different household groups.[23]

International marketing involves the companies in making one or more marketing-mix decisions across national boundaries in view of the controllable and non-controllable factors of the market environment. The term 'international business' refers to a wide range of activities involved in organising business transactions across boundaries. International marketing involves operating across multiple countries where non-controllable factors differ significantly among the markets but controllable factors in the form of cost and price structures, opportunities for advertising, and distributive infrastructure also need marginal adjustments. Global markets operate on a complex platform wherein companies coordinate, integrate, and control a series of marketing programs for sustaining competition and augmenting growth. Hence, international marketing refers to exchanges across national boundaries for the satisfaction of human needs and wants.

The political movement of trade liberalisation induced many developing countries in the beginning of the 1970s and showed acceleration during the 1980s. World economy has now entered a radical phase of development, typically referred to as a phase of 'globalisation'. Rapid advances in information technologies and communications, together with the systematic reduction of global trade barriers, have allowed global firms to break up the production process and to locate its various components in different markets around the world. The surge in foreign investment flows represents the most unique feature of the globalisation phase. Trade is no longer the sole or even the main vehicle for delivering products and services across borders; investment has become an even more powerful force for integration, as transnational corporations extend their global reach by establishing a direct presence in foreign markets. International trade rebounded in 2002 from its contraction in the preceding year, growing at about 2.5% in terms of volume, which was faster than the growth of global output. The rebound occurred despite the weakness of the global economic recovery, greatly reduced capital flows, major changes in exchange rates, increased restrictions on international trade transactions to mitigate risks from terrorism, and rising geopolitical tensions.

Trade

Globalisation is a recurring phenomenon and is aimed at increasing mutual efficiency in trade and economic functions between countries. Neo liberal institutionalism assumes that states are driven by mutual efficiency concerns. In this process each party bargains for the solution that maximises the 'size of the pie' generated by trade and economic cooperation. Multilateral trading has been an important development which emerged from the implementation of liberalised trade policies by many nations and paving the path for globalisation. Over long debates on eight successive rounds of multilateral trade negotiations at various forums of WTO, substantial trade liberalisation was achieved and important trade rules were established. Tariffs in industrial countries are still the trade barriers in few product categories though many developing countries have reduced tariffs remarkably. A number of developing countries that negotiated their accession during the Uruguay Round consolidated all their tariffs at a ceiling level, which introduced a gap between bound and applied rates. Reductions in tariffs over the years have differed by sector, with less progress in labour-intensive industrial products and agricultural products. Textiles and clothing, leather and footwear, fish and fish products, and agriculture typically face higher tariffs and more tariff peaks than other product categories. While much of the observed reduction in developed-country tariff levels has occurred through multilateral bargaining, tariff reductions have significantly resulted from regional integration and preferential schemes favouring developing nations.[24]

Trade growth was strong in Asia and the transition economies, largely reflecting better economic performance in those regions. However trade was stagnant in Western Europe, and contracted in Latin America as a result of economic turmoil in a number of countries in the region. North America's imports recovered in line with stronger domestic demand, while exports continued to decrease in 2002. Many countries seem to be taking the multilateral trading system for granted, while pursuing their commercial interests on a preferential basis in the belief that this will not jeopardise multilateral, non-discriminatory trade relations.[25] The countries of South-East Asia are home to some 500 million people and have a combined GDP of more than $700 billion. Their largely young populations, with large numbers of well-educated and hard-working people, have helped to make the region one of the fastest-growing in the world. Until 1997 there was a feeling that the economic order was changing; that the West seemed to be in decline; and that the Asian century was about to dawn. All the lines on the flip-charts about business prospects in South-East Asia pointed one way – upward. No one believed that the boom could stop. Australia stood out with strong GDP growth in 2002 (both in excess of 3%). In marked contrast to the industrial economies, the recovery in the advanced developing economies in Asia was strong. With the two most populous countries in the world – China and India – growing very rapidly, the gains in output experienced by developing Asia exceeded that of all other regions. In general, world trade has grown 27 fold in terms of volume since 1950, three times faster than world output growth. The contribution of trade barrier reductions via the multilateral trading system to this impressive record has been significant although uneven. Moreover, greater stability and certainty imparted by the rules of the system are also likely to have influenced trade growth over the years.[26]

The severity of the downturn in world trade values was even more pronounced than in terms of volume, as dollar prices of internationally traded goods decreased in 2001. Merchandise exports recorded a decrease of 4.5 per cent, the steepest decline in more than a decade, contrasting sharply with the 6.5 per cent average expansion recorded in the 1990s. Commercial services exports, which expanded at the same rate as merchandise trade between 1990 and 2000, declined marginally in 2001. The pattern of world merchandise exports by product category in 2001 reflects the main features of the slowdown in the global economic activities in 2001. First, the burst of the IT bubble and the decline in IT expenditure caused an unprecedented shrinkage of international trade in office and telecom equipment of nearly 14%.[27] The decline in crude oil prices by 9% has been the major factor in the 8% decrease of world fuels exports, as the volume of fuels traded remained roughly unchanged during 2002. Textiles recorded an above-average export decrease in 2001, confirming a long-term trade pattern where trade growth consistently lags behind global trade expansion. Since 1990, the share of textiles in world merchandise trade fell from 3.1% to 2.5% in 2002. A noteworthy performance was recorded in agricultural products, for which the export decrease in 2001 was small enough to increase its share in world exports for the first time since 1994.

The year 2006 witnessed robust growth and vigorous trade expansion in the world economy. The US economy maintained its overall expansion as weaker domestic demand was balanced by a reduction in the external deficit, mainly due to a faster export growth. In Japan a somewhat faster economic growth was achieved despite weaker domestic demand reflected in a widening of its external surplus. China and India continued to report outstandingly high economic and trade growth. The dynamic growth in global economic activity resulted in the vigorous expansion of global trade in 2006. The four regions with the highest share of fuels and other mining products in their merchandise exports (the Middle East, Africa, the Commonwealth of Independent States (CIS) and South and Central America) again recorded the strongest annual export rise in 2006. Real merchandise export growth was provisionally estimated to have grown by 8% in 2006 almost two percentage points faster than in 2005, and well above the average expansion trade during 1996–2006. The expansion of real trade exceeded global output growth by more than 4%. Trade in less-developed countries grew by about 30%, fuelled by higher prices for petroleum and other primary commodities. The developing and developed countries as a whole saw their shares of world merchandise trade reach record proportions. For some of the smaller suppliers, fear of a setback in textiles and clothing in the face of competition from China proved unfounded in 2006. In general, trade expanded in real terms during 2006–7, faster than production by a large margin.[28] The major economic drivers in the global trade are observed as

- reduction in trade and investment barriers
- rapid growth and increase in size of the economies of developing countries and their impact on global production capacity
- innovations in technologies involving transport and communications.

The most prominent explanations, which are often interrelated, for the retardation in the global economic recovery included erosion of trust in institutional pillars such as public and corporate governance, weakening consumer and investor confidence, and rising geopolitical risks. The weakness of fixed investment expenditure – particularly pronounced for non-residential investment – contributed significantly to sluggish overall growth in the industrial countries. Investment expenditures play a critical role in the business cycle. There have been problems in sustaining the recovery once inventory levels had been reestablished during the recent past. Investment activity generally picks up when prospects for profitable investment opportunities increase and the utilisation of existing production capacities reaches a level that calls for a further increase of these capacities. It has been observed that since 2005 the United States recorded its best annual merchandise export growth in more than a decade but its trade deficit continued to grow. However, China's trade growth continued to outstrip other major traders. China's merchandise exports grew by 27% in 2005. In the second half of 2006, its merchandise exports started to exceed those of the United States, but for the whole year US exports still exceeded those of China. Consumer confidence in the major industrial economies improved only temporarily in the first quarter of 2002 and declined or stagnated thereafter. Marginal employment gains in some countries and rising unemployment rates in others led to only moderate increases in wage incomes and depressed private consumption expenditure. In some countries this led to an increase in precautionary savings.

Real merchandise exports of Asia remained the most encouraging of all regions at 13.5%. Asia's imports rose faster than in the preceding year and faster than world trade but continued to lag behind its export growth. Most of the excess of Asia's export over import growth can be attributed to the region's major traders, China and Japan. The expansion of China's exports was somewhat less dynamic in 2006 than in 2005, while Japan, the Republic of Korea, and Chinese Taipei recorded a faster growth (between 10 and 15%). Imports into Japan and Chinese Taipei, however, advanced by only 2–3% in 2006.[29] Also, merchandise exports in Africa rose by 21%, again faster than imports, which are estimated to have increased by nearly 16%. Africa's share in world merchandise exports reached its highest level since 1990. The deterioration in the labour markets of industrial economies with rapidly ageing populations rendered their already fragile social security systems even more precarious. The general public is increasingly aware that profound adjustments are needed to restore financial sustainability to social security systems and that these adjustments can have a significant impact on future contributions and benefits. The clouded prospects of social security, and in particular pensions systems, contributed to the erosion of consumer confidence and exerted a negative impact on private consumption expenditure. Consumer confidence was also negatively affected by the wealth effect of continuing falls in stock prices, although in some countries (e.g., the United States and the United Kingdom) this was compensated for by rising house prices.

Direct investment

Economic growth in the transition economies in 2002 was second only to developing Asia and continued to exceed the global average. Nevertheless, there was a deceleration in the region's economic growth, which can be largely attributed to the developments in the Russian economy. Economic growth in Africa and the Middle East remained roughly unchanged in 2002, at about 3%. The moderate gains in regional per capita incomes are unlikely to have a significant impact on poverty levels in the region and one should not lose sight of the large variations in the economic performance of individual African countries. Latin America was the weakest part of the global economy in 2002, recording a decline in output and a steep contraction in imports. Unsustainable, large public sector debt, political instability, sizeable external account imbalances, and a reduction in private sector net-capital inflows contributed to severe slumps in output in a number of South American countries. In 2002, the US dollar depreciated against major currencies like the euro and the yen. Total FDI flows fell by about one quarter in 2002, to roughly $500 billion, with both developed and developing regions suffering sharp reductions. Only China and Central/Eastern Europe attracted larger FDI inflows than in the preceding year. Given the strong correlation between FDI flows and current and future trade flows, this development contributed to the weakness in trade growth in regions other than China and Central/Eastern Europe. One factor contributing to this outstanding performance was the high level of FDI inflows driven by the relocation of labour-intensive manufacturing sectors from Japan and other advanced economies in Asia into China's coastal areas.

The more favourable investment climate is also reflected in a sharp rise in global FDI flows in 2006, which approached record levels of the past. It has been found that the global FDI inflows surged by one-third to $1.23 trillion, the second highest level ever.[30] The high growth of global FDI flows can be attributed partly to increased mergers and acquisitions activity and higher share prices. A high level of total net private capital flows to emerging markets was reported by the Institute of International Finance.[31] The exchange rates of the Asian economies with large current account surpluses fared differently in 2006. The real effective exchange rates appreciated significantly on an annual average basis, for Republic of Korea and Singapore and moderately in the case of China. However, the Japanese yen continued to depreciate during 2006.[32]

Total FDI flows increased from about $200 billion in the early 1990s to almost $1.2 trillion in 2000. In 2001, the value of these flows collapsed by about 50%, and in 2002, by another 25%, falling back to about $500 billion, a level first reached five years ago. Both developed and developing regions have been affected by the reduction in FDI flows. Only FDI inflows to China and to Central/Eastern Europe continued to increase. China's FDI inflows rose by 19%, to $ 52.7 billion, and those to Central/Eastern Europe increased by 9%, to $30 billion.[33] The sharp decline in nominal terms of global FDI flows can be attributed to the end of the frenzied boom of mergers and acquisitions and the lower market values of corporations listed on global stock markets. Between the end of 2000 and the end of 2002, the valuation of global stock markets decreased by about 40%, which automatically lowered the transaction value of FDI flows for buying corporations listed on equity markets.[34]

Marked differences in domestic demand growth between the United States, developing Asia, and the transition economies on the one hand, and Japan, Western Europe, and Latin America on the other, contributed to major shifts in trade and current account balances. Japan and Western Europe recorded an expansion in net exports. Consequently, the trade and current account surpluses of Japan and the EU widened with increases equivalent to 1% and 0.7% of GDP respectively. Under the impact of sharply lower capital inflows, Latin America had to cut its imports, which led to a trade surplus and reduced the region's current account deficit. The US current account deficit widened to more than $500 billion or 5% of GDP, which was a historic peak in absolute and relative terms. Given that the aggregate deficit for the OECD area remained almost unchanged in relative terms in 2002, this implied that the level of net imports from developing areas also stayed unchanged. Developing Asia again recorded a substantial current account surplus. Japan, the five advanced developing Asian economies (Hong Kong, Republic of Korea, Singapore, Chinese Taipei), and China reported large current account surpluses, indicating that these economies had become the principal suppliers of capital to the rest of the world.[35]

International competition

The emergence of virtual shopping and liberalisation of economic policies in the developing countries all over the world as competition has become like a traditional derby in which many companies participate in a neck-to-neck race. In this game the rules are subject to change without notice, the prize money may change in short notice, the route and finish line are also likely to change after the race begins, new entrants may join at any time during the race, the racers may form strong alliances, all creative strategies are allowed in the game and governmental laws may change without notice and sometimes with retrospective effect. Hence to win the race any company should acquire the strategies of outwitting, outmanoeuvring, and outperforming the competitors. In this process a company must understand thoroughly all the moves of rival firms from various sources.

Competing firms pay more attention to the sources of factors, quality thereof, cost, and management of the factors in order to prove better over each other. The customer, the end user, is the ultimate target of the competitor for building aggressive and defensive strategies in business. The competing firms try to attract customers by various means to polarise business and earn confidence in the marketplace. It is necessary for the successful business companies to look for such a place of business which provides them more location advantage and holds the customers for their goods and services. Business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions. Even a small business can compete globally with firms of all sizes via the Internet. The distribution channels, franchisees, carrying and forwarding agents, retailers, and mailers with value-added services represent an increasingly intense business rivalry or competition in all markets or competitive domains. Many firms like Godrej (Diversified Products), Procter & Gamble (Consumer Goods), Compaq (Computers) reward their managers handsomely for winning business battles in their channel wars (competition among distributors and retailers). Institutional and political patronage go a long way in ensuring success in market competition as they provide long-term support to companies.[36] Winning in product, channel, and factor marketplace in many instances may not last long in building relationships with customers. Many business firms have found themselves outmanoeuvred in various functional aspects of business by the adept actions of rivals in the institutional arena. The cosmetics market in India is largely dominated by multinational companies and operates in a close competitive framework. In 1995, Lakmé Limited, a Tata group company, and Hindustan Lever Limited formed a 50:50 venture as Lakmé Lever to market and distribute Lakmé's cosmetic products. In 1998, Lakmé sold its brands to HLL, renamed itself Trent, and entered into the retail business. HLL entered the cosmetics market when there was a rush of MNCs like Revlon, Maybelline, and others and had to build strong marketplace strategies to outwit its competitors. HLL's corporate statement after the acquisition of Lakmé indicates that by taking on the fashion and glamour platform, the company is not just leading the market over other competitors but has also got a virtual ownership of this business platform. It will be very difficult for any other brand to adopt a similar approach. This statement gives a strong prospective signal of its strategies to the new entrants. Lakmé is at the forefront of product innovation and the most preferred brand in cosmetics.

Many organisations feel that in growing competition strategic alliances would drive technology application faster than the efforts of firms on their own. They recognise that alliances and relationships with other companies of repute are fundamental to outwit, outmanoeuvre, and outperform the competitors by ways of better branding, better service, and tagging global brands for assuring the quality of goods and services. Alliances and relationships thus transform the concept of competitor. In international marketing many industries face fierce competition leading to price wars. Foreign manufacturers penetrate international markets by offering low-priced, high-quality products. Despite this philosophy Xerox could not guarantee market leadership. In a crowded field with some 14 competitors from Japan alone, it faces the toughest market in the United States in the copier machines market. Retail sales of food and drink in Europe's largest markets are at a standstill, leaving European grocery retailers hungry for opportunities to grow. Most leading retailers have already tried e-commerce, with limited success, and expansion abroad, often with customer-centric promotions. But almost all have ignored the big, profitable opportunity in their own backyard: the wholesale food and drink trade, which appears to be just the kind of market retailers need. Recently even some of the hi-tech industries have become susceptible to competition. This has forced some of them to shift their consumer electronics manufacturing to the eastern market in the United States. As the retail community shrinks, they put greater emphasis on their suppliers for quality products at a competitive price that enables them to make healthy margins to attract consumers. If one manufacturer cannot supply the necessary ingredients, retailers will look for other alternatives. This environment has provided an opportunity to shake up an otherwise mature and stable industry such as the photography industry and has paved the way for a viable competitor such as Fuji Photo Film (USA) to Kodak. This phenomenon has contributed to Fuji making significant inroads into Kodak's once commanding US market share in particular and to its global share in general.

The relationship between Kodak and Fuji had always been adversarial, as competitors naturally are; however, it took a very serious turn in May 1995 when Kodak filed a Section 301 petition under US trade law. The petition claimed that Kodak's 7–10% market share in Japan was not a result of consumer choice and marketing efforts but rather a result of four principal Japanese wholesalers, backed by the Japanese government, that are exclusive Fuji film supporters. The success of Wal-Mart has taught retailers that diversification, scrambled marketing, and 'one-stop' shopping are important to consumers. As consolidation sweeps the nation with mass merchants, food and drug accounts retailers realise they must maintain their competitive advantage or close shop. To survive, they are squeezing manufacturers for quality products at competitive prices to capture profit margins for expansion within the industry. This environment has provided an opportunity for Fuji film to prosper in an otherwise stable and mature photographic industry.

Today an all-out war has emerged. While Kodak and Fuji fight for market share, the real winner and benefactor is the consumer. 'Retailers and consumers will be the big winners in this struggle for market share among the big players', says one retailer. 'We are going to get more incentives to sell merchandise and the consumer is going to see a lot more new products at lower prices'.[37] Kodak and Fuji deny they are engaging in a price war, but for each move Fuji makes, Kodak counters it with a vengeance. 'Smack them until they figure it out', is how Eric L. Steenburgh, Kodak's assistant chief operating officer, describes its strategy towards Fuji.[38]

Outgrowth of new markets

The World Development Report for 2003 states that

> … considerable uncertainty clouds trade growth prospects for 2003. The expectations of a war in Iraq caused a sharp increase of oil prices in the first quarter of 2003 and had a detrimental effect on business confidence and global stock markets. Oil prices started to weaken in the second half of April but remained above the preceding year's level. Information on economic activity in the industrial countries in the first months of 2003 has led to a marked downward revision of output growth in 2003, in particular for Western Europe. As Western Europe accounts for more than 40 per cent of world merchandise and commercial services trade, global trade will suffer accordingly.[39]

The global scenario is changing very fast in the emergence of the new markets: new business opportunities developed from European Community, enhanced by the reunification of Germany, and the thriving economies of the Pacific Rim countries during the nineties. The prospective business countries in the following decade are China, Latin America, and the emerging market-based economies in Eastern Europe. However, growing momentum towards privatisation and liberal policies show further promising markets in the developing countries.

The structure of the global textile market is fundamentally changing in response to policy reforms stemming from the 1995 Uruguay Round of the World Trade Organisation (WTO), which instituted agreements to reduce tariffs on textile and apparel products to levels closer to those found elsewhere in manufacturing. The Uruguay Round debate among the member nations of WTO also established the Agreement on Textiles and Clothing (ATC), which stipulated elimination of all bilateral import quotas, sanctioned under the 1974 Multi-Fiber Arrangement (MFA) by 2005. The global network of trade in textiles and apparel shifted significantly during 1990–2005 with many low-income countries benefiting from higher sales.[40] The annual expansion rate of textiles and clothing imports from China into Canada, the United States, and the EU was roughly halved between 2005 and 2006 in each of these three markets. The combined textiles imports of the three economies from China rose by 41% in 2005 and was estimated to have increased by 15% in 2006. Competition from low-cost suppliers in developing countries has put considerable pressure on established exporters of textiles and apparel, particularly those in the newly industrialised countries of Asia including Hong Kong, Macau, Singapore, South Korea, and Taiwan. Textile and apparel trade is strongly influenced by established networks and geographical proximity. Among the developed markets Japan's textiles and clothing imports are the most concentrated on China due both to geographic proximity and the absence of import quotas in the recent past. More than three quarters of Japan's textiles and clothing imports originated from China in 2006. The share exceeds 80% for clothing imports.[41]

Emerging markets, in partnership with business leaders, had pursued a variety of initiatives that had cut costs and provided new customer-focused products and services. It was not yet clear, however, what new business model would emerge:

> Today's marketplace isn't where clients are at all ready to pay explicitly for anything. But, in time, it is possible our clients will pick and choose. They might get their sales advice from one place and their research from another and they might trade in a third place and clear through a fourth entity – really unbundling the value proposition. So the challenge for us is to try to re-bundle things back together in intelligent ways that continue to add value to clients.[42]

Companies having an objective of territorial expansion used a three-pronged attack in their strategy to penetrate into emerging markets: offensive, defensive, and efficiency initiatives. Offensive initiatives were intended to gain market share where the company had not traditionally been a leader, and thus bring new revenues into the bank. Defensive initiatives attempted to preempt competitors' moves into markets where the company had traditionally dominated. Efficiency initiatives delivered cost savings to the bank from customer self-service or from straight-through processing that squeezed costs out of back-office processes. Asian markets for US products are growing faster than other countries as the European market for US products is declining. It has been found that the European market has declined from 31 to 20% for the US products while the share going to Asia has increased from 20 to 30% in 2005–7. Asian markets are very sensitive to most of the top brands of Western companies. The markets in Asian countries including Japan shoulder one-third of the luxury goods and fashion business and by 2005 this region comprised up to half of the global business of the luxury goods.[43] However, there remains an absence of well-functioning product markets in transition economies as a sufficient condition under which recovery process reduces output initially, while a Chinese-style reform increases output. Recovery process dismantles central planning or centralised organisation of production, permitting monopolistic and vertically interdependent enterprises to pursue their own monopoly profits by restricting output and inter-firm trade with the overseas markets. The Chinese reform, by maintaining central planning but allowing enterprises to produce for the emerging product markets after they have fulfilled their output quotas under planning, gives enterprises incentives to expand output beyond planned targets.[44]

Cannibalisation in global marketplace

Increasing competition in the global marketplace has induced large companies with high market share and brand equity to expand spatially their market operations. In this process, large companies tend to acquire smaller firms or get them merged with larger organisations on win-win negotiations. Although such a process has been established in the global marketplace as an effective strategy for the growth of business for the larger companies, it has been considered a survival tactic for smaller and weak business companies in the market. In the context of global competition this approach may be considered a process of cannibalisation. At the lower end of the market, value added resellers (VAR) also catalyse the cannibalisation in the global market. Remanufactured products do not always cannibalise new product sales. To minimise cannibalisation and create additional profits, firms need to understand how consumers' value remanufactured products. This is not a static decision and should be re-evaluated over the entire product life cycle. While firms exhibit responsibility to maximise profits for the firm, this is not necessarily equivalent to maximising new product sales. A portfolio that includes remanufactured products can enable firms to reach additional market segments and help block competition from new low-end products or third-party remanufacturers.[45]

The role of brand prices contributes towards product cannibalisation in the market. Price elasticity of competing firms poses major threat in the market and induces cannibalisation. It has been observed that often new entrants cannibalise market share of the large company's brand by the growth in sales of low cost brands.[46] Hence, there is a growing need for studying the effects of cannibalisation and its importance, which has been established in the literature, especially, since an assessment of the expected cannibalisation effect of a new product can help in deciding on

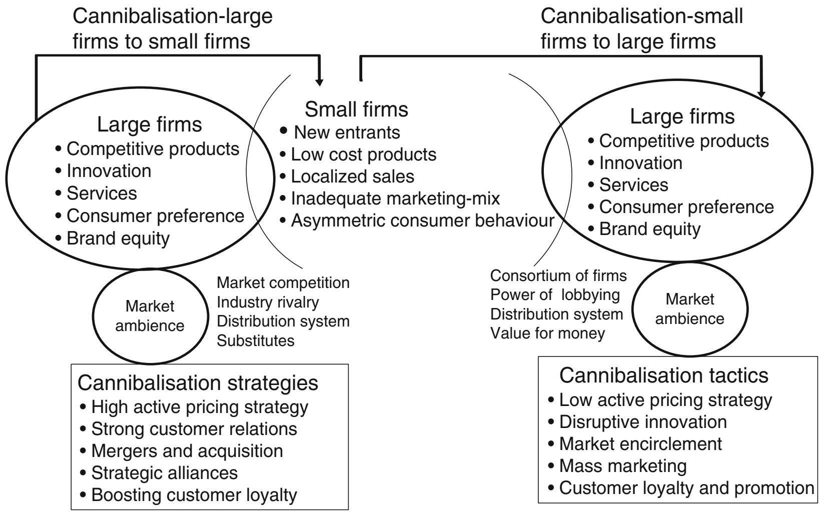

Figure 1.2 Cannibalisation in the global marketplace

suitable times for new product introduction and promotions. Successful companies encounter unique competitive challenges to grow in the competitive market. However, there are several product strategy initiatives that are relevant to all organisations seeking to develop market-driven strategies. Key initiatives include leveraging business design, recognising the growth mandate, developing market vision, achieving capabilities and value match, exploring strategic relationships, building strong brands, brand leveraging, and recognising the advantages of proactive cannibalisation.[47]

It may be observed from Figure 1.2 above that large firms move ahead in the marketplace against the smaller firms with competitive and innovative products, customer-centric services, and high brand equity. As large firms attempt to become market leaders in the given market, these firms tend to acquire small firms and build defence against competition in the marketplace. Large firms also acquire small and medium enterprises through the leverage buyout process in order to protect their (large firms') business interests. A leveraged buyout or LBO is a type of aggressive business practice whereby investors or a larger corporation utilises borrowed funds (junk bonds, traditional bank loans, etc.) or debt to finance its acquisition. Both the assets of the acquiring corporation and acquired company function as a form of secured collateral in this type of business deal. Often times, a leveraged buyout does not involve much committed capital, as reflected by the high debt-to-equity ratio of the total purchase price (an average of 70% debt with 30% equity). In addition, any interest that accrues during the buyout will be compensated by the future cash flow of the acquired company. Such acquisition of small and medium enterprises by the large firms indicates the cannibalisation tendency. In a competitive marketplace large firms also use high active-pricing strategy to attract customers by keeping the price high and investing more resources in building their brand equity. The tactical strategies of boosting customer loyalty and improving customer relations also help large firms to stay stronger in the market and outperform the small and medium enterprises by overriding their market shares.

On the contrary, in emerging markets such as Brazil, Russia, India, and China a consortium of small and medium enterprises with total export orientation operates on economies of scale and stays competitive in the marketplace posing threat to the large firms. India was one of the first economies in Asia to recognise the effectiveness of the Export Processing Zone (EPZ) model in promoting exports, with Asia's first EPZ set up in Kandla in 1965. With a view to overcome the shortcomings experienced on account of the multiplicity of controls and clearances, absence of world-class infrastructure, and an unstable fiscal regime and with a view to attract larger foreign investments in India, the Special Economic Zones (SEZs) Policy was announced in April 2000. This policy intended to make SEZs an engine for economic growth supported by quality infrastructure and complemented by an attractive fiscal package, both at the centre and the state level, with minimum possible regulations. The main objectives of the SEZ Act are

- generation of additional economic activity
- promotion of exports of goods and services
- promotion of investment from domestic and foreign sources
- creation of employment opportunities and
- development of infrastructure facilities.

It is expected that this will trigger a large flow of foreign and domestic investment in SEZs, in infrastructure and productive capacity, leading to generation of additional economic activity and creation of employment opportunities. Consortium of small and medium firms is capable of holding higher share of economic activity in developing market economies, and the market share of consortium firms in economic activity has grown throughout the twentieth century. On similar lines, the Finnish cooperative movement 100 years ago reminds us that cooperatives are a distinctly modern form of business organisation. They developed only in the late nineteenth century, well after investor-owned business corporations were already well established for organising business.

Firms in the competitive marketplace should analyse the effects of price and non-price promotional incentives on market shares of brands within a product category, in an attempt to differentiate between cannibalisation and competitive effects. The question is to what extent the growth in market share can be derived within a product line that has marginal differentiation among the products. This might cause competition among brands within the product category (cannibalisation) instead of brands of other firms existing in the marketplace (competition). It has been observed that cannibalisation effects across size-based formats of promotional incentives appear higher than competitive effects in the product category such as soft drinks. This may be as a result of a high degree of brand loyalty in this product category and a low degree of differentiation within the product line of each brand in this product category. Sales promotion is one of the marketing variables with the greatest scope and competitive potential that drives cannibalisation in the market. Measuring the difference between cannibalisation and competitive effects is a major concern for manufacturers to be able to assess the suitability of a promotional campaign.[48] Figure 1.2 exhibits the process of cannibalisation of large and small firms in the global marketplace.

Cannibalisation in the global marketplace is very common owing to the liberal entry policies adopted by many countries in response to globalisation. Expansion of product lines and continuous innovations drive cannibalisation not only for competing products but also within the product line of a company. Companies often design product lines by segmenting their markets on quality attributes that exhibit a 'more is better' or 'value for money' property for all consumers. Since products within a product line with marginal differentiation are close substitutes and consumers can self-select the products they want to purchase, often product overlap strategy of firms threaten competition among the products within the product line. Multiproduct firms need to meticulously address the cannibalisation problem in designing their product lines and avoid product overlaps. It has been observed that if lower-quality products are attractive, consumers with concern for 'value for money' may find them beneficial to buy over higher-quality products targeted at them. Accordingly, lower-quality products can potentially cannibalise higher-quality products. The cannibalisation problem forces the firm to provide only the highest-valuation segment with its preferred quality while other segments get lower qualities lower than anticipated. The firm may not serve some of the lowest-valuation segments when the cannibalisation problem is very severe. However, not much is known about how and when the cannibalisation problem affects product line design in an oligopoly. Also, consumers may differ not only in their quality valuations but also in their taste preferences.[49]

Under some conditions, the cannibalisation problem does not affect the firms' price and quality choices and each firm provides each segment with that segment's preferred quality. Each firm finds it optimal to serve both segments. In case consumer preferences of the high-valuation segments are sufficiently weak, more intense competition in the high-valuation segment is expected to reduce that segment's incentives to buy the product meant for the low-valuation segment. This mitigates the cannibalisation problem and makes it more likely for the low-valuation segment to get its preferred quality. Similarly, when firms are less differentiated in the low-valuation segment, stronger competition between the firms makes the cannibalisation problem worse, and the low-valuation segment may not get its preferred quality.[50]

Cannibalisation has also become a critical phenomenon in selling products and services of identical nature in the competitive consumer segment. Consider a seller who faces two customer segments with differing valuations of quality of a durable product where demand is stationary and known, the technology exists to release two products simultaneously, and the seller can commit in advance to subsequent prices and qualities. Should he introduce two differentiated products simultaneously? Under the simultaneous strategy, the lower quality would cannibalise demand for the higher quality. To reduce cannibalisation, the seller could lower the quality of the low-end model and reduce the price of the high-end. Alternatively, he could increase the quality of the low-end model, but delay its release.[51]

Burgeoning technology and its impact on the competitive advantage of the firm also prompt the brands of the company to cannibalise the existing brands in the market. The ability to keep up with changing technology is critical for a company's long-term survival. However, companies need to balance the risk of rushing into new areas and potentially cannibalising their existing business against the risk of dropping down their market share in the emerging markets. It has been observed that when new entrants penetrate into prevailing market niches, they pose higher threats to cannibalise the products of competing firms. Such crash entries of new firms pose threats to the existing firms irrespective of size and may remain as a contagious process. New entrant firms in the market are more likely to respond to innovations in their industry at par with their counterparts. However the threat of cannibalisation appears more critical for the firms that are similar in size and resources in a given market.[52]

Firms cannibalise in the marketplace to seize each others' market share using different approaches. Large firms adopt long-term plans as competitive strategies while small firms follow tactical and myopic approaches to gain higher-market share in a short span surpassing the existing firms. Common attributes of cannibalisation include use of disruptive technology, engaging in price war, introduction of new products, developing extensive customer loyalty programs, improving customer services, enhancing quality, and augmenting value for money.

Firms that have innovative strategies also exhibit cannibalisation attributes. The success of such attackers in gaining market share has created a big dilemma for established companies. On the one hand, by embracing the new business models that the innovators have introduced in their markets, established companies can potentially take advantage of a great growth opportunity. New business models often conflict with the established ones. It has been observed that the challenge for companies is to balance the benefits of keeping the new and existing business models separate while at the same time integrating them enough so as to allow them to exploit synergies with one another.[53]

Bottom of the pyramid firms: Survival and sustainability

In the growing competitive spree, multinational companies are exploring remote markets to position global brands. This strategy has leveraged market access of global brands to the regional level. Such accessibility to the markets is further reinforced by reducing the trade barriers through far-reaching business communication strategies, product and market development programmes and consumer relations. Markets for implementing brand strategies can be divided into three levels comprising premium markets, regular markets, and Bottom of the Pyramid (BoP) markets located in rural habitat in a region. Consumer behaviour towards large firms in the premium markets and regular markets are generally driven by push factors including brand equity, brand personality, and brand endorsements while brand strength is determined by the consumer pull factors like price advantage, social status, and perceived use value in the BoP market segments.[54]

Large firms in the global marketplace strive to reach the lowest consumer segments by generating social impact and financial viability that provide optimal value for money to consumers. Thus popular firms demonstrate higher brand equity at various tiers of market in a given region and assume a challenging role to meet the twin goals of commercial profitability and social development of the firm.[55] Firms with larger market share and higher equity implicitly signal lower perceived risk and higher acceptance by the marketplace. Such firms also tend to have larger resources, higher brand equity, buying incentives, and increased loyalty, and undertake higher advertising levels at the bottom line markets.[56]

The competing firms show higher concerns on quality, cost, and management factors in order to prove better over others in the marketplace. Competing firms try to attract the consumers by various means to polarise business and earn confidence in the market place. It is necessary for successful business firms to look for such a place of business, which provides them better location advantage and holds the consumers for their goods and services. Business cordoning or securing the trade boundaries is an essential decision to be taken by the competitive firms for building competitive strategies to attack rivals in the marketplace.

The Darwinian principle of struggle for existence for the firms at the bottom of the pyramid market segments of the society argues that moving beyond decades of mutual distrust and animosity; competitors keep learning to cooperate with each other for mutual gains. Realising that their interests are converging, firms are working together to create innovative business models that are helping to grow new markets at the bottom of the pyramid market segments. Firms from Brazil, Russia, India, and China are also eager to enter the global marketplace. Yet multinational companies typically pitch their products to the tiny segments of affluent buyers in the emerging markets, and thus miss out on much larger markets further down the socio-economic pyramid.[57] The BoP philosophy of business further argues that by stimulating commerce and development at the bottom of the economic pyramid, multinationals could radically improve the lives of billions of people and help create a more stable, less dangerous world. Achieving this goal does not require MNCs to spearhead global social-development initiatives for charitable purposes but rationally establish business by positioning global brands also in the BoP markets.[58]

It may be cited in this context that in the 1970s, the early marketing activities of Hindustan Unilever (HUL) in India tended to focus upon the urban middle class and elite. Meanwhile, an Indian entrepreneur produced and marketed a detergent, *Nirma,* targeting the bottom of consumer segments sector and the brand turned out to be the second largest volume seller in the country[59] by 1977. In the skin care market, besides competition from leading global players, HUL has also been losing share to south-based player Cavincare Ltd. In the foods business, Tata Tea in packet tea, Nestle in coffee and culinary products, Gujarat Cooperative Milk Marketing Federation with Amul brand in ice creams, and Godrej Pillsbury in staple food are the main competitors. Profitable growth is the revised focus of the company in contrast to strategy of expansion through acquisition, woven around rationalisation. A focus on 30 power brands, which are major contributors to profitability, seeking new avenues of expanding distribution reach, improving profitability of foods businesses, which is in the investment phase are the thrust areas in BoP market segments. The strategies for slow moving consumer goods marketing of multi-brand firms are being strengthened by partnerships through the technological expertise in rural or sub-urban retailing.[60]

The BoP marketing strategies are dedicated towards stimulating commerce which reveals that multinationals could radically improve the lives of billions of people and help create a more stable, less dangerous world. Achieving this goal does not require a multinational company to spearhead global social-development initiatives for charitable purposes. Prahalad along with Hammond[61] laid out the business case for entering the world's poorest markets deliberating that 65% of the world's population earns less than US $2,000 per year, that is four billion people. But despite the vastness of this market, it remains largely untapped. The philosophy of managing bottom-line markets gave a clear indication to the multinational companies that the reluctance to invest is easy to understand, but it is, by and large, based on outdated assumptions of the developing world. Although individual incomes may be low, the aggregate buying power of poor communities is actually quite large, representing a substantial market in many countries for what some might consider luxury goods like satellite television and phone services. Because these markets are in the earliest stages of economic development, revenue growth for multinationals entering them can be extremely rapid.

The debate on BoP markets throws various perspectives concerning global firms which confront their own preconceptions particularly about the value of high-volume, and low-margin businesses for companies to master the challenges or reap the rewards of these developing markets. Thus global firms need to consider all six billion people on the planet as their marketplace.[62] Global firms could augment revenue through poverty alleviation as the poor deserve world-class products and services. The lifestyles of the poor are different than their income levels might suggest, as can be seen from the way poor people allocate their income to consumption.[63]

Global companies are targeting their brands in BoP market segments comprising large consumer communities with small per capita purchases. These companies are developing BoP market strategies based on personal brand relationships, with local institutions retailers or distributors of global brands in the region. BoP market segments have been identified as potential outlets for global brands when the semi-urban and rural markets are modernised. Globalisation has segregated the consumer behaviour in rural and semi-urban marketplaces and influenced with the urban marketplaces.[64]

Intensive competition from global firms not only decreases the market share of small and medium enterprises that are grown locally but also induce price wars reducing profit margins and limiting market growth of firms. This situation motivates companies to consider positioning their brands in the unexplored markets and by targeting these segments with products in small packs at lower price points; companies might experience great success.[65] The BoP market segment which constitutes large number of small consumers has become the principal target of most of the consumer brands emerging from multinational firms. The brands penetrating the BoP of market should provide constancy and agility at the same time. Firms should ensure consistent strategy to build awareness and credibility while agility in the brand builds perceived values among consumers. Agility is required if the brand is to remain relevant in a free marketplace.[66]

Globalisation thrust in the market has increased competition on the one hand and behavioural complexities of consumers on the other. The traditional marketing and branding strategies of multinational firms are gradually refined in reference to changing business dimensions to gain competitive advantage. It is observed that in current times marketing-mix strategies considerably influence branding strategies in different types of markets. Marketing-mix has now stretched beyond product, place, price, and promotion dimensions to packaging, pace (competitive dynamics), people (sales front liners), performance of previous brands, psychodynamics (consumer pull), posture (brand and corporate reputation), and proliferation (brand extension and market expansion). Based on the attributes of brands discussed in the pretext, the functional paradigm of brands in BoP markets is exhibited in Figure 1.3.

Previous researches have established that there is a close relationship between the firm's attributes and the corporate image concerning the emotional values of consumers. This relationship in turn influences the consumer's responses towards building brand loyalty at the lower layer of markets in a region.[67] The quality connection between personality traits and corporate image depends on the perceived attractiveness of the brand to a large extent. However, the role of attractiveness in the relationship varies across individual brand personality dimensions.[68]

Firms penetrating the BoP market segment largely affirm the value to the consumers in reference to the strategies pertaining to product, price, place, promotion, packaging, and psychodynamics. When a firm in BoP market segment is supported by these strategies, it develops consumer-pull effect and becomes more tensile. Such firms face consumer sluggishness in the beginning but become strong over time with increasing consumer satisfaction on the brand. On the contrary, the global firms are found to be initially stronger in perceptional values of consumers which turn sluggish overtime as the new brands penetrate into the BoP market. Thus, often consumer brands in the premium markets live in agility. The relationship between the brand and consumer personalities has three dimensions – strong, vacillating,

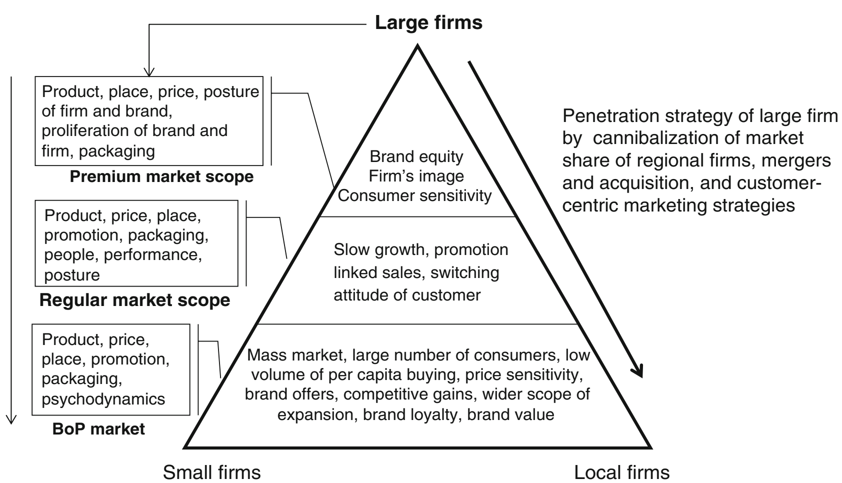

Figure 1.3 Bottom of the Pyramid (BoP) competition management strategy

and weak. The strong hold of the relationship leads to loyalty development while the weak links form the discrete relationship. The vacillating dimension thereof cultivates the risk of brand switching due to uncertainty of consumer decision to get associated with the brand or otherwise.

Firms in BoP market segments are largely identified in the context of packaging. A study revealed that rural residents in India found that packaging is more helpful in buying; that better packaging contains a better product; and that they are more influenced by the ease of storing a package than their urban counterparts. Easy-to-carry size of package, gross weight, simplicity, transparency, and similarity of packaging have also emerged as critical brand identity factors among the consumers of BoP market segments in urban areas.[69] BoP brand strategy demands intensive advertisements, sales schemes, and attacking sales force. BoP brands should show strong point of purchase displays, sales promotion schemes, and consumer response analysis at retail outlets. Brand equity and price premium on consumer products in the BoP market segments delineate the role of uniqueness, together with the awareness, qualities, associations, and loyalty as principal dimensions of brand. Relevant brand associations like origin, health, organisational associations, and social image along with the quality attributes such as taste, odour, consistency/texture, appearance, function, packaging, and ingredients are the major variables that influence consumer behaviour towards brands in the BoP market segments.

Further reading

Christensen, C., Baumann, H., Ruggles, R., and Sadtler, T. (2006), 'Disruptive innovation for social change', *Harvard Business Review*, 84 (12), 94–101.

Crittenden, V. L. and Wilson, E. J. (2002), 'Success factors in non-store retailing: exploring the Great Merchants Framework', *Journal of Strategic Marketing*, 10 (4), 255–72.

Hunt, S. D. and Morgan, R. M. (1995), 'The comparative advantage theory of competition', *Journal of Marketing*, 59 (2), 1–15.

Narver, J. C. and Slater, S. F. (1990), 'The effect of market orientation on business profitability, *Journal of Marketing*, 54 (4), 20–35.

Parsons, A. G. and Ballantine, P. W. (2004), 'Market dominance, promotions, and shopping mall group performance', *International Journal of Retail & Distribution Management*, 32 (10), 458–63.

Reichheld, F. (1996), *The Loyalty Effect*, Boston, Harvard Business School Press, Boston, MA.

Ruekert, R. W. (1992), 'Developing a market orientation: An organizational strategy perspective', *International Journal of Research in Marketing*, 9 (3), 225–45.

Shy, O. and Stenbacka, R. (2008), 'Price competition, business hours and shopping time flexibility', *The Economic Journal*, 118 (531), 1171–95.

Timothy, J. R. and Stephen, F. H. (2006), 'Rivalry in price and variety among supermarket retailers', *American Journal of Agricultural Economics*, 88 (3), 710–26.

Wang, L. and Lo, L. (2007), 'Global connectivity, local consumption, and Chinese immigrant experience', *GeoJournal*, 68, (2–3), 183–94.

2
Understanding Market Competition

Competition may be characterised as striving together to win the race, not to destroy the other competitors, from the point of view of the supporters of globalisation. Local market competition is targeted towards the customers, and the competitors strive to win the customer, temporarily or permanently. However, in the business-to-business process, the competition may turn more tactical and strategic in order to outperform rivals firms. In this way competition can be seen as a regulated struggle. There are rules of economic competition and they do not generally include the destruction of competitors. The technology of marketing research is devoted to the difficult tasks of discovering customer needs, and the sub-disciplines of consumer and organisational buying behaviour attempt to provide theoretical bases for the results. In this process the emphasis is on determination to win customers where competitors turn tactical towards brand or product positioning. The discussion in this chapter is woven around the above arguments and shares academic insights on learning market competition, competitive strategy, technology and competitive advantage, defensive growth process of firms, and process of strategy implementation in the competitive marketplace.

Theoretical framework of competition

The philosophy of the free enterprise system has been built on the basics of competition. Competition is found in all marketing functions which include the prices at which products are exchanged, the attributes and qualities of products manufactured, the volume of products exchanged, the methods of distribution, and promotion. The school of thought, which has constructed competition-related theories, may be categorised in two groups: economic theory and industrial organisation perspective. Economists of the former group have discussed many different models of competition. The focus of their work is the model of perfect competition, which is based on the premise that, when a large number of buyers and sellers in the market are dealing in homogeneous products, there is complete freedom to enter or exit the market and everyone has complete and accurate knowledge about everyone else. The latter group of the school of thought on competition in reference to industrial organisations postulates that a firm's position in the marketplace depends critically on the characteristics of the industry environment in which it competes. Industry environment comprises structure, conduct, and performance. Structure refers to the economic and technical perspectives of the industry in the context in which firms compete. It includes concentration in the industry such as the number and size distribution of firms, barriers to entry, and product differentiation. Competition theories have further laid emphasis also on the market competition on functional dimensions, which include non-price competitions towards the product differentiation and quality competition. Products are differentiated when the products of different firms are not perfect substitutes and companies may compete by changing the characteristics of the product they sell. Such strategy may not necessarily be appropriate to make a product better than the competitor, but may serve to differentiate it in order to create an appeal in a different *market niche*.

Niche strategies provide a classic instance of such situations. No market is entirely homogeneous. There are always groups of customers that differ in terms of their needs. There exists the possibility of the occurrence of niches which individual competitors may occupy. Niches are unlikely to be complete, separate, and well-defined. There will always be an overlap. However if such niches are rather subtly defined, they may not always be obvious to all the players. Thus niche players may appear to compete but in practice do not do so or at least not fully. The competitive strategy of product differentiation helps the company in enhancing the product-mix by introducing many varieties, which increase the range of consumer choice. However, it divides the market, leading to higher prices and costs for the firm. From an economist's point of view this definition of competition appears closer to the category of monopolistic competition. In this case it is assumed that a large number of buyers and sellers exist, with each seller producing a variety of the essentially differentiated product which characterises the product group. The distinctive features of each attribute to the firms in gaining small positive monopolistic advantage. This in turn accords the firms in question some of the features of the monopoly described earlier, but at a more modest level. The precise level of monopoly power enjoyed by each of the firms depends crucially upon the number of competing varieties in the market, and the distribution of consumers' preferences.

Since the 1960s, however, sophisticated economic theories of how firms work have been developed. These have examined why firms grow at different rates and tried to model the normal life cycle of a company, from fast-growing start-up to lumbering mature business. The more competition there is, the more likely are firms to be efficient and prices to be low. Economists have identified several different sorts of competition. In perfect competition every firm is competitive and plays in the market as a price taker. Where there is a monopoly, or firms have some market power, the seller has some control over the price, which is probably higher than in a perfectly competitive market. By how much more will depend on how much market power there is, and on whether the firms with the market power are committed to profit maximisation. Firms earn only normal profits, the bare minimum profit necessary to keep them in business. If firms earn more than this (excess profits), other firms will enter the market and drive the price level down until there are only normal profits to be made. Market power may be stated as when one buyer or seller in a market has the ability to exert significant influence over the quantity of goods and services traded or the price at which they are sold. Market power does not exist when there is perfect competition, but it does when there is a monopoly, *monopsony*,[1] or oligopoly. The basic attributes of the monopolistic competition include

- many buyers and sellers
- differentiated products
- sufficient knowledge
- free entry.

The hairdressing industry may be a good example to understand monopolistic competition. There are many hairdressers in the country, and most hairdressing firms are quite small. There is free entry and it is at least possible that people know enough about their hairdressing options so that the 'sufficient knowledge' condition is fulfilled. But the products of different hairdressers are not perfect substitutes. At the very least, their services are differentiated by location. A hairdresser in downtown Mexico may not be a perfect substitute for a hairdresser in the suburbs, although they may be good substitutes from the point of view of a customer who lives in the suburbs but works in downtown. Hairdressers' services may be differentiated in other ways as well. Their styles may be different; the decor of the salon may be different, and that may make a difference for some customers; and even the quality of the conversation may make a difference. A customer of a hairdressing firm may change hairdressers because an old hairdresser was an outspoken market protectionist.

In the contemporary analysis of competition and related strategies thereof, it is observed that the competitive firms intend to ascertain a continuous organisational learning process with respect to the value creation chain and measure performance of the new products introduced in the market. In the growing competitive markets the large and reputed firms are developing strategies to move into the provision of innovative combinations of products and services as 'high-value integrated solutions' tailored to each customer's needs rather than simply 'moving downstream' into services. Such firms are developing innovative combinations of service capabilities such as operations, business consultancy, and finance required to provide complete solutions to each customer's needs in order to augment the customer value towards the innovative or new products. It has been argued that the provision of integrated solutions is attracting firms traditionally based in manufacturing and services to occupy a new base in the value stream centred on *systems integration* using internal or external sources of product designing, supply, and customer focused promotion.[2] Besides the organisational perspectives of enhancing the customer value, the functional variables like pricing play a significant role in developing the customer perceptions towards the new products.

Taxonomy of market competition

Most markets exhibit some form of imperfect or monopolistic competition. There are fewer firms than in a perfectly competitive market and each can create barriers to some degree. A firm may own a crucial resource, such as an oil well, power generation, or it may have an exclusive operating licence, which restricts other competitors from entering the business. Operating on economies of scale for a large firm may also have a significant competitive advantage as it may enjoy a large volume of production at lower costs which may further lead to the price leadership with low retail prices. Such strategy would also prevent potential competitors from entering the business. An incumbent firm may make it hard for a would-be entrant by incurring huge sunk costs with high budget advertising. In view of such strategy any new entrant may strive to compete effectively but may lose the market share if the attempt to compete would fail. The sunk costs are costs that have been incurred and cannot be reversed such as spending on advertising or researching a product idea. They can be a barrier to entry. If potential entrants would have to incur similar costs, which would not be recoverable if the entry failed, they may be scared off. Another radical strategy may be used by the powerful firms to discourage entry by raising exit costs, for example, by making it an industry norm to hire workers on long-term contracts, which would build the escalated cost barriers for rival companies. Thus firms can earn some excess profits without a new entrant being able to compete to bring prices.

> The high-performing companies like Barclays, Cisco, Dow Chemical, 3M, and Roche drive to establish some basic rules for setting and delivering strategy which include simple executable strategy, realistic, short-run result oriented and transparency in process of strategy implementation. The above companies work on debating over the assumptions, and do not construct strategic frameworks on forecasts. The high-performing companies create cross-functional teams drawn from strategy, marketing, and finance to ensure the assumptions underlying your long-term plans which reflect both the real economics of the company's markets and its

> actual performance relative to competitors. It has been observed that rigorous analytic framework is used by the high-performing companies. Such companies as above ensure that the dialogue between the corporate office and the business units about market trends and assumptions is conducted within a rigorous framework, such as that of *profit pools*. These companies manage the resources deployments early to support the scheduled production and marketing activities. Proper resources management would in turn help the company create more realistic forecasts and more executable plans by discussing up-front the level and timing of critical deployments. The companies like Barclays, Cisco, Dow Chemical, 3M, and Roche clearly identify priorities and prioritize tactics so that employees have a clear sense of where to direct their efforts and continuously monitor performance. Tracking resource deployment, monitoring and evaluating results against plans, using continuous feedback to reset assumptions and reallocate resources have been principal activities performed by the business monitoring centers of these companies. The monitoring and evaluation reports are directly reported to the top management periodically. The reward is set for the best strategy, product, brand and sales managers who achieve the targets and non-planned market shares in the up-stream markets. These companies also develop execution capabilities and motivational tools for the staff. Following these rules strictly the high performing companies narrow the strategy-to-performance gap and achieve sustainable growth among the competitors.[3]

The least competitive market is a monopoly, dominated by a single firm that can earn substantial excess profit by controlling either the amount of output in the market or the price but not both. In this sense it is a price setter. When there are few firms in a market (oligopoly), they have the opportunity to behave as a cartel. A cartel may be described as an agreement among two or more firms in the same industry to cooperate in fixing prices and/or carving up the market and restricting the volume of production they handle. A market dominated by a single firm does not necessarily have monopoly power if it is a contestable market.

Monopolistic competition in the marketplace holds the control of a single firm over its products and influences the market price of its product by altering the rate of production. Monopolistic firms engage with such products that are not perfect substitutes or are at least perceived to be different to all other brands products. Unlike in perfect competition, the monopolistic firm does not produce at the lowest-possible average total cost. Instead, the firm produces at an inefficient output level, reaping more in additional revenue than it incurs in additional cost versus the efficient output level. Such firms produce identical products except for branding, but due to a relatively low number of firms, which control the vast amount of the product, can control the price to an extent by decreasing supply slightly. Contrary to the monopolistic firms in the market, there exists perfect competition. Perfect competition is an economic model that describes a hypothetical market form in which no producer or consumer has the market power to influence prices. While monopolistic competition is inefficient, perfect competition is the most efficient, with supply meeting demand and matching with the production incurring minimal or no costs on inventory. However, most countries prevent entry of firms into a monopolistic market due to the ethical considerations, high costs to customers or other impediments, which may be economic, social, or political. Despite such regulations, the government of a country can create a monopoly over an industry that it wants to control, such as electricity or petrol. Another reason for the barriers against entry into a monopolistic industry is that oftentimes one entity has the exclusive rights to a natural resource. For example, in Saudi Arabia the government has sole control over the oil industry. A monopoly may also form when a company has a copyright or patent that prevents others from entering the market.

There exists a near-monopoly market of coal sector in India. Coal is abundant in the country and is largely used in production of thermal power. As the country is moving towards globalisation, demand for thermal electricity will continue to rise, roughly in line with economic growth. India has the world's fifth-largest coal reserves. The country has mined some $130 billion of coal for the power industry in the past five years, of which about $60 billion has come from the private sector probably the largest-ever private-sector investment in India. Accordingly, over half of the coal production is controlled by Coal India Ltd. It maximises profits and the dividend it pays to the government, despite the fact that it is enjoying a near-monopoly.[4] The emerging markets in the world are flourishing; state-controlled enterprises have been at the verge of decrease in the past decade (2001–10). The Chinese no longer see state-directed firms as a way-station on the road to liberal capitalism; rather, they see it as a sustainable model. It is argued by Chinese economists that declining state-led firms are leaning towards redesigned capitalism to make it work better, and a growing number of world leaders agree with them. The Brazilian government, which embraced privatisation in the 1990s, is now interfering with the likes of Vale and Petrobras,[5] and compelling smaller companies to merge to form national champions. South Africa is also flirting with the model.

In an oligopolistic market competition, there are only a few firms that make up an industry. This select group of firms has control over the price and like a monopoly an oligopoly has high barriers to entry. The products that the oligopolistic firms produce are often nearly identical and, therefore, the companies, which are competing for market share, are interdependent as a result of market forces. The fostering of successful private companies becomes particularly attractive in global markets. The clearest example is the Internet, in which China's state-controlled news providers and broadcasters have the resources and content to succeed but have failed to create much noise.

There is no single theory of how firms determine price and output under conditions of oligopoly. If a price war breaks out, oligopolistic firms will produce and price much as a perfectly competitive industry would; at other times they act like a pure monopoly. But an oligopoly usually exhibits the following features:

- Product branding: Each firm in the market is selling a branded (differentiated) product.
- Entry barriers: Significant entry barriers into the market prevent the dilution of competition in the long run which maintains supernormal profits for the dominant firms. It is perfectly possible for many smaller firms to operate on the periphery of an oligopolistic market, but none of them is large enough to have any significant effect on market prices and output.
- Interdependent decision-making: Interdependence means that firms must take into account likely reactions of their rivals to any change in price, output or forms of non-price competition. In perfect competition and monopoly, producers need not consider a rival's response when choosing output and price.
- Non-price competition: Non-price competition is a consistent feature of the competitive strategies of oligopolistic firms. Examples of non-price competition include
    - free deliveries and installation
    - extended warranties for consumers and credit facilities
    - longer opening hours (e.g., supermarkets and petrol stations)
    - branding of products and heavy spending on advertising and marketing
    - extensive after-sales service
    - expanding into new markets and diversification of the product range.

On the contrary non-price competition assumes increased importance in oligopolistic markets. Non-price competition involves advertising and marketing strategies to increase demand and develop brand loyalty among consumers. Businesses will use other policies to increase market share:

- Better quality of service including guaranteed delivery schedules for consumers and low-cost servicing agreements
- Longer opening hours for retailers, 24-hour telephone and online customer support
- Extended warranties on new products
- Discounts on product upgrades when they become available in the market

- Contractual relationships with suppliers – for example the system of tied houses for pubs and contractual agreements with franchises (exclusive distribution agreements)

Oligopoly is considered to be a healthy condition for market competition. In this kind of competition, market leaders need challengers to keep them dynamic in the marketplace. For example, let's consider Microsoft Corporation's curious love-hate tango with Netscape Communications Corporation. In the ongoing government antitrust trial, Microsoft faces allegations that it first proposed dividing the Internet-browser market with Netscape, creating a nice little oligopoly for the two of them, and then attempted to crush the fledgling company when it refused. Microsoft denies that it occurred. Still, it is clear that Netscape's existence prodded Microsoft to pour huge resources into improving its own browser.[6]

An environment surrounding a specific product or market concerning the competition rather than a country's overall economic environment is known as the microeconomic environment. A careful analysis of a microenvironment indicates whether a company can successfully enter a specific market. It may be hypothesised that rising prosperity of a nation depends on the productivity with which it uses its human, capital, and natural resources. This is manifested in the way in which a nation's firms compete. Productivity, in turn, is a function of the interplay of many factors including political, legal, and macroeconomic context; the quality of the microeconomic business environment; and the sophistication of company operations and strategy. Together they determine the capacity of a nation to produce internationally competitive firms and support rising prosperity. A context that creates pressure for firms continuously to upgrade the source and sophistication of their advantage and at the same time supports the upgrading process is a favourable microeconomic context. Pressure for upgrading is supplied by *demand conditions* featuring sophisticated and demanding customers, whose demands spur the local firms to innovate in order to upgrade their product/service offerings. Particularly valuable is the pressure from local customers that anticipate the nature of demand elsewhere in the world. Different competitors, however, might aim to satisfy different types of demand: existing, latent, or incipient. *Existing demand* refers to a product bought to satisfy a recognised need. *Latent demand* applies to a situation where a particular need has been recognised, but no products have been offered. *Incipient demand* describes a projected need that will emerge when customers become aware of it sometime in the future.

Competition may be analysed in reference to the characteristics of products as breakthrough, competitive, and improved. A *breakthrough product* is a unique innovation that is mainly technical in nature, such as the digital watch, VCR, and personal computer. A *competitive product* is one of many brands currently available in the market and has no special advantage over the competing products. An *improved product* is not unique but is generally superior to many existing brands. For example, let us assume Aubrey Organics is interested in manufacturing shampoo for tender hair in Turkey and seeks entry into the emerging market in the Middle Eastern countries. The company finds that in addition to a number of local brands, Johnson & Johnson's baby shampoo and Helene Curtis Industries' Suave Shampoo are the competitive products in the market. Procter & Gamble has recently entered the market with its Pantene Pro-V brand, which is considered as an improved product. Most of the competition appears to be addressing the existing demand. However, no attempts have been made to satisfy latent demand or incipient demand. After reviewing various considerations, Aubrey Organics may decide to fulfill latent demand with an improved offering through its Camomile Luxurious brand. Based on market information, the company reasons that a hair problem most consumers face in that part of the world is dandruff. No brand has addressed itself to that problem. Even Procter & Gamble's new entry mainly emphasises health of hair. Thus, analysis of the competition with reference to product offerings and demand enables Aubrey Organics to determine its entry point into the market of Middle Eastern countries.

The contemporary ideology on the competition emphasises largely on the competitive environment which contribute to various dimensions of rivalries. It has been observed that the low-end competitor indulging a company in offering much lower prices for a seemingly similar product has been the common fear of each industry leader managing his business among competitors. The vast majority of such low-end companies fall into one of the four broad categories which include strippers, predators, reformers, or transformers.[7] Each of these is defined by the functionality of product and the convenience of purchase. Industry leaders have significant advantages for combating low-end competition, but they often hesitate because they're afraid their actions will adversely affect their current profit margins. The solution then may be to find the response that is most likely to restore market calm in the least disruptive way. An industry leader could choose to ride out the challenge by ignoring, blocking, or acquiring the low-end competitor or it could decide to strengthen its own value proposition by adding new price points, increasing its level of benefits, or dropping its prices. Such tactics can be effective in the short term, but the industry leader also needs to consider strategic retreat, particularly when certain conditions make future low-end challenges inevitable.

Competitor learning

There are many ways of competitor learning process. Comparative learning occurs when two or more competitors are compared and contrasted. It especially entails analysis of outputs which is necessary frequently to compare and contrast the projections of two or more competitors' future strategies as a means of anticipating which competitors are likely to do what and when. It is also often necessary to compare and contrast how competitors are responding to the focal firm's own initiatives. The process of descriptive learning of competitors involves learning about the individual competitors at the basic level in reference to capturing the processing data and information about the competitor to identify the facts and features. This learning tool supports the inputs to comparative learning. Many of the concepts and analysis tools such as marketplace strategic activity, value chain, assumptions, resources, and competency facilitate comparisons across two or more competitors. The comparative learning process generates insights and inferences that cannot be derived by examining individual competitors in isolation. The competitor learning process is exhibited in Figure 2.1.

Learning is a cognitive process as customer decisions make sense of the world around them. They select and array the information, permeate data with meaning, draw inferences from incomplete data, and portray the results. Thus, the wide variety of analysis tools and techniques presented throughout the remaining chapters are intended as aids to interpretation. Learning is also a collective process though transforming individual learning into organisational learning is a difficult task. Learning truly occurs when individuals share their knowledge, challenge each other, and reflect on each other's judgments and assessments.

Understanding and analysing each move of the competitor and using the output to developing counter strategy may be defined as the process of the competitor learning. This integrates the process of knowledge management through four stages as exhibited in the Figure 2.1. The company must make assessment of the existing needs, historical perspectives and develop the knowledge bank accordingly to help in decision making and scheduling the actions. The actions need to be taken by the company as required for the situation in view of projecting the facts and beliefs more effectively among the customers. The learning exercises may take place with individuals and groups who are engaged in decision making. It is necessary to build-up strong, comprehensive, and reliable database for capturing the activities of

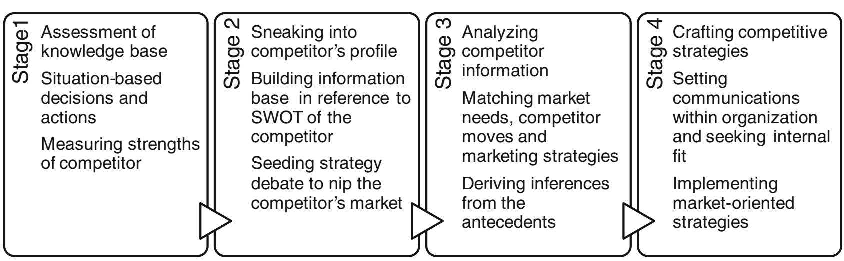

Figure 2.1 Competitor learning model

any business rival or competitor. Data is thus the basic input for competitor learning. In the process of capturing the competitor's moves the first task is to determine the data requirement and issue clear instructions to the database managers (DBM). The DBMs have to first identify the data sources, prepare checklist of information, collect data, and submit it for analysis to the competent department or agency. The information collection is a very vulnerable issue and there may be many companies looking for the similar sets of information. Hence taking the opportunity first is always advantageous in the business. The major task in processing the data is proper interpretation of results. There should be no biases and the results of the analysis should be able to detect some signals. The crafting of the information outputs is one of the important tasks which should give a shape to the output. The outputs are crafted to inform the decision makers and influence decision making in the interest of the business. The factors influencing competitor learning are as presented below:

- Indications of competitor moves
- Announcements of competitor strategies
- Informal discussions of market players in the industry with competitors
- Discussions of competitors and explanations of their own moves with the consumers
- Observations on tactics for short-run gains used by the competitors
- Implementation of competitor strategies concerning long-run business growth
- Divergence from the previous business policies, and
- Aggressive and defensive marketing strategies.

The two core concepts of the competitor learning process are *efficient* and *effective* learning. The former refers to the learning input-output ratio. The input for the learning process is the competitor data and the output includes the change in knowledge level. The effective competitor learning addresses the output-decision relationship. In the process of competitor learning both efficiency and effectiveness need attention and require data, information and intelligence. Data constitute the basic input in the process of competitor learning. The data about any competitor may be put into three broad categories viz. behavioural pattern of the competitor, statements pertaining to the competitor, and organisation change. The individual actions of competitors or the patterns displayed thereof are referred as the competitor behaviour. The actions may be analysed in reference to the market place strategy, customer relationship, brand management, sales and promotion of the products and services in the region. The statements of the competitors may be of various types such as the performance data, announcements, annual reports, and the like. These constitute formal business communications made in the public periodically. The informal communications on the other hand are largely oral comments delivered by the channels, competitors' personnel and high profile rivals, though these statements are not authentic. However, such informal information may be very useful to build strategies down to reality for outwitting the competitors in the market. The changes in the business strategies, financial status, business credentials, and production and sales data represent the data on organisational change. Such information plays significant role in understanding the latest moves of the competitor in the market and allows the new entrants to build shield for their business as well as develop strategies to overcome the competitive blockades. It is essential that the data on the competitor's strategies should have following attributes for efficient and effective analysis:

- Quantification
- Temporal values i.e., time series data
- Precision, and
- Description and opinion.

It is necessary to look into some of the information errors that may occur during the data collection process. The fallacy of misplaced facts is most common among various problems in data collection. The information on the projections of the cash flows, sales, and production levels are more vulnerable for the competitors as well as the customers and investors in business. The information error also constitutes the misconstrued pattern or underlying structure in a set of information or data. Such information errors are based on the assumptions drawn by the information collectors and disseminators. However, the exaggerated information provided to the strategy builder or decision makers is also one of the common information errors that occur often in the process of outwitting the competitor from the market. Evidence for the success of relationship marketing remains contradictory, with practitioners reporting that most relationship marketing efforts fail, and academic researchers suggesting that further exploration of the boundary conditions of relationship marketing are needed. A number of researchers have identified changes in the competitive environment as the basis for the adoption of relationship marketing, although recent research suggests a more complex, contingent view.[8]

A common mistake many firms make is to start by collecting information without thinking how the information will be used. Such junk data has no value and it will be just shelved. The information needs to be comprehensive and adequate to help analysis of the strategic or tactical decisions on the role of competitors and vital indicators. If a firm is planning a new product, information on the status of the competitors in the area will help in the decision processes and plans for this new product. Alternatively, the firm may review how the industry will develop in future towards the market leadership, potential merger, and acquisition or business partnership. The information requirements for each of these business decisions will be completely different and so the information that should be sought will also be different. Thus before starting to search for information, the competitor analyst needs to sit back and define what the firm is looking for and why. It is important to identify the key areas of concern for the business decision makers requesting the information, and aim to satisfy these. The supplementary information may be interesting, but unless it helps the decision process it should be viewed as superfluous, and should be stored for use at another time or even ignored if it is unlikely to ever have value. Hence, a firm may streamline its search needs towards better planned and focused strategies which would help in answering various intelligence requirements of the business.

The Asian product and services industry has posed a major competitive threat to the western countries. The principal concern for many firms is the impact of low-cost Chinese manufacturing and Indian services on global pricing. Focusing on this concern alone represents a profound misunderstanding of the nature of the competitive threat. Emerging markets might seem an implausible wellspring of innovation. Certainly, most of the companies must overcome significant obstacles to threaten those in developed ones. Yet the challenge remains of serving the harder-to-reach and more cost-conscious consumers of developing countries who are also typically less loyal to established brands. Such challenge may force companies to design and deliver products comparable to the offerings of developed nations for as little as one-fifth the price in order to stand competitive in the price sensitive markets. Doing so requires big changes to the design of products and processes, and these changes may soon affect developed markets dramatically to reconcile their competitive strategies. The spread of Chinese products as low-priced mass-market drivers may be described as the case of extreme competition wherein, an oversupply of labour, infrastructure, production, and capital has weakened the performance of whole industry while helping upstarts to challenge their established positions in global markets.

Many multinational companies are now advertising their services, and some specialise in offering information that can be used for competitor research. Some of them include Dun & Bradstreet (D&B) with a database of over 30 million companies worldwide. The information on patents can be obtained from companies such as Derwent Information or from local patent offices. And global press information is available from databases made available by companies such as Dialog, Lexis-Nexis and Factiva. There are numerous other web-sources which include discussion forums, web-logs (blogs), protest groups, customer and governmental sites, and so on.

Competitor learning models

It is essential that any company planning for competitive strategies should possess high learning skills in order to collect right information, analyse, and interpret the results. The organisation's knowledge about competitor and his moves broadly consists of perceptions, beliefs, assumptions, and projections. Learning as the detection and correction process has varied implications for outwitting, outmanoeuvring, and outperforming competitors. Figure 2.2 exhibits single- and double-loop learning methods. Single-loop learning may occur when the organisation detects and corrects the knowledge base without changing thrust on its strategies and actions. This is a closed and confined learning method that does not allow reviewing or re-engineering the information spool. On the contrary, in the double-loop learning process the organisational knowledge, information base, and strategies in addition to its action plans are open for review and re-engineering in the long-term interest of the company.

There are three levels of competitor analysis – a system, an individual competitor, and specific components of the competitor. The framework of competitor analysis includes the infrastructure and culture of an organisation and value chain, networks and relationships representing the environment of the company. The entire analysis must focus on the current strategy of the competitor firm and its future steps. Besides the assumptions in business risks and prospects, it is also important to analyse the assets, capabilities, competence levels, and technology usage of the competing firm. In all

Figure 2.2 Competitor learning cycle

these exercises, the data must be reliable and comprehensive to make the competitor learning process stronger. Signals are perhaps the most important core concept in competitor learning. A signal is an inference drawn by an individual in some specific context from the data and information about a competitor pertaining to the past, current, and future strategies. The core components of the signal are indicators of the data and information. The inferences on signals received from the competitors on the basis of data need to be drawn to derive strategies for implementation.

A competitor signal is difficult to interpret and assess if there is no proper database and the indicators are not relevant. Ambiguity about indicators may occur by words, actions, unclear strategies of the organisation, and biased information. Signals from the competitor may be direct or indirect. The analyst needs logical aptitude and strong reasoning to use the indirect signals appropriately for building strategies. The competitors send signal in the market about all the vital indicators of business like product, services, advertisement, prices, channels etc. in a distorted fashion to weaken the business rivals. It is thus necessary to capture the signals well in time and draw inferences. Late attention to the signal may lead to detection lag, caused due to the extended length of time between the availability of the information and its capture by the analyst. The competitors' signalling is very volatile and needs to be attended immediately to avoid any time lag or delay in drawing the inferences out of the available information. Knowledge is an important component in the process of competitor learning. Knowledge in business activities is an outcome of intellectual efforts performed by individuals with an objective of providing vital information on the move of the rivals in the market. There are some companies who provide information services as consultancy. However, the large companies, with narrow objectives of production alone, have realised the importance of building knowledge base for sustaining competition and heading towards continuous growth. The business players of product and services need to replenish their knowledge continuously on consumer behaviour, competitor moves, technology development, and future market dynamics. The linkages outside the company in the form of alliances, informal business partnership, and networking also are contemporary sources to knowledge on the competitor learning. It may be observed on the present business platforms that large corporations and MNCs have been acting with ever greater ingenuity by crafting linkages with rivals, channels, customers, suppliers, and technology sources. Competing television channels may be one example of such strategies, which develop variety of contacts for getting information from customers and reactions of the rivals in the market. Customer behaviour towards the products and services of any company is analysed on the basis of the perceptual dimensions on the qualitative parameters. The perceptual indicators may broadly include brand loyalty, corporate image, competitive standing, and the extent of business credibility earned by the company in the market.

Analysis of the information for learning the competitor movements should be aimed at knowing who is winning and loosing the business game in each arena, who is controlling the majority of business stakes in the market, and which company is redefining its business strategies in a modified way convenient to its customers and suppliers on the win-win platform. Theorists have highlighted the issue of 'market driving' wherein, in contrast to focusing on being close and listening to the market/customer (market driven), the firm 'leads the customer' or reshapes the markets to their own requirements. A study conducted through an empirical investigation generates insights on not only what factors lead a firm into a market-driving approach but also how market driving occurs in practice. A review of existing literature reveals that while a range of contributions have considerably advanced our understanding of both market-driven and, more recently, of market-driving organisations, few empirical studies have been presented. An exploratory discussion has been presented in the case study of De Beers in China as a potentially valuable source of insights, complemented by a propositional inventory. The case of De Beers proposes that two factors lead to the adoption of a market-driving approach, namely, customer familiarity and preconceptions of product characteristics, and the extent of market control. This study also contributes insights into the nature and dynamics of market driving. In particular, four tenets of market driving are identified which include market sensing, changing customer preferences, channel control through relationship formation, and local sensitivity.[9]

Competitive intelligence also contributes to the learning process of a growing firm. Competitive intelligence is the information available to competitors for free access on public resources, which is periodically updated to present the current contents and potential strategic information. The information acquired by the competitors through public sources serves as an important input in formulating marketing strategy. A firm must be aware of the perspectives of its competitors before deciding which competitive moves to make. Competitive intelligence includes information beyond industry statistics and trade gossip. It involves close observation of competitors to learn what they do best and why and where they are weak. There exist three types of competitive intelligence – defensive, passive, and offensive. Defensive intelligence is the information gathered, analysed, and used to avoid being caught off-balance. In this process a deliberate attempt is made by the competing firm to gather information on the prevailing competition in a structured fashion and to keep track of moves of the rivals that are relevant to the firm's business. Passive intelligence is the temporary information gathered for a specific decision. A company may, for example, seek information on a competitor's sales compensation plan when devising its own compensation plan. An offensive intelligence is the information gathered by the firms to identify new opportunities and from a strategic perspective; such intelligence is most relevant for a growing firm amidst competition.

Playing in the competition

Organisations that seek to win the market by modelling their strategy in a suitable way should build their energy on two platforms. First, they need to endeavour to model the competitive game in view of the various entities involved such as organisational players, market arenas, information builders, and scorers. Second, the company should get acquainted to market place rules as how the customers, channels, factors, and institutions are attracted, won, and retained in the business. The competitors strive to attract, obtain, and retain the support, commitment, and involvement of end customers, channel members, factor suppliers, and institutions within the context or conditions of strategy games. Such elements include the structure of the game combatants, the arenas, and the nature of the stakes they hold and the entire composition of the business domain. The marketplace rules pertaining to how best to package and distribute products, create image and reputation, deliver service, build relationships emerge over time are the basic challenge for the firms. Many firms may intend to redefine or rescale the customer satisfaction from narrow product functionality to include all aspects of interactions with customers, for example, the Japanese automobile manufacturers redefined *quality* for many consumers to distinguish their quality, services, and customer values against the competing overseas brands. In the competitive marketplace some firms may look for introducing frequently the product upgrades to cope up with pace of market competition. Besides, some firms may initiate major efforts to develop new capabilities and competency and monitor their progress in doing so against specific competitors as one element in their scorecard to determine who will reserve their plans to win in the future marketplace.

Companies try to alter the number of players by creating situation for deposing them from the market or change their own position relative to other players. The strategies such as alliances, mergers, and acquisitions are the direct means of reducing the competition or deposing the existing rivals from the market. Hindustan Lever Ltd., the giant in the FMCG (Fast Moving Consumer Goods) segment in India, through a series of acquisitions largely reduced the number of players in the consumer goods segment. The development of networks, linking suppliers, manufacturers, and consumers is another popular strategy to discourage competition in the particular segment of goods and services. The quick implementation of research and development, new products development, and brand extensions indirectly break existing competition in the market and allow the new company to re-deploy its marketing strategies. The pace of rivalry is such that no firm can now afford to take its resources for granted. Some firms may perceive to be in the low-tech business segment such as textiles, shoes etc. Furniture, paint, and books are feverishly pursuing new knowledge that might radically reshape established products or traditional ways of manufacturing and distributing them. In high-tech businesses such as electronics, firms that include IBM, Apple, Motorola, Intel, and Microsoft have formed multiple alliances with entities all across the activity/value chain and share innovative knowledge, skills, and capabilities. Several modes of competition can be employed within the end-customer and channel arenas to get and keep customers. Although rivals compete in many distinct ways, firms can make eight key choices to distinguish and differentiate themselves in the eyes of customers and channels which may be described as product-mix, product features, functionality, service, distribution or availability, image and reputation, selling and relationships, and price.[10]

The firms also manoeuvre the arena of customers, channels, institutions, and geographical coverage in order to reconfigure their competitive strategy. Software companies like Intel, Microsoft, and 3M always keep extending the product line implementing their research and development results and never let competition stagnate in the end-customer arena. Healthy companies feel that greater the competition higher will be the challenge to establish their brand in the market. Suzuki's collaboration with Maruti Udyog Limited in India changed the dominance of the popular brand holder Premier Automobiles Ltd and created new competitive context of small city cars. The channels of supply for any company are always vulnerable to competition. The common practice followed by the competitors is breaking the supply chain by offering more perks and margins than the leading brand. However, if the channels are favourably treated with long-term advantages, the endeavour to build linkages with them would withstand any competitive rivalry. The collaboration between Procter & Gamble and Wal-Mart involving strong integration of product ordering, inventory control, and logistic may be a classic example in this context.[11] The factor advantage in the competition may be defined as the relationship of the manufacturing or marketing company with the service providers who develop loyalty towards them. Service providers may be the suppliers of raw materials, packaging services, hiring of machines and the like. Many companies use legal support, government patronage etc. to shape competitive conditions to their advantage while building institutional arena in business.

The stakes in the business may be understood as the benefits of winning the game and the cost of losing business in the market. Many companies in the market place intend to escalate the stakes in business as one of their competitive strategies in various arenas as discussed in previous sections. Companies also redefine their market place strategies for gaining a win-win situation in the market. There are many competitive strategies used by the companies to get and retain the customers and channels. Companies desirous of strengthening themselves against the competitive threats in the market need to develop different modes of entering the market. Companies also need to refocus their strategies to attract customers and retain them for the long-term benefits. Many organisations are driven by one or a few overarching, long-run goals that imbue the organisation with a collective challenge, shared vision, and sense of mission or purpose. Such goals have been designated by others as strategic intent or vision and super ordinate goals. Among goals set by many companies, a few may include reorientation towards research and development to products that are new to the marketplace; extend product lines to attract new segments of customers; use alliances to build a significant marketplace position in leading Asian or European countries; build new manufacturing facilities for new product development and introduction; and develop new marketing capabilities to outmaneuver specific competitors across major customer segments.

Market place strategies also determine the mergers and acquisitions of the companies for competitive advantage. Acquisitions and alliances are two pillars of growth strategy. But most businesses do not treat the two as alternative mechanisms for attaining goals. Consequently, companies take over firms they should have collaborated with, and vice versa, and make a mess of both acquisitions and alliances. It's easy to see why companies do not weigh the relative merits and demerits of acquisitions and alliances before choosing horses for courses. The two strategies differ in many ways: Acquisition deals are competitive, based on market prices, and risky; alliances are cooperative, negotiated, and not so risky. Companies habitually deploy acquisitions to increase scale or cut costs and use partnerships to enter new markets, customer segments, and regions. Moreover, a company's initial experiences often turn into blinders. If the firm pulls off an alliance or two, it tends to enter into alliances even when circumstances demand acquisitions. Organisational barriers also stand in the way. In many companies, the mergers and acquisitions group reports to the finance head and handles acquisitions, whereas a separate business development unit looks after alliances. The two teams work out of different locations, jealously guard turf and, in effect, prevent companies from comparing the advantages and disadvantages of the strategies.

Marketplace rules can be changed at three distinct but related levels such as the aggregate marketplace or, more narrowly, a competitive domain; a product-customer segment such as a niche within a competitive domain; and local channel member. Marketplace rules have been discussed in Table 2.1. All rivalry is ultimately acted out at the local or micro level. Each individual customer selects among rivals' offerings. At this level, the game is typically zero-sum: purchasing one rival's offering means lost opportunity for other competitors. The firms generally make the choices which have been experienced in the past by the competitors to accomplish three distinct, though related, tasks which include attracting, winning, and retaining customers and channels. Attracting customers is a prelude to winning or acquiring them. Brand name and long-standing image of the product influence and attracts customers to try a product.

Satisfying buyer's needs may be a prerequisite for industry profitability. One of the underlying issues in developing competitive strategy is to address the profitability in reference to the capability of the firm whether it can capture

Table 2.1 Redefining the marketplace rules

Redefining parameters	Attributes of parameters
Modes of competition	• Product line and width • Logistics and supply chain aspects • Price, sales, and customer relation • Corporate and brand image
Focus	• Attracting, winning, retaining customers and channels
Levels	• Aggregate • Segment • Local
Trends	• Product – service-value differentiation • Customised solutions • Price, communication, and delivery of goods and services.

the value in the process for retaining the buyers, or whether this value is competed away to others. The buying power of customers determines the extent to which they retain most of the value created for themselves. The threat of substitutes determines the extent to which some other product can meet the same buyer needs, and thus places a ceiling on the amount a buyer is willing to pay for an industry's product. The power of suppliers determines the extent to which value created for buyers will be appropriated by suppliers rather than by firms in an industry. The intensity of rivalry acts similar to the threat of entry. It determines the extent to which firms already in an industry will compete away the value they create for buyers among themselves, passing it on to buyers in lower prices or dissipating it in higher costs of competing. Some companies engaged in manufacturing automobiles and heavy trucks, create enormous value for their buyers but, on average, capture proportionately less of it for themselves through profits. On the contrary, in the services industries such as bond rating services, medical equipment hiring, and oil field services and equipment, firms also create high value for their buyers but have historically captured a good proportion of it. The intensity of rivalry plays a major role in determining whether existing firms will expand capacity aggressively or choose to maintain profitability. Exit barriers keep firms from leaving an industry when there is too much capacity, and prolonged periods of excess capacity.

The results of an imbalance between supply and demand for industry profitability also differ widely depending on industry structure. In some industries, a small amount of excess capacity triggers price wars and low profitability. In view of the key role of competitive advantage in superior performance, the centerpiece of a firm's strategic plan should be its generic strategy. The generic strategy specifies the fundamental approach to competitive advantage a firm is pursuing, and provides the context for the actions to be taken in each functional area. In practice, however, many strategic plans are lists of action steps without a clear articulation of what competitive advantage the firm has or seeks to achieve and how. A firm's strategy is the route to competitive advantage that will determine its performance. Build, hold, and harvest are the results of a generic strategy, or recognition of the inability to achieve any generic strategy and hence of the need to harvest. The multinational firms largely practice strategic planning in reference to the market share to describe a competitive position of the firm. Market share *per se* is not important competitively; competitive advantage is. The strategic mandate to business units should be to achieve competitive advantage. Pursuit of leadership for its own sake may guarantee that a firm never achieves a competitive advantage or that it loses the one it has.

Conceptual framework of competitive forces in the marketplace has been provided by Michael Porter,[12] as a five-force model for industry analysis. These five forces of competition interact to determine the attractiveness of an industry. The strongest forces become the dominant factors in determining industry profitability and the focal points of strategy formulation. The model identifies the key structural features that determine the strength of the competitive forces within an industry in reference to profitability. It may be explained through the model that the degree of rivalry among different firms is a function of the number of competitors, industry growth, asset intensity, product differentiation, and exit barriers. Among these the most influential variables may be identified as the number of competitors and industry growth. The industries with high fixed costs tend to be more competitive because competing firms are forced to cut price to enable them to operate at the economies of scale. However, with the differentiation strategy the rivalry is reduced among the products and services offered by the competitors, in both real and perceived senses. Another significant concept which may be explained through this model is the associated difficulty of exit from an industry, which may result into struggle for survival among the firms and intensified competition. Further, there remains the threat of entry into the industry by new firms which may enhance competition. Several barriers, however, make it difficult to enter an industry. Two cost-related entry barriers are economies of scale and absolute cost advantage. In this process of competition the new entrants face an up-hill challenge of scaling at a high level of production or to accept a cost advantage. However, absolute cost advantage remains with the long-standing firms in the market which possess technological and brand advantages for their products and services. The substitute products in the market affect the industry potential adversely as well as pose threat to the customer preferences. Bargaining power of buyers refers to the direct or indirect pressure tactics to force the industry to reduce prices or increase product features, in view to optimise the customer value. Buyers gain power when they have choices – when their needs can be met by a substitute product or by the same product offered by another supplier. In addition, high-buyer concentration, the threat of backward integration, and low switching costs add to buyer power. Similarly the bargaining power of suppliers refers to their ability to force the industry to accept higher margins or reduced services, in the interest of augmenting or securing their profits. The factors influencing supplier power are the same as that of buyer power. In this case, however, industry members act as buyers.

Cognitive mapping

Cognitive mapping can be used to understand the relations between design practices, firm routines and conventions, and the local creative milieu. This strategy confirms the value of learning perspective in a competitive marketplace in which hidden strategies can be brought forward and analysed. It reveals that successful cognitive mapping is based on deliberate practices pertaining to relationships with clients, group dynamics, and team collaboration within the design consultancy. These practices narrow uncertainty and allow marketing strategists to exercise imagination and creative thinking. The cognitive mapping can also be a useful heuristic as a means to unravelling tacit knowledge.[13] It has been argued in previous researches that cognitive mapping in understanding competitors should begin from introspecting the strategies within the firm. Self-examination reveals the importance of the customer's perception of the business, the product, and its own needs, which can determine the market moves of the firms and predict the behaviour of competitors. A firm should determine what business to aim for, to summon help from customers and suppliers, and to build long-term relationships through its sales force to garner operational support.

Globalisation has driven the competition across firms and emerging markets faced constant challenges to sustain competition and develop core competencies. China has quietly opened a new front in its campaign to become the strongest competitor in the world market. It has consolidated manufacturers in those industries into a few national champions to generate economies of scale and concentrate learning. Chinese firms are co-opting, cajoling, and coercing multi-national corporations to part with their latest technologies.[14] The Personal Computers market for Chinese manufacturers has demonstrated steep growth in the world market. This process by which competitors from emerging exporting countries rapidly internationalise and erode the market position of the originally dominant MNCs is reminiscent of the way in which Japanese, Taiwanese, and Korean producers steadily took the world market for consumer electronics away from US producers since 1970s onwards. As Japanese, Taiwanese, and Korean producers competed away the low-priced segment, US producers retreated from the mass market to premium priced, specialty segments. But the Japanese, Taiwanese, and Korean producers then rapidly increased the quality and range of their offerings, squeezing the premium offerings into smaller and smaller niches.[15]

In a competitive marketplace, cognitive mapping is based on representing the strategic directions of competing firms that correspond to the functional movements affecting demand and supply conditions in a given market, leading from one view to another. Path planning can be carried out directly in the view graph to derive the right strategy at the right moment for gaining the competitive advantage of a firm. A neural network based on unsupervised competitive learning needs to be developed for carrying out the right interpretations of the cognitive maps generated in references to competitive marketing strategies.[16] Cognitive maps to plot the competitor's moves are built from past experiences and comprise internally represented strategies and implications among market experiences that a manager can use to develop new strategies. This is important because decision makers have a limited capacity for processing information so that, when dealing with complex problems like innovation, they could rarely process all the information that would be relevant. These operational models help decision makers to select information and to decide what actions are appropriate.[17]

Analysing competitor's signals

The signals coming out of the business moves of the competitor are important source of data and information at the market place. As stated in the pretext that the behaviour, statements, and the organisational information are the major sources of learning the competitors' moves, the signals emerging from the competitor show the magnitude and direction of the information flow. The market place indicators are the principal sources of information for analysing the signals in reference to the behavioural patterns, statements, and the organisational culture of the competitor.

The indicators of organisational change include market place strategies, customer value chain, alliances, relationships, networks, assumptions, assets, capabilities and competency, technology, infrastructure of the company and the like. The business credentials, credit worthiness of the company in the market, and its financial status also provide important indications to the competitors for learning their respective moves in the market. It may be understood that an increase in the competitors' credit intakes with any financial institution may generate a signal of its intent to implement a major strategic initiative to expand its business such as an acquisition or planning for capital investment for augmenting its production or marketing activities. The change in the values, beliefs, and behaviour of the customers, suppliers, and business facilitators also indicates the intensity of signals of the competitors. The signals, which indicate the history of the company, current moves, and future strategy, may be broadly categorised as below:

- Prospective signals
- Retrospective signals

- Current signals
- Anticipated signals
- Alerting signals, and
- Refuting signals.

Prospective signals indicate the future change in the competitor's strategy while retrospective signals indicate significant competitor change that has been resulting into his strategies since long and such information may give strong base to the competing firms to outwit the competitors from the roots. Current signals of the competitor, as discussed above, indicate the ongoing moves thereof in the market place and sometimes indicate the probable future action of the competitor. Such signals are anticipatory and show a way to the future business moves of the competitor. Alerting signals need to be studied carefully and should not be ignored at any level, as these may become fatal for the competing firms at times. Alerting signals reflect the product line shifts, alliances, customer relationships, pricing, and promotional strategies of goods and services and new product launch in the market. It is also possible that in the process of analysing the signals of the competitor some signals may be contradictory to each other and may refute. The analyst should carefully examine such signals and look at their reconformity.

It may be necessary for a firm to determine the business cluster for its operations as they foster high levels of productivity, innovation and lay out the implications for competitive strategy. The territorial surroundings of business of a firm also contribute to the competitor vision and analytical dimensions though conventionally, economic geography towards global competition poses a paradox. Conceptually, location should no longer be a source of competitive advantage. Open global markets, rapid transportation, and high-speed communications should allow any company to source anything from any place at any time. But in applied business sense, location remains core to competition.[18] The contemporary global business paradigm is characterised by distinctive clusters which may be described as critical masses in one place of linked industries and institutions varying from suppliers to universities to government agencies, which enjoy unusual competitive success in a particular field. The business clusters affect competition in three broad ways of

- Increasing the productivity of companies based in the area
- Driving the direction and pace of innovation, and
- Stimulating the formation of new businesses within the cluster.

However, the territorial, cultural, and institutional proximity provides companies with special access, closer relationships, better information, powerful incentives, and other advantages that are difficult to tap from a distance. The competitive advantage lies increasingly in micro resources which include knowledge, relationships, and motivation that distant rivals cannot replicate. For example, as the economy of China is under transition which is growing manifold and opening further, the opportunity it presents to multinationals is changing. Foreign companies are moving to country development and new strategic choices. Now, foreign firms can actually go after the Chinese domestic market, and it's worth going after. Improvements in China's infrastructure, workforce, and regulatory environment are making it possible for companies to lower their costs to reap new competitive advantages. However, in order to optimise the benefits and sustain the international competition in the Chinese playground of business, the multinational companies must properly nest their effort into overall organisation, show 'one face to China' at the national level but also tailor local strategies, be wary of joint ventures, and mitigate risk, in particular the theft of intellectual property.[19]

Competitor strategies

The companies engaged in competitive business should aim at conducting the competitor analysis to build competitive advantage and this cannot be done in isolation from the market and the rest of the industry, because being better than a competitor will not guarantee success if what is offered gives little value to the customer. Hence, it should be understood by the firms that any inferences which might be drawn from competitor analysis must be considered in conjunction with the other environmental factors. Every company has strategic options, although this does not mean that all options are sensible for every company. It may choose to operate within the rules of the industry, without major change to what it offers. The options may include a stronger focus on a niche strategy, seeking to identify and exploit segments where its products would have an advantage, or what might be termed improvement strategies. A competing firm may be attacked in various ways by a new and prospecting business firm in a given territory in order to optimise the market advantage. The most effective way for a firm to attack may be through implementing a creative and entrepreneurial strategy on a sound knowledge analysis in view of the changes the competitive arena. Alternatively, a firm may attempt to pre-empt a competitor by getting into market first with a new product, in an area of strategic importance. However attacking the strategy of a competitor can leave the firm in a weaker position. The prospecting firm may also attack on the competitor's alliance instead of direct attack on the target. An example of this was the acquisition of Rover by BMW. There were undoubtedly many reasons for this acquisition, but one of them was to cause Honda to withdraw from the alliance it had operated for many years with Rover, and its predecessor British Leyland. Similar patterns of alliances changing allegiance have been observed in the airlines industry. The basic rule of any attack strategy is to know the industry, the market, and the competitors being attacked. If the weak points of the competitors are known, and their likely reactions predicted, the attacker is more likely to arrive at a successful strategy. It is this rational analysis which enables a decision to be made about whether the rewards of success outweigh the costs, and whether the chances of success are high enough to justify the move.

In a competitive business arena the competitors as players may be categorised as hard and soft players. The hard competitive players in business single-mindedly pursue competitive advantage and the benefits include a leading market share, great margins, and rapid growth. They pick their shots, seek out competitive encounters, set the pace of innovation, and test the edges of the possible success of their products and services in the market. Soft players, by contrast, may look good, but they are not intensely serious about winning. They do not accept that you must sometimes hurt your rivals, and risk being hurt, to get what you want. The commonly employed methods in taking up the hard competitor strategies in bursts of ruthless intensity may include devastating rivals' profit sanctuaries, deceive the competition, unleash massive and overwhelming force, and raise competitors' costs.[20] The soft players do not play to win; they just participate in the business and try to survive. This approach envelops the issues such as leadership, corporate culture, knowledge management, talent management, and employee empowerment for analysis to the soft players. Every firm is risk averse in facing the business competition as it is a fact of business life, but many companies fail to manage it well. Good risk management not only protects companies from adverse risk but also confers a competitive advantage, enabling them to be more entrepreneurial and, in the end, to make bigger profits. Companies should clearly articulate their risk strategies, understand the risks they are taking, and build an effective risk-management organisation that helps foster a responsible risk culture.

Markets involve many competitors, are compromised of *active terrain* in the way of customers and offer the opportunity of access to alternative resources by means of supply market mechanisms. Perhaps this is why IBM has been attempting to change the warfare metaphor they have been using to one of gardening, where customers are to be cultivated. There are four major competitor attack strategies which are implemented by the companies at international, national and regional levels. These strategies include the frontal attack, flanking attack, encirclement, and guerilla attack. The following fundamental principles are involved in planning and implementation of competitor attacks:

1. The competing company needs to assess the strength of the target competitor and consider the amount of support that the target might congregate from allies. It would be appropriate to choose only one target at a time.

2. The competing company should explore weaknesses in the target's position and launch attack on the core of weakness.
3. It is necessary to work out the time-span as how long it will take for the target to realign their resources so as to reinforce this weak spot.
4. The competitor may then launch the attack on as narrow a front (frame of weaknesses) as possible. Whereas a defender must defend all their borders, an attacker has the advantage of being able to concentrate their strategic and tactical tools at one place.

Aggressive strategies

The *frontal attack* implies a head-on confrontation where the defence is at its strongest. Some such attacks mirror the defendant's marketing strategy, and hope to achieve results through sheer perseverance. Others have only one point of difference on price. By cutting price for what is otherwise a matched offering, the attacker hopes to be able to persuade customers to switch. Only in markets where there are many niches is it possible to use the full-frontal attack selectively. In markets where the products are nearer to each other, an attack on one competitor is really an attack on all of them. In full-frontal attacks, the victory usually goes to the strongest. However, a dominant competitor is less likely to make a full-frontal attack on a competitor, unless it is a niche operator where the effects of the warfare can be isolated. The main consideration in the frontal attack is the strength of the leader's position and a company entering into such warfare may find a weakness in the leader's strength and attack at that point. The company may launch the attack on as narrow a front as possible. The frontal attacks may be strategically fit and lead to an advantage in the business situations as described below:

- The market is relatively homogeneous
- Brand equity is low
- Customer loyalty is low
- Products are poorly differentiated
- The target competitor has relatively limited resources
- The attacker has relatively strong resources.

Frontal attacks have appeal in industries where very large cost reductions can be gained from increases in volume, and where price reductions may stimulate growth in the market as well as stealing share from competitors. However, frontal attacks are often unsuccessful. If defenders are able to redeploy their resources in time, the attacker's strategic advantage is lost. The frontal attacks are very expensive and risky for the companies of any status.

Contrary to the frontal attacks, where a company goes for attacking at the strongest zone, the *flanking attack* goes for areas of weakness. This may be to find geographical areas where the competitor is not performing as well as elsewhere, or to identify segments of the market which have not been spotted by the competitor. If the product has been specifically designed for the segment, it may be done sometime before the defender can respond. A good flanking move must be made into an uncontested area and the tactical surprise ought to be considered as an important element of the plan. The disadvantage with a flanking attack is that it can draw resources away from center defence, making the competing firms vulnerable to a head-on attack. In business terms, a flanking attack involves competing in a market segment that the target competitor does not consider mission critical. The target competitor will not show his concern about activities of other firm if they occur in market niches. It usually involves subtle advertising campaigns and other discrete promotional measures, like personal selling and public relations. It often entails customising a product for that particular niche. Rather than finding uncontested market niches, the attacker could also look for uncontested geographical areas. The strategy is suitable when

- the market is segmented
- there are some segments that are not well served by the existing competitors
- the target competitor has relatively strong resources and is well able to withstand a head-on attack, and
- the attacker has moderately strong resources, enough to successfully defend several niches.

The geographical flanking attacks may be described in reference to the strategy of the retail supermarket which erects its new store in an area where its rivals are weakest. Another example is First Direct which established a telephone retail banking operation, which not only avoided the need for branch offices but also enabled the company to accept only the business it wanted, thus cherry picking the more profitable ones. Product flanking is a competitive marketing strategy in which a company produces its brands in a variety of sizes and styles to gain shelf space and inhibit competitors. The defender companies may need to add extensions to an existing product line by introducing new products in the same product category in order to give customers greater choice and help to protect the company from a flanking attack by a competitor.

Defensive strategies

Companies which attack the competitors in several ways such as branding, pricing, advertising and promotions, value additions, sales in up-markets, product featuring, and the like in a given time may be described as *encirclement attack*. The successful encirclement strategies usually attempt to identify and exploit new niches, and to beat the offer made to the customer by competitors. The encirclement strategy is a much broader but subtle offensive strategy and is commonly planned in two ways. A company could introduce a range of products that are similar to product-mix of the target competitor. Each product will liberate some market share from the target competitor's product, leaving it weakened, demoralised, and in a state of siege. Alternatively, the encirclement can be based on market niches rather than products. The attacker expands the market niches that surround and encroach on the target competitor's market. This encroachment liberates market share from the target. The encirclement strategy can be implemented successfully under the following conditions:

- The market is loosely segmented
- Some segments are relatively free of well endowed competitors
- The attacker has strong product development resources
- The attacker has enough resources to operate in multiple segments simultaneously, and
- The attacker has a decentralised organisational structure.

An example of Sears Roebuck & Co., a chain retail store of US, may be stated to explain the encirclement strategy. The attempt by US retailers Sears Roebuck to change the financial services industry in the US was an encirclement attack on competitors from several different industries at the same time. The in-store credit card was converted to Discovery, a full credit card by the company. All state Insurance had been part of the Sears Roebuck group for many years. The new niche the company hoped to conquer was the private consumer who wanted one-stop shopping: to buy a house, furnish it, obtain all necessary loan facilities, and insure everything in any Sears store. The strategy failed, because the niche was not large enough. The acquisitions therefore did not upset the competitive situation in their industries, and the Discovery credit card became a frontal attack on existing credit card competitors. At one time Sears were reported to have secured the record for signing up the largest number of defaulting clients in the shortest time.[21] The electronics industry has been transformed due largely to the personal computer segment. For decades, the electronics industry's primary objective for personal computer products was to offer the maximum power and functionality for the lowest possible price. This focus resulted in tremendous innovation and a proliferation of products at prices that virtually everyone could afford. It also began to erode profit margins for electronics companies. Led by the personal computer segment, the electronics industry built a model supply chain that is tightly linked and highly competitive. Vertically integrated companies became outmoded, replaced by companies which specialised in standardised components and software and did business with each other companies. Though swift at capturing and extending cost reductions and efficiencies, this evolved supply chain model led to product commoditisation and standardisation. Any innovation that a company produced could be copied quickly and usually at a lower cost. Therefore, competitive advantage was fleeting. Rapid technology change and short product lifecycles contributed to the further erosion of profit margins.[22]

The *guerrilla marketing* strategies are designed to wear-down the enemy by a long series of minor attacks rather than engage in major battles. A guerrilla task force of a competitor firm is divided into small groups that selectively attack the target at its weak points. To be effective, guerrilla teams of the competitor set themselves underground between the strikes. The guerrilla marketing strategies of competitors involve in targeted legal attacks on the competition, product comparison advertising, short-term alliances, selective price cuts and orchestrating negative publicity for a competitor.

Defensive routines and implementation process

Large multinational companies often look back in crisis to resolve the situation by reviewing their previous strategies that contributed to their growth. Many firms experience competition linked market turbulence syndrome in the following levels:

- The firms trapped under competitive pressure articulate their vision.
- They develop steering mechanisms to guide their future growth through change. However, such operations tend to become rigid over time, with much stronger ties to the founding vision than to the changing economic environment, and
- The firms grab useful signals that do get through run into organisational defensive routines.

The key to getting out of this syndrome is driving the competitive strategies with a long-term growth.[23] Many studies reveal that competitor learning efforts may result in idiosyncratic decision loop of learning-knowing, weaknesses-developing, counter strategies-testing, implementation-adaptation- and reviewing growth. Such decision process loop reveals that the more learning is sought after, the more complex are the strategies to implement. Accordingly, existence of certain organisational and marketplace virtues may have negative implications on strategic competitive moves. Paradoxically, at the espoused level, these two virtues can be understood as healthy signs to sustain market competition, the process of challenging marketing competition to grow may face problems of technological adaptation in short run.

Over the past decades, information technology (IT) has had a profound effect on the global economy, resulting in a shift from a manufacturing to market economy. This effect, however, has also produced what may be labelled the paradox of technology and market growth. While the percentage of a firm's budget spent on technologies continued to increase, there is increasing evidence that market failed to obtain the benefits of these expenditures within the anticipated time frame. The reason for delays in obtaining the benefits is due to management's failure to strategically leverage the full potential of technology and their failure to overcome resistance to change. It has been observed in previous researchers that the well-defined closed-loop strategies can be developed, which show direct influence of market share on aggressive and defensive marketing. Firms in a competitive marketplace may reach a steady state by striking balance between aggressive and defensive marketing expenditures. However, the defensive marketing is more critical than aggressive marketing due to greater risk of loss under deviation from closed-loop strategies.[24] A study argues that products can be represented by their position in a multi-attribute space in reference to heterogeneity among consumers and tendency of maximising utility value. Competing firms in the marketplace drive to decrease the distribution budget as a result of the competitive new product. Furthermore, if the consumer tastes are uniformly distributed across the spectrum, a price decrease increases defensive profits; it is optimal (at the margin) for the competitive firms to improve product quality in the direction of the defending product's strength and reposition it by advertising in the same direction.[25]

Further reading

Argote, L. (1999), *Organizational Learning: Creating, Retaining and Transferring Knowledge*, Kluwer Academic Publishers, Boston, MA.

Billington, J. (1997), 'Fairly Timeless Insights on How to Manage Your Time', *Harvard Business Publishing Newsletter*, February, 1–2.

Björkman, I. (2002), 'Aura: Aesthetic Business Creativity', *Consumption Markets & Culture*, 5(1), 69–78.

Brownlie, D. (1998), 'High Minds and Low Deeds: On Being Blind to Creativity in Strategic Marketing', *Journal of Strategic Marketing*, 6(2), 117–30.

Cummings, T. (1980), *Systems Theory for Organizational Development*, Chi Chester, UK, Wiley, 19–25.

Haru, Y. (1997), *Different Games Different Rules*, Oxford University Press, New Cork, 54–5.

Homburg, C, Workman, Jr. J. P., and Krohmer, H. (1999), 'Marketing's Influence within the Firm', *Journal of Marketing*, 63(2), 1–17.

Hunt, S. D. and Morgan, R. M. (1995), 'The Comparative Advantage Theory of Competition', *Journal of Marketing*, 59(2), 1–15.

Jindal, R. P., Reinartz, W., Krafft, M., and Hoyer, W. D. (2007), 'Determinants of the Variety of Routes to Market', *International Journal of Research in Marketing*, 24(1), 17–29.

Nunes, P. F. and Cespedes, F. V. (2003), 'The Customer has Escaped', *Harvard Business Review*, 81(11), 96–105.

Nutt, P. C. (2002), 'Making Strategic Choices', *Journal of Management Studies*, 3(1), 67–96.

Paulus, P. B. and Dzindolet, M. (2008), 'Social Influence, Creativity and Innovation', *Social Influence*, 3(4), 228–47.

Pieter K. J. and van Gorp, D. M. (2003), 'Spin-Out Management: Theory and Practice', *Business Horizons*, 46(2), 15–24.

Quelch John A. and Cannon-Bonventre, K. (1983), 'Better Marketing at the Point of Purchase', *Harvard Business Review*, 61(6), 162–9.

Rajagopal (2006), 'Innovation and Business Growth through Corporate Venturing in Latin America: Analysis of Strategic Fit', *Management Decision*, 44(5), 703–18.

Ratchford, B. T. (2001), 'The Economics of Consumer Knowledge', *Journal of Consumer Research*, 27(4), 397–411.

Struthers, C. W., Eaton, J., Ratajczak, A., and Perunovic, M. (2004), 'Social Conduct toward Organizations', *Basic and Applied Social Psychology*, 26(4), 277–88.

Vrontis, D. and Thrassou, A. (2007), 'A New Conceptual Framework for Business-Consumer Relationships', *Marketing Intelligence & Planning*, 25(7), 789–806.

3
Competitive Advantage: Analysis and Strategy

In this chapter, the convergence of competitive strategies with value chain management of companies to gain competitive advantage is discussed in depth. Many factors determine the nature of competition, including not only rivals, but also the economics of particular industries, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products. A strategic plan of action based on this might include positioning the company so that its capabilities provide the best defence against the competitive forces, influencing the balance of forces through strategic moves and anticipating shifts in the factors underlying competitive forces. In this process a company must understand thoroughly all the moves of the rival firms. Locales of business rivalry have to be spotted to assess their strengths. An intriguing aspect of the marketplace is that the nature of competition can change over time. It has been argued that technology, company, or product does not need to remain vulnerable to others forever. Competitive roles can be radically altered with technological advances or with the right marketing decisions.

Competition may be defined as an object-centred process in business performance. Competition may be semantically described as a combination of two distinct Latin words – *com* (together) and *petere* (to seek). Similarly, conflict is derived from *com* (together) and *fligere* (to strike). This distinction between the quest and the blow, to strive or to strike seems precisely the pertinent one for clarity and efficiency in social science.[1] Competition may be characterised as striving together to win the race not to destroy the other competitors from the point of view of the supporters of globalisation. Local market competition is targeted towards customers, and competitors strive to win the customer, temporarily or permanently. However, in business-to-business process, competition may turn more tactical and strategic in order to outperform the rivals firms. In this way competition can be seen as regulated struggle. There are rules of economic competition and they do not generally include the destruction of competitors. Marketing research technology is devoted to the difficult task of discovering customer needs, and the sub-disciplines of consumer and organisational buying behaviour attempt to provide theoretical bases for the results. In this process the emphasis is on determination to win customers where competitors turn tactical towards brand or product positioning.

Globalisation has opened many routes to marketing including marketing opportunities through the Internet and virtual shops. However, amidst increasing market competition, the rules of the game are subject to change without notice. In this process a company must understand thoroughly all the moves of the rival firms from various sources. Locales of business rivalry have to be spotted to assess their strengths. An intriguing aspect of the marketplace is that the nature of competition can change over time. Competitive roles can be radically altered with technological advances or with the right marketing decisions. External light meters, used for accurate diaphragm and speed setting on photographic cameras, enjoyed a stable, symbiotic (win–win) relationship with cameras for decades. As camera sales grew, so did light-meter sales. But eventually, technological developments enabled camera companies to incorporate light meters into their own boxes. Soon, the whole light-meter industry became prey to the camera industry. Sales of external light metres diminished while sales of cameras enjoyed a boost, and the relationship passed from win–win to *predator–prey*.[2] Table 3.1 exhibits the competitors' arena that needs to be studied comprehensively so that strategies can be built accordingly.

Access to infrastructure, raw material, the process, supplies, and other vital business factors is extremely vulnerable to competition. Competing firms pay more attention to the sources of factors, quality thereof, cost and management of the factors in order to prove better than others. The customer, the end user, is the ultimate target of competitors for building aggressive and defensive strategies in business. Competing firms try to attract customers by various means to polarise business and earn confidence in the marketplace. It is necessary for successful business companies to look for a place of business that provides optimum location advantage and retains customers for their goods and services. Business cordoning or securing the trade boundaries is an essential decision to be taken for building competitive strategies to attack rivals across regions. Even small business companies can

Table 3.1 Possible locales of business rivalry

Business factors	**Customer locale**	**Geography**	**Channels**	**Institutions and patrons**
• Supply chain • Promotion • Investment	• Marketplace • Segments • Individual	• Spread • Regional	• C&F agents • Retailers • Wholesalers • Franchisees • Mailers	• Government agencies • Cooperatives

compete globally with firms of all sizes through the Internet. Distribution channels, franchisees, carrying and forwarding agents, retailers and mailers with value-added services represent an increasingly intense business rivalry or competition in all markets or competitive domains. Many firms like Godrej (Diversified Products), Procter & Gamble (Consumer Goods), Compaq (Computers) reward their managers handsomely for winning business battles in their channel wars. Victory in product and channel factors in many instances may not last long in building relationships with the customers. Many business firms have found themselves outmanoeuvred in various functional aspects of business by the adept actions of rivals in the institutional arena. An intriguing aspect of the marketplace is that the nature of competition can change over time. Competitive roles can be radically altered with technological advances or with the right marketing decisions. The need of the hour is to apply scientific methods to manage competition. Only then could modern corporations withstand the pressures of intense competition of a dynamic business era.

Many factors determine the nature of competition, including not only rivals, but also the economics of particular industries, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products. A strategic plan of action based on this might include positioning the company so that its capabilities provide the best defence against competitive forces, influencing the balance of forces through strategic moves and anticipating shifts in the factors underlying competitive forces.[3] In order to outwit competitors companies must detect changes in the strategies in reference to market players' status in gaining more knowledge, networking, entrepreneurship and increasing ambitions. The changes that are taking place in all the arenas as discussed in the Table 1.1 have to be considered. The driving forces of competing firms, their organisation and micro-economic environment need to be studied carefully by the company planning to overtake competitors in the business. Further in the process of winning the battle of rivals it would be helpful for a company to understand the changing stakes of the competitors and the forces after such developments. A company can outmanoeuvre rivals by being more skilful in particular tasks and reshaping the stakes in one or more business arenas. Outmanoeuvring rivals is key to changing the rules of the marketplace. The strategy for outperforming the competitor is largely based on two basic issues – the performance parameters and assessment criteria of the performance. However, critical parameters may include looking for the following information as *who is*:

- Creating new customer needs that do not exist
- Developing and establishing new attributes of the product
- Establishing new channels to reach all existing and potential customers
- Reinventing stakes to make others confined to play catch-up roles

- Creating new capabilities as the source of new products and customer needs
- Creating knowledge base for driving the capabilities for new goods and services
- Establishing new relationships with channels, institutions and customers
- Winning or losing in the business battle
- Establishing new chain of customer delight
- Leading the product
- Dominating the price-value relationship

The parameters and assessments of the above actions would help in focusing both the thinking and strategy-building process for sailing through competition successfully. Current and future strategy of competitors must be considered by any company planning to outwit, outmanoeuvre, and outperform them.

The Abernathy-Utterback model of technology evolution

This model is an improvement over the S-curve model in which product innovation, process innovation, competitive environment, and organisational structure are assumed to be interacting and closely linked together. In the Abernathy-Utterback (AU) model three phases of technology evolution are suggested – fluid phase, transitional phase, and specific phase. In the fluid phase, technological and market uncertainties prevail that drive a great deal of changes contemporaneously, and outcomes of technology application may vary significantly at this stage. It is almost a large experimentation game in the marketplace. The manufacturing process relies on high-skilled labour and general purpose equipment; there is almost no process innovation and many competing small firms base their advantage on differentiated product features.[4]

In the transitional phase, technology application is converged with user needs. Hence, in this stage of technology evolution, standardisation of technology is taken care of by technology providers. Usually by this time firms begin innovation in order to stay competitive in the market and move to the transitional phase. The convergence pattern in this phase leads to the appearance of a 'dominant design', which is a product design whose main components and underlying core attributes do not vary from one model to another. The attributes of AU model of technology evolution in the AU model are exhibited in Table 3.2.

In the last phase termed specific phase in the AU model, dominant design competition will shift from differentiation to product performance and costs. Companies get a clear picture of market segments and therefore concentrate on serving specific customers. Manufacturing uses highly

Table 3.2 Attributes of technology evolution in AU model

Variables	Fluid phase	Transitional phase	Specific phase
Innovation	Product changes/radical innovations	Major process changes, architectural innovations	Incremental innovations, improvements in quality
Product	Many different designs, customisation	Less differentiation due to mass production	Heavy standardisation in product designs
Competitors	Many small firms, no direct competition	Many, but declining after the emergence of a dominant design	Few, classic oligopoly
Organisation	Entrepreneurial, organic structure	More formal structure with task groups	Traditional hierarchical organisation
Threats	Old technology, new entrants	Imitators and successful product breakthroughs	New technologies and firms bringing disrupting innovations
Process	Flexible and inefficient	More rigid, changes occur in large steps	Efficient, capital intensive and rigid

specialised equipment and employing high-skilled labour becomes less important since there is a commoditisation taking place, which in turn means that bargaining power of both suppliers and customers will increase. In this phase competition becomes more intense and the market moves towards an oligopoly. As a result incumbents are able to secure their position through supplier relations, distribution channels, and other complementary assets that will create entry barriers to new entrants.[5]

Choice of technology paradigm

One of the advantages for the company in following the S-curve technology evolution process is that the company aims at introducing new technologies in a perennial manner that involve small changes to the existing technology and small amount of efforts would yield large performance improvements in the intermediate period. In this way the company can easily move from the growth stage to the mature stage and stay long in this phase by reaping sustainable advantage on technology-linked business in a competitive marketplace.

The life cycle of technology depends on the speed of innovation/improvement in the existing technology platform, and sustainability of the value generated by the existing technology in business and society. The technology life cycle consists of five stages:

- Introductory
- Rapid expansion
- State-of-the art
- Low adaptation
- Obsolete

The S-curve pattern of technology and business growth also helps in managing the diffusion of technology and adaptation of technology among users. It is generally observed that diffusion of technology is faster than its adaptation among users due to resistance to change. Companies can manage the pace of diffusion and adaptation of technology to gain advantage of technology for sustainable growth in business. However, it is difficult to predict the time span of each stage to know how the technology would move through these stages and become obsolete over a period of time.

Technology and competitive advantage

New technologies drive customer value and increase market competitiveness. As the advancement in technology emerges on the horizon, the existing businesses are threatened. Firms in the marketplace strive to make a seamless transition for it to lead the competition. Such responses of competitors cede most of the established market to the adaptation of new, dominant technology and develop strategic alternative to head-on competition. The competing firms develop two types of bold strategies encompassing retrenchment to a niche traditional market, where the old technology has an advantage over the new one in addressing customer needs, and relocation to a new market, with superior offerings and low risk.[6] Increasing globalisation and competitiveness in the retail environment is pushing retail firms to reach high levels of consistent experimentation of new technology in store management, product information, and customer services. Technology management can be used to help retailers test new ideas and implement the most successful ones. However, human behaviour is particularly important in the retail setting, where projects are generally focused on testing new concepts, increasing collaboration, and implementing new technologies.[7]

In the scenario of growing competition, retailer firms can also establish how a customer relationship management and monitoring system ensures the purchase decision-making process through the use of joint project teams and facilitating technology. Development and innovative applications of e-commerce transactions, as well as the integration of available technology, can provide an organisation with a unique opportunity to remain competitive within today's global business environment. Although technology plays an important role in gaining a competitive advantage for organisations worldwide, information technology professionals, consumers and e-retailers ensure proper security measures to overcome harmful impacts of the misuse of these technologies.[8]

The technology impact on the various functions in retailing has been increasing. As the number of channels for a retailer increases, managing the dynamics of customer behaviour in the rapidly emerging multi-channel environment becomes complex. Building and retaining a long-term association with customers require that relationship management applications should be able to accommodate the various channels. Multi-channel customers are the most valuable customers and hence multi-channel integration would improve customer loyalty and retention.[9] Besides self-service retail stores and grocery stores, technology has enormously supported the buying process of consumers for capital goods like automobiles. The purchase of a car is a highly involved process when compared with other retail experiences. Despite the range of purchase channels available and the increased level of accessible information, the majority of customers still choose to buy a car through a traditional dealer network. However, since the end of the twentieth century the computer-assisted buying process was well received by customers.[10]

E-shopping is influenced by time and attractiveness of virtual sales offers and effectiveness of customer relations. These factors vary widely in reference to consumer segments and market attractiveness and induce compulsive buying behaviour among customers, which is judged by the satisfaction in spending and perceiving pleasure of buying occasionally exercising choice and passing time in knowing new products, services, technologies and understanding fellow customers.[11] A company's information technology (IT) structure and its brand architecture are intended to minimise transaction costs both within the organisation and between the organisation and its customers. Business-to-consumer (B-to-C) e-commerce fundamentally alters the structure of those transaction costs relevant to the IT structure and the brand architecture. Manufacturing companies typically implement contemporary changes in the IT structure and the brand architecture to support consumers in retail buying as B-to-C e-commerce is highly important to them and these changes result in a stronger integration within and between the IT structure and the brand architecture.[12] E-commerce technologies can be successfully leveraged by considering the organisational relationships in which the technologies are being embedded. Firms may gain competitive advantage not only to achieve significant economic outcomes by properly matching the B-to-B context with Internet technologies, but also attain sustainable competitive advantages and improve coordination with market players.[13]

The declining costs of developing market technology based on information systems have allowed firms to apply automation in various business processes. Such trend of business automation is growing fast to reap significant competitive advantage in the global marketplace. Such growth in marketing technology allows companies to redeploy their assets and rethink strategy to produce gains in market share. Inter-organisational systems can change the balance of power between the buyer and the supplier. Thus, investments in certain technologies do confer a competitive edge that has to be constantly renewed, as rivals don't merely match competitors' moves but use technology to develop more potent ones. In this manner rival firms leapfrog over follower firms to destroy their future potential of increasing market share. For example, enterprise software like Enterprise Resource Planning (ERP) and Customer Relationship Management (CRM) systems, coupled with low cost networks, are allowing companies to replicate their unique business processes quickly, widely, and faithfully.[14] In this new environment, top managers need to pay careful attention as to which processes made consistent for the global marketplace and which should to vary locally to develop niche leadership in business.

Value chain and competitive advantage

A value chain is a network of activities for a firm operating in a specific industry. A business unit is considered as the appropriate level for construction of a value chain but not the divisional or corporate level of the firm. In the value chain process products and services pass through all activities with the predetermined chain in a proper order, and at each activity the product gains some value. The chain of activities gives the products more added value than the sum of the independent activities' values. It is important not to mix the concept of the value chain with the costs occurring throughout the activities. For example, the dairy industry can be used to illustrate the difference of cost and the value chain. Milk processing activity may have a low cost, but the activity adds much of the value to the end product, since fresh milk is significantly less valuable than processed milk. Typically, the described value chain and the documentation of processes, assessment and auditing of adherence to the process routines are at the core of the quality certification of businesses such as ISO certification. The requirement of an effective value chain process includes

- Coordination and collaboration,
- Investment in information technology,
- Changes in organisational processes,
- Committed leadership,
- Flexible jobs and adaptable, capable employees,
- A supportive organisational culture and attitudes

In the context of globalisation the value-chain concept has been extended beyond individual firms to supply chains and distribution networks.

Accordingly, it has been observed that the delivery of products and services to the end customer sets off different economic factors, each managing its own value chain. The industry wide synchronised interactions of the local value chains can create an extended value chain and drive operational effectiveness in global business.

Some research studies combine insights from different streams of literature on value chain perspectives to develop a more comprehensive framework for the analysis of knowledge transfer via value chain relationships. A study integrates the existing literature in three ways. Firstly it considers value chain relationships as a multi-facet process of interaction between buyers and suppliers, involving different forms of knowledge transmission and development. Secondly, the study assesses whether and to what extent value chain relationships are associated with the presence of multinationals. Finally, the capabilities of local firms to handle technology as a factor influencing knowledge transfer through value chain relationships have been addressed. Using data on 1385 firms active in Thailand in 2001–3, the study found that knowledge-intensive relationships, which are characterised by a significant transmission of technical and organisational competencies along the value chains, are positively associated with the presence of global buyers in the local market, with the efforts of multinational companies to adapt technology to local contexts, and with the technical capabilities of domestic firms.[15]

In the context of Thompson's (1967) typology of long-linked, intensive, and intervening technologies, it may be stated that the value chain and the value network develop distinct generic value configuration required to understand and analyse firm-level value-creation logic across a broad range of industries and firms. The prolonged market interventions such as technology, prescribed and perceived use value of the products, deliver value by transforming inputs into products of the firm in order to gain competitive advantage. The intervening technology delivers value by resolving unique customer problems on one hand; such market drivers may also deliver value by enabling direct and indirect exchanges of opinions among consumers. With the alternative value in the firm, value chain analysis is both sharpened and generalised into a value configuration approach that drives competitive advantage to the firms in the long-run.[16]

The analysis of the perceived values of customers towards new products is a complex issue. Despite considerable research in the field of measuring customer values in the recent past, it is still not clear how value interacts with marketing-related constructs. However there exists the need for evolving a comprehensive application model determining the interrelationship between customer satisfaction and customer value, which may help in reducing the ambiguities surrounding both concepts. One of the studies in this regard discusses two alternative models yielding empirically tested results in a cross-sectional survey with purchasing managers in Germany.

The first model suggests a direct impact of perceived value on the purchasing managers' intentions. In the second model, perceived value is mediated by satisfaction. This research suggests that value and satisfaction can be conceptualised and measured as two distinct, yet complementary constructs.[17]

Improving customer value through faster response times for new products is a significant way to gain competitive advantage. In the globalisation process many approaches to new product development emerge, which exhibit an internal focus and view the new product development process as terminating with product launch. However, it is the process output that really counts; customer availability is key. A study proposes that shorter product life cycles should pay to get the product into the market as quickly as possible, and indicates that these markets should be defined on an international basis. The results of the study reveal that greater new product commercial success is significantly associated with a more ambitious and speedier launch into overseas markets as the process of innovation is only complete when potential customers on a world scale are introduced effectively to the new product.[18] The retail sales performance and the customer value approach are conceptually and methodically analogous. Both concepts calculate the value of a particular decision unit by analytical attributes forecast and the risk-adjusted value parameters. However, virtually no scholarly attention has been devoted to the question if any of these components of the shareholder value could be determined in a more market-oriented way using individual customer lifetime values.[19] The value of a customer may be defined in reference to a firm as the expected performance measures are based on key assumptions concerning retention rate and profit margin and the customer value also tracks market value of these firms over time. The value of all customers is determined by the acquisition rate and cost of acquiring new customers.[20]

Fast moving consumer goods (FMCGs) have a quick shelf turnover at relatively low cost and prompt quick buying decisions of consumers. The rate of change within the FMCG market sectors continues apace, particularly in the area of innovation and value additions. A firm may combine innovation and technologies in the new products to create customer value and competitive gains. New and modem players have moved rapidly into the growing FMCG retail market. The FMCG sector in the retail market segment is largely attracted by the innovations in product attributes and packaging besides price sensitivity. It has been observed that the consumer decision on buying new products is systematically moderated by elements of marketing strategy.[21] Most of the new products in the FMCG category, such as processed food products, cosmetics and the like face competition in the market and the firms penetrate into oligopolistic market conditions. Under such market conditions customer value is driven by the satisfaction offered by substitutes. Often, firms face competition within their product line due to implementation of product overlap strategy, which generates conflicting customer values. When a firm introduces a high value product derived out of research and development efforts, a use value for it is also prescribed. However the perceived use value for the product may not match with the prescribed use value tagged to the product by the firm. Such uncertainty may cause low performance of the product in terms of buying preferences.

It is possible for a firm to penetrate in the market faster and outperform the close competing products that exist, if the ex-factory market dynamics is comparatively faster. Such dynamics may be considered as escape velocity for the new products, which manifests in increasing customer value, market coverage, just-in-time supply management, augmenting product performance through in-store and point of-sales demonstrations. It is observed that the faster market penetration of new products, takes place the higher is the opportunity of market coverage of the competing product in a given time and territory. New product attractiveness may comprise product features including improved attributes, use of advance technology, innovativeness, extended product applications, brand augmentation, perceived use value, competitive advantages, corporate image, product advertisements, sales and services policies associated therewith which contribute in building sustainable customer values towards making buying decisions on the new products. The introduction of new technological products makes it important for marketers to understand how innovators or first adopters respond to persuasion cues. It has been observed in a study that the innovativeness and perceived product newness which are one of the constituents of new product attractiveness were independent constructs that had independent effects on customer's attitude towards the brand and purchase intent for the new product.[22] The attractiveness of new products is one of the key factors affecting the decision making of customers and in turn is related to market growth and sales. The higher the positive reactions of the customers towards the new products in view of their attractiveness, higher the growth in sales and so in market.

Customer lifetime value (CLV) is a key-metric within customer relationship management. Although, a large number of marketing scientists and practitioners argue in favour of this metric, there are only a few studies that consider the predictive modelling of CLV. Customer lifetime value also represents the net present value of profits, coming from the individual customer, which creates a flow of transactions over time. Firms view their investments in terms of cost per unit of sales, rate of customer retention, and acquiring customers. CLV is, then, used as a convenient yardstick of performance. The concept of the lifetime value of a customer is well established in the theory and practice of database marketing. The lifetime value of a customer, defined to be the expected present value of the net cash flows from the firm's relationship with the customer over his or her lifetime, is often used as an upper limit on spending to acquire the customer.[23] Many firms agree that their efforts should be focused on growing the lifetime value of their customers. However, few have come to terms with the implications of that idea for their marketing management with focus on decision making and accountability of customer values.[24] The customer's lifetime value is constituted by three components – customer's value over time, length of customers association, and the services offered to the customer. Satisfaction is the customer's perception of the value received in a transaction or relationship and it helps in making re-patronage decisions on the basis of their predictions concerning the value of a future product. It may be thus stated that the customer value paradigm is contemporary, which includes many elements of the customer satisfaction paradigm and is being more widely adopted and deployed by the firms.[25]

Some studies focus on the prediction of CLV in customer goods manufacturing and marketing firms. In these industries, customer behaviour is rather complex, because customers can purchase more than one service, and these purchases are often not independent from each other.[26] However, it has been observed that low perceived use value; comparative advantages over physical attributes and economic gains of the product make significant impact on determining the customer value for the relatively new products. The customer value gap may be defined as the negative driver that lowers the returns on the aggregate customer value. This is an important variable, which needs to be carefully examined by a firm, and its impact on the profitability of the firm in reference to spatial (coverage of the market) and temporal (over time) market dimension needs to be measured.[27]

In view of maximising the lifetime value of customers, a firm must manage customer relationships for the long term. In disagreement to this notion a study demonstrates that a firm's profits in competitive environments are maximised when managers focus on the short term with respect to their customers.[28] Intuitively, while a long-term focus yields more loyal customers, it sharpens short-term competition to gain and keep customers to such an extent that overall firm profits are lower than when managers focus on the short term. Further, a short-term focus continues to deliver higher profits even when customer loyalty yields a higher share-of-wallet or reduced costs of service from the perspective of the firm. Such revenue enhancement or cost-reduction effects lead to even more intense competition to gain and keep customers in the short term. The findings of the study suggest that the competitive implications of a switch to a long-term customer focus must be carefully examined before such a switch is advocated or implemented. Paradoxically, customer-lifetime value may be maximised when managers focus on the short term.

There have been limited studies that have discussed the impact of convergence of product services offered by a firm to the new products towards generating customer value over time. However, some of the studies find no evidence of absolute convergence, while a few find evidence of conditional convergence, that is convergence having controlled for differences in technological and behavioural parameters.[29] The customer value in terms of satisfaction is one of the indicators for building profit-oriented strategies in a firm. Customer-value concepts may be applied by the firms to evaluate the product performance in the given market and determine the approach for competitive advantage. In order to gain the returns on the aggregate customer value, firms need to methodically estimate the profitability associated thereof in terms of product attractiveness, volume of buying and market share thereof. The ultimate goal of the firms may be to generate continual revenue streams by maintaining the customer value. There appears to be a need for exploring the gaps that may occur in the marketing process that lower customer satisfaction and aggregate customer value.

Competitive advantages over cost, differentiation, and technology

Marketplace strategy includes elements of product and customer segments, competitive posture, goals, moves, and directions of the firm. Products and customers are categorised in different ways. Customers are segmented on the basis of the products and services they use at any point of time. Customer demographics are also considered to a large extent in segmenting the customers. The needs of customers relate more directly than any of the demographic profiles. Competitor's position and direction of the competitor is better known to the distributing channels than any other external agency. Tapping of right information taking the distribution channels into confidence would be more appropriate than any other means to the company. Rival business firms often choose distinctly different channels to reach end users. The competitive posture reveals how a competitor competes in the marketplace to attract, win, and retain customers. The customer is the kingpin in determining the competitive posture. The competitive posture of the company consists of product line, attributes of the product, functionality, service, availability, image, sales relationship, and pricing pattern. Product line broadly refers to the range of products available with the competitor. Distributors and retailers are more concerned with the width (item under product range). Some companies focus on narrow range of products and build an image among customers. Product attributes vary in terms of shape, design, style, colour, and added advantages. Further, customers may view the functionality of the product as the satisfaction derived from the products. The dimensions of functionality are highly product specific. In competitive markets, the efficiency of the services discharged and extended to the buyers also contributes in building or breaking marketplace strategy. Products, in the same market or competitive domain, largely vary in their availability, which may be due to weak or faulty supply chain management. Competing firms must study this situation and develop strategies accordingly. Besides the price games played by mercantile and service sector companies are very powerful and may carry enough strength to destroy the rival's business. Such market tactics among the companies dealing with FMCGs and services have been observed time and again. The example of price war in low cost airlines in India may be cited here. Jet Airways, Kingfisher Airlines, and Indian Airlines drive campaigns to attract potential customers as well as to prevent the switching of existing customers by slashing the prices on the domestic trunk routes. The position of products and services and the level of competition in the marketplace may be assessed by measuring the dynamic moves (strategic and tactical) in the given product-customer segments in a competitive marketplace.

A niche domain involves a narrow product line and customer segment. A competing company must take a note that the rival is always an expert in terms of product and customers. The spread domain entails narrow products range targeted at a large segment of customers. Such firms invest more time and resources in building brand and securing the customer segments (e.g. Bata India Ltd. has narrow product-mix but has wider customer base). The proliferated domain involves a wide range of products aimed at narrow customer segments. Many companies offer a wide range of products in the restricted region. A blanket domain is attained when the competitor has positioned his products and services in all the available segments (e.g., Bajaj Scooters Ltd. in Indian automobile sector).

Many technology-driven firms consider establishing strategic alliances as an effective strategy to sustain market competition. They recognise that alliances and relationships with other companies of repute are fundamental to outwit, outmanoeuvre, and outperform the competitors by ways of better branding, better services, and tagging global brands for assuring the quality of goods and services. Alliances and relationships thus transform the concept of the competitor. Strategic alliances are possible in various forms like branding, logistics, research and development, productions and operations management, packaging, services, sales, and customers. Business alliances have to be identified by doing an exercise scientifically. The company has to list all alliances that it is planning to have to outperform the competitor, categorise all available alliances by activity, value chain and resources, and identify the key alliances, which will have the cutting edge on the marketplace strategy of the competitor. It is essential to identify alliance partners and know about their marketplace strategies. The purpose of the alliance has to be made transparent at the very beginning of the deal. The type of alliance and context of alliance are relevant competitive conditions, leadership, and motivation for the partners. The company has to draft the terms of alliance clearly for striking the final deal. The terms of alliance must delineate the resources contribution of each partner, roles, and responsibilities of either of the alliance partners, duration of alliance and the benchmarks. The company proposing to have alliances must assess the evolution date of the alliance, alliance attributes, signals of the marketplace and consequences for the competitor in terms of changes in market strategy. The company should also identify the indicators to monitor the terms of alliance with a view to reorient the business needs, mutual interest, and commitment. Marketing environment for a competitive environment is a combination of factors which the customers use as tools for pursuing its marketing objectives in the identified markets for achieving targets. These factors have to be strategically mixed in marketing planning for offering quality services and optimising customer value. It is an integrated approach for promoting the services with a view to expand the area in the services market. The traditional components of marketing-mix including product, pricing, place, and promotion are further supplemented by another set of 11Ps consisting of product, price, place, promotion, packaging, pace, people, performance, psychodynamics, posture, and proliferation.

A company trying to outwit, outmanoeuvre, and outperform the competitors must also keep a constant watch on its future movements and should draw valuable projection for building the counterstrategies to check or defuse its moves. The company must assess the marketplace strategy alternatives being considered by the competitor firm. Competitor strategies need to be examined carefully. The options of some of the following alternatives of the competitor firm may be examined:

- Aggressive penetration of high-price market
- Low-price market entry
- Maintaining the present strategy

Multiple signals typically emerge out of the projected strategy of the competitor and have to be interpreted appropriately. Signals must be assessed in reference to the supporting logics, competitive consequences, and the implications thereof.

Strategic screening process in market planning

Market screening is a useful first step for retailers or developers who are trying to identify the best locations in a large market territory. In the context of increasing market competition firms undergo a comprehensive market screening process prior to developing market attractiveness for sustaining the market competition. In order to survive market competition, most firms also explore the possibility of strategic marketing alliance with the strong firms. In the strategic partner selection process competing firms look for finance, business know-how, and knowledge of local market, a shared understanding of the business and brand, and ultimately homogeneity between partners.[30]

The following screening process will help managers to zero in on visible prospects for growth. Once identified and prioritised it can be converted into long-term and short-term marketing objectives, strategies, and tactics.

1. **Present markets:** To identify the best opportunities for expanding present markets, it is necessary to investigate the emerging businesses or acquire new users for the product. Determining how to displace competition is a particularly significant move in no-growth markets. Firms need to increase product usage by current customers and redefine market segments where there are changes in customers' buying patterns. A firm may opt to work in association with customers on innovative ideas to reformulate or repackage the product according to their specific requirement. It is important to identify new uses (applications) of products and services and reposition products to create a more favourable perception over rival products. The investigation should be carried in order to expand into new or non-served market niches.
2. **Customers:** The distribution channels need to be assessed to identify the best opportunities for expanding, improvement, or expansion in the customer base. Managers should refine the product pricing policies to match market share objectives, enrich communications, including advertising, sales promotion and publicity, and deploy the sales force to target new customers with high potential. There is a need to consider enhancing customer service including technical services and complaint handling. Identifying the changes in trade buying practices, where the buying process may have shifted from manufacturer to distributor or to end user, makes the marketing strategy good for effective implementation.
3. **Growth markets:** Firms operating in a competitive marketplace should target the key geographic locations, developing appropriate market segments, and building substantial long-term potential to identify growth markets.
4. **New product development**: In order to give priority to 'hot' candidates for new product and services development that will impact on immediate and long-range opportunities, the company should focus on new products that can be differentiated and that have the potential for an extended life cycle. Firms need to search for ways to diversify into new or related products, product lines, and/or new items or features. The techniques to modify products by customer groups, distribution outlets, or individual customer applications should be examined and initiate the work on improving packaging to conform to customer's specifications and to distinguish product from rivals. Simultaneously there is a need to establish new value-added services.
5. **Targets of opportunity:** Innovative attitude and entrepreneurial thinking would develop the focus on areas outside current market segment or

production line not included in the other categories. However, strategic directions or mission statements need to be referred as a guideline to assess how far a company can realistically diversify from its core business and still retain its vitality.

Kodak Inc. is one of the leading companies in the global market initiated by George Eastman that manufactures photo films and equipments since 1888. Kodak entered the consumer market with its business philosophy of mass production at low cost, international distribution, extensive advertising, and customer-focused marketing. Kodak built its brand in international markets using intensive advertising and price-based promotions. It had established its brand in the American market as consumers were more accepting of foreign-based products, though they enjoy preaching the virtues of 'Buying American'. Commercial sponsorships of Kodak in sports and environmental events along with media giants like Discovery and National Geography had also given strong support to the company in building its brand over decades against its closest competitor Fuji Film Company of Japan. Kodak survived in the competitive market since 1923 following the continuous research, development, and innovation that reflected in its products. Major strategies adapted by Kodak in sustaining its brand equity and stimulating business growth include

- Implementation of digital growth strategy and market-oriented business model to sustain market competition
- Implementation of cost reduction programme, including asset rationalisation, reduction in general and administrative costs and personnel reductions
- Implementation of product strategies including category expansion, digitisation, organic light emitting diode (OLED) displays, and digital products
- Implementation of intellectual property licensing strategies. This had helped the company to incur loss from piracy and imitations in the market
- Development and implementation of e-commerce strategies
- Completion of information systems upgrades, including SAP
- Reduction of inventories
- Improvement in manufacturing productivity and techniques
- Improvement in receivables performance and reduction in capital expenditures
- Improvement in supply chain efficiency
- Development of business in emerging markets like China, India, Brazil, Mexico, and Russia

In camera production and sales, the company enjoyed uneven success, at times being out-competed on cost and quality by various competitors. For instance, in 1963, Kodak introduced the 35mm cartridge-loaded Instamatic camera.[31] This 'point and shoot' camera was one of the most successful and efficient cameras, selling more than 70 million worldwide. Later in 1987, Kodak introduced the first single-use camera. Through the 1990s, Kodak continued to improve single-use cameras with features such as waterproof designs, dust-proof designs, flashes, and telephoto lenses. The global market for single-use cameras in 1993 was worth more than 25 million units per more than $200 million. Sales in the early 1990s more than doubled each year, making it the fastest growing segment in 35mm cameras. Kodak led the market in the United States with 70% share throughout the early 1990s. Fuji trailed behind Kodak with only 20% of the US market. The shift in the business strategies of the company over the years has been exhibited in Figure 3.1.

Kodak is still holding considerably high market share and its growth in the market has evidenced several shifts in business strategies including acquisitions. The acquisition of PracticeWorks, the world's leader in digital dental imaging; the acquisition of Algotec Systems, a leading developer of advanced picture archiving and communications systems (PACS); and the purchase of Scitex Digital Printing now operating as Kodak Versamark, Inc., the leader in high-speed, variable-data inkjet printing, indicates that the global business of Kodak has grown multifaceted over time. The new digital businesses are already doing well and offer significant growth opportunities. Accordingly, the firm devoted additional resources to digital growth opportunities and to maximise the traditional businesses,

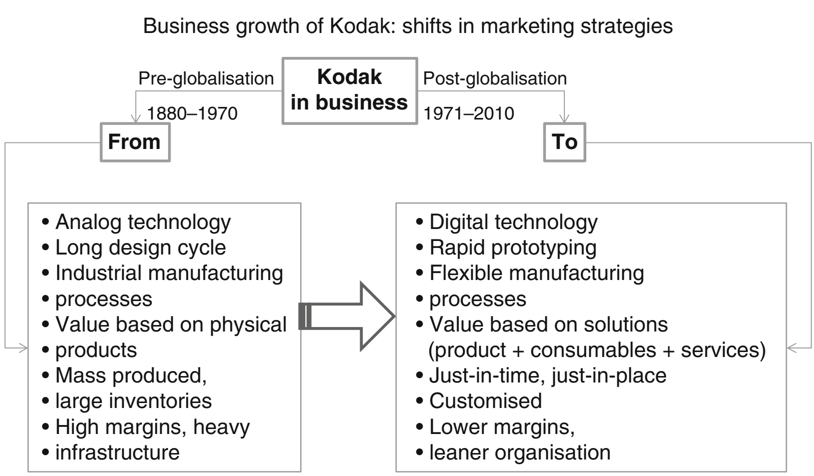

Figure 3.1 Market screening and shifts in values under competition

including through selective investments. As part of this strategy, Kodak is determined to be the lowest-cost provider of traditional and digital products and services.

Multinational marketing planning

Marketing planning at the subsidiary level of multinational companies is a short-term planning for the next 12 to 15 months, which has a long-term planning focus, in general. Planning efforts for subsidiary companies should be duly coordinated with those at the corporate headquarters. Such planning processes should be a bottom-up process and it should take into account the environmental realities surrounding its products and markets. In this effort, the parent corporation expresses three major concerns. Firstly, it involves facilitating linkage between corporate and subsidiary perspectives which provides corporate-wide inputs relative to overall mission and direction, both generally and with reference to the subsidiary and existing market. Secondly, the parent company attempts to establish a worldwide planning system by developing planning procedures and communicating them to subsidiaries. Additionally corporate headquarters should be catalystic in creating a planning culture among the subsidiary executives. At the corporate-level marketing planning needs to be focused on coordination and approval of plans submitted by subsidiaries; formulation of corporate-wide strategy is also needed. In international marketing a firm may also look into the ethnocentrism, polycentrism, and geo-centrism affecting the marketing planning process. An executive with an *ethnocentric orientation* views international business as secondary, a place to dispose of 'surplus' products left over after fulfilling domestic demand. The differences in these approaches have been illustrated by choices of branding policy. For example, in ethnocentric approach branding policy in foreign markets makes the parent company a unifying feature. A firm following *polycentric orientation* establishes subsidiaries located overseas to operate independently from each other and encourages them to follow its unique marketing strategy. Under such situation each company will have independent planning for brands, products and services, consistent with local criteria. A company with a *geocentric approach* takes a perspective of one world market and considers the global market as a whole, with no demarcation between domestic and international business. Such a firm will have a global marketing planning and strategic focus.

For example, the new structure of HCL consists of HCL Info-systems with hardware and HCL Technologies, Bahamas, with various activities and software training in collaboration with NIIT (Asia Pacific, Singapore, and Malaysia). The old priorities of the company were operating in the domestic hardware market, focusing on volumes and reach, looking for the opportunities outside information technology with limited focus on software. The new priorities of the company include the software export market, service oriented business, using the merger and amalgamation for fast growth, and to offer partners domestic reach. The company has to assess the strengths and weaknesses of the existing brands in the market before taking the branding decision for their product. The manufacturing company may have several options on brand sponsorship. The advantage of this strategy option would be that new products may be launched in the market as the brand manufacturer. Strategic alliances with international brands like Sony, Hitachi, Philips, etc were sought by Indian firms for making increasing equity of their brands. Deciding upon the category of brand an appropriate brand name may be selected. Brand names may reflect individual, blanket family name for all products, separate family names for all products or company trademark. Ideally, brand names should be short, easy to pronounce, and should convey proper meaning in the language of the country/region. The brand name should be such that it suggests some use value or attribute of the product, distinct from the brands existing in the market brand extension in the same company can be explained as a product line as may be the case in HCL which includes service also. It has been observed that majority of new product activities consists of line extension. The company may have four basic options in brand strategy – line extension in which the existing brand can be extended to new attributes in the existing product category, brand extension which enables the company to introduce new brand names to new product categories, multi-brands may be used if new brand names are provided to the same category of products and finally the new brands where new brand names are used for the new product categories.

A company may decide to use an existing brand name to launch a product in a new category. Honda uses its brand name for two wheelers, four wheelers and stroke engines. Likewise the Hyatt practices brand extension strategy by using its brand name in every hotel variation such as Hyatt's Resorts, Hyatt's Suits, and Park Hyatt etc. This strategy makes the customers understand the reputation of the company and the quality of services. Brand extension would be more beneficial if it serves to increase the sales of the existing as well as the new products of the company. Sometimes companies feel that multi-brands help in establishing different features to generate appeal to different buying motives. The example of the multi-brand strategy of Procter & Gamble, which has introduced as many as nine different brands of detergents, may be cited here. Multi-brands may always gain small market share as compared to the solo brands and in particular these brands may not be able to generate sustainable sales revenue.

Lying between market and hierarchy are intermediate transaction structures that rely to varying degrees on relational social norms to combine features of contract and ownership, forming hybrid forms of governance. Intermediate forms include relational contracts (i.e., social norms binding contracting parties), alliances (i.e., tightly bound independent parties), and joint ventures (i.e., partial equity by each party). Movement along the institutional continuum from market towards hierarchy increases administrative costs but affords increased protective benefits from trading hazards.[32] Reflecting an institutional continuum, social relational elements generally fill governance gaps unaddressed by pure market and ownership in a way that creates hybrid organisational forms with particular protective features. Social relational elements depend on a shared set of implicit principles, norms, and values, such as information sharing, solidarity, and flexibility.[33] A firm develops its marketing capabilities when it can combine individual skills and knowledge of its employees along with the available resources. A firm that spends more resources to interact with customers can enhance its 'market sensing' abilities.[34]

Marketing organisations in a competitive marketplace follow different organisational designs to optimise their advantage over the rival firms. In the *international business division structure*, a firm's activities are separated into two units comprising domestic and international operations. The main function of such an international division is to draw a distinction between its domestic and international business.

A worldwide *geographic organisation* can overcome the problems associated with the international division structure. In this structure, foreign and domestic operations are not isolated, but are integrated as if foreign boundaries did not exist. Worldwide markets are segregated into geographic areas. Operational responsibility goes to area line managers, whereas corporate headquarters maintains responsibility of wide planning and control. Major attributes of the geographic organisational design of multinational companies are as below:

- Product lines are less diverse
- Products are sold to end users
- Marketing is a critical variable
- Similar channel is used for marketing of all products
- Products are based on the local consumer needs

This organisational design has various advantages, markedly delegation of line of authority and explicit responsibility. Specifically, the merits of this system include

- Responsibility and delegation of line of authority
- Manufacturing and product sales coordination
- Large number of executives
- Conflicts of roles and responsibilities
- Lack of specialists in the product sales line

An important disadvantage in geographic organisational design may be seen as large number of top level executives involve in operational tasks which lead to the conflict in power play and command execution in the organisation. Besides the agglomeration of top management personnel, the individual products may suffer, as responsibilities cannot be fixed easily on the operational executives.

A product organisation design is different than geographic design wherein a worldwide responsibility to product group executives at the line management level is assigned and emphasis is placed on the product line rather than on geographic differences. The coordination of activities in a geographic area is handled through specialists at the corporate staff level but in the product organisation focus is laid on the performance of product-mix in a given area. Multinational companies, which operate within this structure have a variety of end users, handle diversified product lines with high technological capability and logistics cost are diverted to the local manufacturers. This type of organisational design has several benefits including:

- Decentralisation of authority
- High motivation of the divisional heads
- Adding or dropping new products have marginal impact on operations control of product through the product life cycle.

In this organisational structure, a firm is segregated along product lines considering each division as a separate profit centre with the division head directly accountable for profitability. Decentralisation of operations is critical in this structure and more decisions are likely to be left to the local manager, who is then usually more highly motivated. Decentralisation of authority is a prime advantage of this structure where division heads are highly motivated. This structure allows the product managers to add new products and product lines and withdraw old ones with only marginal effect on overall operations. Another advantage of this structure is that the control of a product through the product life cycle can be managed more readily and securely. However, firms following this organisational structure often face the problem of coordination among product and territory managers. In addition, it is felt that executives quickly get biased towards the regional and corporate staff in managing any product process.

In recent years, a synergy of all the above organisational structures has emerged among the multinational companies which are defined as *matrix structure*. The matrix structure offers greater flexibility than the single line of command structures already discussed and reconciles this flexibility with coordination and economies of scale to keep the strength of large organisations. The attributes and advantages of matrix organisation include

- Multiple command line
- Product and geographic coordination

- Product lines in a national setting
- Quick adaptation of organisational design to local demand

For the multinational firm, the matrix organisation is a solution to the problem responding to both economic and political environments. General Electric Company in Asia operates with matrix structure and has been successful. A matrix organisation can encompass geographic and product-management components. However, some of the disadvantages in following this organisational design are power struggles among the supervisory personnel and parallel decision making.

Globalisation and market competition

The world is rapidly changing today in reference to business, technology, and innovation. Human needs are uniformly spreading across countries which demand for greater negotiations and free movement of goods and services. While people continue to live in local realities in the developing countries, these realities are increasingly being challenged and integrated into larger global networks of relationships.[35] The span of expansion of multinational companies across developing countries towards the manufacturing and services activities endorse the concerns of globalisation. International business thus encompasses a wide range of activities involved in conducting business transactions across the countries and international marketing functions specifically deal with strategies associated with the marketing of products and services therein. However, globalisation has created a great deal of debate in economic, policy, and grassroots circles world over. The increasing complexity of globalisation may be seen in various dimensions such as economic, political, cultural, legal, and technology management, which necessitate a new paradigm for learning and teaching. International marketing is one of the strongest off shoots of globalisation in managing business activities across national boundaries conceptualising one world.

Globalisation can be described as the combined influences of trade liberalisation, market integration, international finance and investment, technological change, the increasing distribution of production across national boundaries and the emergence of new structures of global governance. The global marketplace equipped with the application of global communications has become the focus of the global business arena that makes the world markets remain open and participate in fair competitive practices. Supporters of the globalisation concept also argue that allowing free trade and capital movement would also favour workers to move from one country to another, partly to find better employment opportunities. New growth-trade theories have emphasised the contribution of international trade to economic growth through its effect on capital accumulation. Free trade leads to specialisation, contributes to the total factor productivity and offers comparative advantages for the other countries. Trade openness also expands potential markets that allow the domestic companies to take advantage of economies of scale and to diffuse technology, innovation and managerial practices through close alliances with the foreign firms. However, free trade generates neck-to-neck competition among countries for economic sustainability and to equip essentially for competing against the best in the world. In this adaptation from Race in the Market,[36] globalisation explores the economic benefits of free trade and looks at how the changing landscape will force many companies to reevaluate their strengths and weaknesses.

During the early stage of economic transition, it was presumed that the newly liberalised economies in Central and Eastern Europe would experience high rates of sustained economic growth, with rapid convergence towards trade and economy of the major industrialised economies in the West. A key factor of the transition process is the structural change comprising reallocation of resources on the basis of market incentives. Variability in the production and consumption behaviour is therefore a potentially useful concept in analysing the structural changes that have actually occurred in Eastern European transition economies. Among the Central and Eastern European countries, the Polish transition can be viewed as the most successful one in terms of growth levels. Overall impact of political and economic disintegration on trade among the former constituent republics of three demised federations in central and Eastern Europe, the Soviet Union, Yugoslavia, and Czechoslovakia has been followed by a sharp fall in trade intensity, although the legacy of a common past remains strong. However, the process of integration into the world economy has not been uniform across transition countries. After long inward-looking trade policies and import-substituting industrialisation, several Latin American countries undertook comprehensive trade liberalisation and macroeconomic adjustment in the 1980s and the experience of these countries has been relevant for the economies in Eastern Europe and the former Soviet Union in transition from socialism to market economies.[37]

Globalisation in economic reference may be explained as a historical process which has emerged as the result of continuous development of civilisation, human needs, innovation and technological progress. It endorses integration of various types of economies around the world: developed, developing and transitional, particularly through the flow of trade and financial operations. As far as the efficient generation and use of public resources are concerned, much has been done to make the value-added tax system efficient and to privatise public enterprises. In response to the liberalisation of economies, there has been significant increase in the imports, primarily due to lower inflation, lesser government intervention, and fewer trade barriers. Globalisation aimed at offering extensive opportunities with outward-oriented policies which were designed to bring dynamism and greater prosperity to reach developing countries. Its effects became visual as the time advanced, which has been evidenced by East Asia, transforming it from one of the poorest areas of the world. The living standards in the east-Asian region rose and it became possible to make progress on democracy and economic issues such as the environment and work standards.

In the arena of global trade, coalitions have been traditionally formed within countries, and occasionally, among countries, in order to protect the domestic production of particular goods, services, or sectors of the economy.[38] However, oil and interest rate shocks in the world economy in the 1980s, coupled with debt crises and the rise of a more market-oriented economic philosophy, brought about a dismantling of organised protectionism in many countries, eroding the coalitions which had so tightly resisted trade liberalisation.[39] Alongside regionalism, the world trading order, during the last decade has been marked by increased Institutionalisation. This has opened up a new, wider set of issues and interests around which future coalitions of countries may well form. Prior to the Uruguay round, and during the pre-negotiations of that round, developing countries had formed a coalition of 'the South'. The Group of Ten (G-10), led by the 'Big Five' comprising Argentina, Brazil, Egypt, India, and Yugoslavia, formed as soon as the US pushed for a new round of trade negotiations. The coalition of developing countries successfully blocked some aspects of the US initiatives. However, the G-10 soon found itself split in trying to formulate negotiating positions on the various aspects of trade.[40]

The pursuit of industrial success or export competitiveness has become a principal policy goal for governments and industries in the advanced countries. The concept of competitiveness raises concerns among the neo-classical economists because it implies the need to capture market share in industries that will result in expanding domestic incomes in the form of higher wages and profits. It goes beyond the need to achieve efficiency or productivity in industries in which a nation has a natural advantage. After decades of slow growth in many developing countries, international trade has shown optimistic results in recent years following the international trade agreements. The export competitiveness of a country is also significantly driven by the resources availability in the country and harnessing them. These resources may broadly be classified as natural, monetary, research and development, production and market infrastructure, and human resources. There is an increasing interest among students to pursue courses related to international relations, international economics, and international trade in the undergraduate and graduate programmes offered by universities all over the world. In addition, international trade and economy have become an integral part of management education. There is not enough work done on convergence of international trade and economy from the perspective of management learning.

The company planning to take lead in the market should develop a strategic vision for dominance in the marketplace. It should also plan to achieve the output by implementing the strategy successfully. This phase may be viewed as *discovering* the competitive strength of the company. Later on the basis of results of discovering the business process needs to be *reengineered* and *executed*. These are the three important phases in reengineering the business function with competitive, focus, a company has to be prepared for planning to outwit, outmanoeuvre and outperform the competitor. There are various factors associated with these phases of change in business strategy for a company to be one of the best companies surviving in the market. Table 3.3 exhibits the factors associated with the business reengineering phases of dominance, redesign, and realise.

A company making efforts to become the market leader has to put substantial energy and resources in learning the competitor's move and later unlearn the same among the core team responsible for building strategies. In this process it is necessary to generate new ideas and assess their suitability to administer in the market and adaptability in the work environment of the company. Once the appropriate strategy is selected the core team has to take all steps to apply the same against the move of the competitors. These steps will help the company play its dominance in the market against the competing forces. Dominance will also help the company redefine the engineered strategy to its suitability in the market and commitment to apply the same against the competitors. The time taken for realising the reengineered strategy results against competitors vary according to the intensity of business penetration and customer relationship. However, to get a quick realisation to the reengineered business efforts a company has to build teams, plan execution of strategy in detail, confirm investment (if any), assess and recognise the impact. The company, during such market intervention operations, has to handle communications among staff members very carefully and channel managers to avert any unwanted interpretations and actions thereby. Communications to the staff members and channels should be comprehensive in the context of strategy reengineering; the vision of work should be made known to the concerned; rationale should be explained, and the impact assessed. The

Table 3.3 Framework of reengineering business process

Dominance	**Redesign**	**Realise**
• Learn and unlearn new ideas • Assess suitability • Make appropriate selection • Apply against competitors	• Learn and unlearn new ideas • Analyse suitability • Redefine and engineer strategy • Commit	• Mobilise people/ staff • Communicate and PR • Execute redesigned packages • Measure performance • Sustain

core team has to be trained to execute the task, control strategic points of the plan, and provide continuous inflow of the impact information to the top management of the company. Any business strategy implemented in the market should have strict measures against the task, time, and target. Nevertheless, the cost-benefit assessment is important to evaluate the success of the interventions moved against competitors and redefine their next moves. The on-going management reviews and key indicators analysis are essential for a company to count its sustainability amidst competition in the market. The company must prepare a checklist of strength, weakness, opportunities, and threats in reference to the moves of the competitor. The company has to prepare for the opportunities and build strategies to overcome the threats from competitors. There are some factors like advertising and communication where equal opportunities exist for both the potential and rival business companies. This is a sector where the higher the creativity and reach the larger is the impact on the market.

A company should acquire the strategies of outwitting, outmanoeuvring, and outperforming the competitors to win the race. It is necessary for successful business companies to look for such a place of business that provides them more location advantage and which holds the customers for their goods and services. A broad set of process standards will soon make it easy to determine whether a business capability can be improved by outsourcing it. Such standards will also help businesses compare service providers and evaluate the costs versus the benefits of outsourcing. Eventually these costs and benefits will be so visible to buyers that outsourced processes will become a commodity, and prices will drop significantly. The low costs and low risk of outsourcing will accelerate the flow of jobs offshore, force companies to reassess their strategies, and change the basis of competition. The speed with which some businesses have already adopted process standards suggests that many previously non-scrutinised areas are ripe for change.[41]

The driving forces of competing firms, their organisation and microeconomic environment need to be studied carefully by the company planning to overtake competitors in the business. Further in the process of winning the battle of rivals it would be helpful for a company to understand the changing stakes of competitors and forces after such developments. It is necessary to build up strong, comprehensive, and reliable database for capturing the activities of any business rival or competitor. Data are thus the basic input for competitor learning. In competitive markets, the efficiency of the services discharged and extended to the buyers also contributes in building or breaking the marketplace strategy. Products in the same market or competitive domain largely vary in their availability – may be due to weak or faulty supply chain management. An increase in the competitors' credit intakes with any financial institution may signal its intent to implement a major strategic initiative to expand its business such as an acquisition or planning for capital investment for augmenting its production or marketing activities. Hence strategy building against the competitor is a very careful exercise that needs to be done by practising managers.

Shifts in global business environment

It is important to understand that the global political environment has a greater role to play in all business and economic matters today; however, it remains in a constant flux. The political system of a country is shaped after passing through major processes of growth, decay, breakdown, and a ceaseless ferment of adaptation and adjustment. The magnitude and variety of the changes that occurred in the world's political systems between the 1920s and the 1980s describe the complex dimensions of the problem. It may be observed that during the last century, great empires disintegrated; nation states emerged, flourished briefly, and then vanished. The two consecutive world wars transformed the international system and seeded new ideologies that swept the world and shook established groups from power-grid nations. However, many developing countries experienced civil and political revolutions during the post-world-war period in order to determine the most effective governing system, and domestic politics in every system was contorted by social strife and economic crisis. In the middle of the twentieth century the nature of political life was changed everywhere by novel forms of political activity as the new means of mass communication, increase of popular participation in politics and the rise of new political issues offered better understanding of international politics and popular governance in reference to global integration. Besides, the extension of the scope of governmental activity and other innumerable social, economic, and technical developments in the developing countries urged for stability in the governments for effective implementation of the international development programmes. Trade policies have been one of the international priorities.

There are many factors that influence ideological transition, development, and change in the world's political systems. In the recent past, industrialisation, population growth, the 'revolution of rising expectations' in less developed countries, and international tensions have affected political thinking to a large extent. However, political instability generally occurs when distribution of wealth fails to correspond with distribution of political power. This situation may be described in reference to the classical school of political thought as political stability in a country is largely dependent on a large middle class. On the contrary Marxist theories of economic determinism view all political changes as the result of changes in the mode of production. However, neo-classical political thinkers maintain that the prime cause of revolutions and other forms of violent political changes is power polarisation and alienation from capitalistic economic countries. The majority of the world's political systems have experienced one form or other of internal warfare leading to violent collapse of the governments in power and certain crisis situations seem to increase the likelihood of breakdown in the governing politics of a region or a country.

In the politico-economic scenario the economic crisis are another common stimulus to the political setbacks as may be witnessed in the recent Argentinean crisis. The Brazilian economy was also at the cliff in the late 1990s due to internal economic instability. The political situation of a country may be explained in terms of economic growth as reflected in gross domestic product and also social scarcity. However, the political environment of a country also contributes in building the social position of individuals. A sense of insecurity and uncertainty about the future, and an aggravation of relationships among social classes also results in politico-economic conflicts in a country. A severe national economic crisis develops distrust in the political system of the country and triggers outbreak of revolutions in the political systems. Political unrest in a country triggers test conditions for the stability of political systems in extremely revealing ways, which often demand either for change in the political leadership or the structure and process of governance. Since the quality of to as a country's desire political leadership is often decisive, those systems that provide methods of selecting able leaders and replacing them possess important advantages towards internal and global political concerns. Unstable political systems are those that prove vulnerable to crisis pressures and that break down into various forms of internal warfare. The fundamental causes of such failures appear to be the lack of a widespread sense of legitimacy of state authority and the absence of some general agreement on appropriate forms of political action.

Political sovereignty may be referred to as the desire to assert its authority over foreign business through various sanctions. Political sovereignty is the assertion of self-determination of its citizens and the manifestation of their freedom. It is in and through the determination of its sovereignty that the order of the nation is constituted and maintained. Such sanctions are regular and evolutionary, and therefore predictable. An example is the increase in taxes over foreign operations. Many developing countries impose restrictions on foreign business to protect their independence. These countries are jealous of their political freedom and want to protect it at all costs, even if it means a slow economic pace without the help of MNCs. Thus, the political sovereignty problem exists mainly in developing countries.

The political philosophy and the legal environment of a nation largely influence the practice of international marketing. The political environment of a country comprises the international environment, host-country environment, and the home-country environment. Many studies have shown that dealing with problems in the political arena is the principal challenge facing international managers in developing pro-political strategies to run the business successfully in the host country. It is observed that each country has its own set of national goals; most countries also share many common objectives. Nationalism and patriotism refer to citizens' feelings about their country and its interests. Such feelings exist in every country and multinational firms, individually or collectively, may be perceived as a threat to that sovereignty. Foreign firms present greater perceived threats if they are larger in size and more in number in a country. At the time of any political turmoil, foreign firms may be targets for attack. Many countries seek 'national solutions' to help troubled companies to retain what are perceived to be national champions. International firms need to be sensitive to these issues and to be careful not to be too 'foreign'. This includes advertising and branding policies as well as ownership and staffing. Establishing local research and development would be perceived favourably in this context.

The international political environment involves political relations among the countries of common ideologies. Foreign firms need to make all adjustments with the host country's international relations, no matter how non-aligned it may try to be. Such strategic adjustments in tune to the international environment of the host country are required as its operations are frequently related also to the neighbouring countries, either on the supply side or demand side or both. Another critical factor affecting the political environment is the diplomatic relations of the host countries with others in the region or beyond. If a country is a member of a regional group, such as the EU, NAFTA, ASEAN, its political identity influences the firm's operational and expansion opportunities. If a nation has particular friends or enemies among other nations, the firm must modify its international logistics to comply with how that market is supplied and to whom it can sell. For example, the United States limits trade with various countries and Arabian countries do not entertain any business activities with Israel. The participation of the host country in the regional trade agreements or with the international trade organisations may affect patents, communication, transportation, and other items of interest to the international marketer. As a rule, the more international organisations a country belongs to, the more regulations it accepts, and the more dependable is its economic, political, and legal environment. The political environment in the home country is also an important indicator for a firm to decide its entry to the host country. However, an adverse environment therein may constrain its international operations as well as its domestic operations. The best-known example of the home-country political environment affecting international operations used to be South Africa. Home-country political pressures induced more than 200 American firms to leave that country altogether. In the private sector, the bottom line is shareholder value. In governments the objectives can be harder to pinpoint due to being clouded by political agendas, turf battles, special interests, and economics. Some of the key issues in reference to measuring the performance of the government in the given political environment of the home country may be considered by the firm as described below:

- **Measuring performance:** Governments need to continue to focus on gauging performance by what is achieved. Leaders should strive to understand the real results that are being delivered, and how much real progress is being made.
- **Improving through competition:** Government's position is often perceived in a fix by the social pressures. The issues of trade protection, allowing foreign companies to participate in the host country, repatriation of profits and other economic issues are subject to the prevailing political ideology in the host country.
- **Streamlining operations:** It is necessary for a foreign firm to examine the conduct of government activities in the home country. Many government operations can be performed by third parties often at lower cost and with equal or higher quality.
- **Promoting efficiency:** Most government employees are smart, industrious people. But like any workforce, their behaviour is largely driven by the organisation's rewards and incentives.

Many multinational companies face uncertainty in political environment due to instability of political leadership, coalitions, and external pressures. Even if the home country and the host country give them no problems, they can face threats in the neighbouring markets. Firms that do not have problems with their home government or the host government may be bothered or boycotted in neighbouring countries. Escalation of political conflict in many developing countries and their impact on economic development has been a topical issue in recent development literature. The overwhelming emphasis on 'ethnic conflicts' in this literature has, however, precluded looking at political conflict in the wider context of the development process, going beyond the ethnic dimension. In particular, because of the preoccupation with the ethnic roots as the prime source of these conflicts, reverse causation running from economic policy to political conflict has been virtually ignored in the debate.[42] The effectiveness of the political systems in a country may be analysed by the foreign firms in reference to the following indicators:

- Democratic effectiveness: capable of deepening democracy and democratic citizenship;
- Policy effectiveness: capable of tackling fundamental developmental problems of poverty and social equality
- Conflict-management effectiveness: capable of channelling conflicts and rendering them less destructive.

Political conflict in general could be defined as dynamic and manifest conflict processes consisting of certain phases. In this case the term 'conflict' is used in a more specific meaning: a political process (dynamic situation) in which engaged political parties have incompatible attitudes and behaviours. Internal as well as international conflicts have three interrelated components:

- Conflict situation, manifested in expressing various political aims or conflict of interest that cannot be simultaneously achieved and for that reason can be qualified as mutually exclusive;
- Conflict behaviour (in the first place aimed at achieving the aforementioned political aims); and
- Conflicting attitudes and perceptions having an emotional dimension (feeling of anger, mistrust, fear, scorn, hatred, etc.) as well as a cognitive dimension.

Many countries in different parts of the world undergo political conflict of various natures like turmoil, internal war, and conspiracy that can be irregular, revolutionary, and/or sporadic. Turmoil refers to instant upheaval on a massive scale against an established political regime. The internal unrest in a country refers to large-scale, organised violence against a government, such as guerrilla warfare. The example of Vietnam's actions in Cambodia and internal violence by the self-proclaimed people's groups like in the north-eastern states in India may be cited.

Political change in a country sometimes leads to a more favourable economic and business climate. For example, Sukarno's departure from the Indonesian scene improved the business climate there. The political ideology in India after the governance of Late Rajiv Gandhi, the Indian Prime Minister in 1991, became highly favourable for international business as the policy of globalisation was adopted and U.S. multinationals found India an attractive place to do business. The political conflict in a country may lead to unstable conditions, but those conditions may or may not affect business. Therefore, political risk may or may not result from political unrest. International business houses must analyse chronologically the occurrence of political conflicts and assess the likelihood of its impact on business environment.

South Korean agriculture is highly inefficient, and rice farmers feel particularly vulnerable as quotas on imports are gradually lifted. In early 2004 the national assembly approved the trade agreement with Chile after months of delays as thousands of farmers battled riot police outside. The South Korean government signed a free trade agreement with Chile in the previous year. The deal was finally ratified in February 2004 after months of bitter argument and a series of violent clashes with farmers. Under the agreement, Chile was expected to lift tariffs on South Korean cars, mobile phones, and electronic goods. In return, South Korea would open its markets to Chilean copper and agricultural goods, including wheat, wool, tomatoes and fish. The farmers have been offered a generous package of subsidies and debt relief, but they say it won't be enough.[43]

Political unrest is often temporary focused on the international policies of the government. There have been anti-globalisation protests in many countries during the international political movements on pursuing the developing countries to join the World Trade Organisation. It is important to understand the nature of political conflict in foreign countries and the motivation behind government actions. If a change in government policy is only symbolic without any indications of the change in implementation process, it represents less risk to foreign firms.

Business partnering prospects

Business partnership strategies should be developed keeping in view the heterogeneity in economic development, culture, and institutional modalities that exist in both regions, while seeking globally balanced relations. The relationship should be based on fundamentally shared principles and values, which in turn can be translated into clear political messages and a general sustained process of dialogue and cooperation. Relationships can be deepened at the bi-regional, regional, or bilateral levels, taking advantage of the special circumstances of country groupings. Building relationships should proceed at different levels and speeds among the countries of the region. Considering the multiplicity of forums it is necessary to focus the trade partnering negotiations at bilateral and multilateral levels and avoid overlap between distinct dialogues and similar initiatives taken at other forums. Bilateral negotiations should be strategically pursued in removing/reducing non-tariff and investment barriers. Trade-related negotiations among the Latin America and East Asian countries should also focus on the technical norms and standards; rules of origin, anti-dumping, subsidies, countervailing measures, other liberalisation and deregulation measures (privatisation), sub-regional, regional, and hemispheric integration processes, and convergence and divergence between regional integration and multilateral trade regimes. The negotiations should also be dealt with simplifying the customs rules and procedures, including non-transparent and inefficient infrastructures, differing customs, improper application of rules of origin, customs valuation, pre-shipment inspection, and import licensing. Customs problems can be especially difficult for small and medium enterprises that have less experience and fewer resources for handling these problems.

The trade integration between most of the largest Central and Eastern European countries and the euro area is already relatively advanced, while the Baltic countries as well as the South Eastern European countries still have significant scope for integration. The necessity of foreign investments in the transition countries is the result of industrial restructuring in post-socialist Eastern Europe and the Baltic countries. New markets, lower production costs, and higher profit rates have been the main motivators in investing to the transition countries. Bi-regional multilateral trade need to be encouraged among Latin America and East Asian countries which would enable them to promote liberalisation which is conducive to increasing the traditional trade flows among the participating countries. The bi-regional diplomatic negotiations should be evolved towards developing an action plan aiming at reducing non-tariff barriers and transaction costs, as well as promoting trade and investment opportunities between the two regions. Such a plan could provide concrete goals to be achieved in identified priority areas such as customs procedures, standards, testing, certification and accreditation, public procurement, intellectual property rights, and mobility of business people.[44]

There is a fast change observed in the world markets resulting into the new emerging markets across the countries. In this century China, India and Latin America and the emerging market-based economies in Eastern Europe promise new opportunities for global trade. The European Union provided an outlet, initially for unskilled-labour intensive products of Central and Eastern European countries and more recently for skilled-labour intensive and technology-based products. Knowledge-intensive imports from the European Union have also contributed to industrial realignment in the Central European countries. The trade liberalisation between Eastern and Western European countries has lead to gradual normalisation of trade relations, and liberalisation within CEFTA has reversed the fall in trade intensity among Central European countries. The emerging markets in the developing countries have shown a strong potential for change in preferences during the late twentieth century. Birth rate is declining in most of the advanced countries while it is increasing in the developing countries. Growing trade agreements in the countries indicate some likelihood of success because when the level of tariff and non-tariff barriers is already low, a preferential agreement is more likely to have an adverse impact than a beneficial one. However, reduction in tariff barriers, duties, and liberalisation process worldwide has further given a stimulus to the international marketing across regional boundaries.

Further reading

Agadjanian, V. (2002), 'Competition and Cooperation Among Working Women in the Context of Structural Adjustment: The Case of Street Vendors in la Paz-El Alto, Bolivia', *Journal Of Developing Societies*, 18(2), 259–85.

Badhwar, N. K. (2008), 'Friendship and Commercial Societies', *Politics, Philosophy and Economics*, 7(3), 301–26.

Christensen, C., Baumann, H., Ruggles, R., and Sadtler, T. (2006), 'Disruptive Innovation for Social Change', *Harvard Business Review*, 84(12), 94–101.

D'Andrea, G., Ring, L. J., Aleman, B. L., and Stengel, A. (2006), 'Breaking the Myths on Emerging Consumers in Retailing', *International Journal of Retail & Distribution Management*, 34(9), 674–87.

Dobson, J. (2007), 'Aesthetics as a Foundation for Business Activity', *Journal of Business Ethics*, 72(1), 41–6.

Feng, J., Zhou, Y., and Wu, F. (2008), 'New Trends of Suburbanization in Beijing since 1990: From Government-Led to Market-Oriented', *Regional Studies: The Journal of the Regional Studies Association,* 42(1), 83–99.

Gounaris, S. P., Panigyrakis, G. G. and Chatzipanagiotou, K. C. (2007), 'Measuring the Effectiveness of Marketing Information Systems: An Empirically Validated Instrument', *Marketing Intelligence & Planning*, 25(6), 612–31.

Jindal, R. P., Reinartz, W., Krafft, M., and Hoyer, W. D. (2007), 'Determinants of the Variety of Routes to Market', *International Journal of Research in Marketing*, 24(1), 17–29.

Kumar, S. R., Guruvayurappan, N. and Banerjee, M. (2007), 'Cultural Values and Branding in an Emerging Market: The Indian Context', *The Marketing Review*, 7(3), 247–72.

McGoldrick, P. J. and Pieros, C. P. (1998), 'Atmospherics, Pleasure and Arousal: The Influence of Response Moderators', *Journal of Marketing Management*, 14(1–3), 173–97.

Parsons, A. G. and Ballantine, P. W. (2004), 'Market Dominance, Promotions, and Shopping Mall Group Performance', *International Journal of Retail & Distribution Management*, 32(10), 458–63.

Rajagopal (2008), 'Consumer Response and Cyclicality in New Product Management', *Journal of Customer Behaviour,* 7(2), 165–80.

Rajagopal (2009), 'Growing Shopping Malls and Behavior of Urban Consumers', *Journal of Retail and Leisure Property*, 8(2), 99–118.

Roth, A. E. (2008), 'What Have We Learned from Market Design?' *The Economic Journal*, 118(527), 285–310.

Shy, O. and Stenbacka, R. (2008), 'Price Competition, Business Hours and Shopping Time Flexibility', *The Economic Journal*, 118(531), 1171–95.

Timothy, J. R. and Stephen, F. H. (2006), 'Rivalry in Price and Variety among Supermarket Retailers', *American Journal of Agricultural Economics*, 88(3), 710–26.

Vanderbush, W. (1999), 'Local Workplace Organizing in the Wake of Globalization: Street Vendors and Autoworkers in Puebla, Mexico', *Space and Polity*, 1(1), 61–81.

Williams, E. (2003), 'Market Reforms, Technocrats, and Institutional Innovation', *World Development*, 30(3), 395–412.

4
Competition Matrix

The competition matrix comprises two-dimensional determinants in reference to marketplace strategy and capabilities and competencies of the firm. The marketplace strategy has been devised as a way of providing a structure to achieve the key elements of our marketplace policy, and is best understood in conjunction with that document. The objective of the strategy is to deliver the customer intimacy which forms the foundation of our strategic relations approach. The strategy looks to give a firm the structure to achieve marketplace leadership through innovation and customer service excellence that brings sustainable competitive advantage to the firm. The arguments in this chapter are built around the context of assumptions, networks, alliances, capabilities and competencies, culture, competitor activities, and customer value chain.

Globalisation has not only accelerated the growth of companies from the developed countries that are striving to gain exponential growth in business across the market territories, but has also benefited regional firms by competition in various sectors of business. Hence, market competition in the twenty-first century appears to be random, multi-directional, and omnipresent irrespective of the region, products, and services. The emerging markets of developing countries have received signals from the global competition and are rising fast. However, there exist many hidden risks in the rise of potential firms to global marketplace and changing the intensity of the existing market competition. For example, previous observations in various research studies reveal that there were four factors that drove Japanese firms' early export growth including strong corporate models and cultures, a domestic market isolated from competition, an agreeable labour force, and cohesive, homogeneous leadership. But when the firms moved into foreign markets, those strengths became downfalls. Entrenched in their corporate ways, they were too narrow-minded to look for local insights, and they lacked leaders who had international knowledge. They were also unprepared for contentious overseas labour relations and the sophistication and expertise of their global competitors. Thus, to avoid a fate same as Japan's, emerging giants must change their business models, reduce their reliance on protected domestic markets, learn to cope with diverse labour, and shake up their leadership.[1]

Much literature has been contributed in the past arguing about the competitiveness and economics of factors influencing the nature of competition in the market. Neoclassical economists argue that competition promotes efficiency, but Schumpeter argues that it is monopoly rents that help entrepreneurs to invest in research and development. He defined competition as a dynamic process wherein firms strive to survive under an evolving set of rules that constantly produce winners and losers. In this process, the basic instrument that allows firms to be ahead of their competitors is the introduction of informational asymmetries. Depending upon the momentary set of rules, such asymmetries may result from three types of entrepreneurial activities, which are technological innovation, rent seeking, and organised action in the market.[2] A study dedicated to the contemporary competition in the global marketplace discusses the overall effect of competition on total factor productivity (TFP) growth. The study finds that performance is positively associated with rents on capital but not with rents on labour. Neoclassical economists and Schumpeter may both be right, but the mechanisms differ according to the business situations that emerge in the market.[3] Accordingly, without knowing anything about strategic interdependence and only perceiving a linear demand for its own product, every firm follows a simple price strategy to maximise its current profit in each period. The strategy is based on a firm's own cost function, slope estimate, and its sales and price in the previous period.[4] The profitability to the firms during the 1980s and early 1990s were largely driven by market-oriented strategies. However, managers have not had access to much data about aggregate trends and broad influences on business profitability over time. With new reporting requirements in place in the United States around 1980, the problem was partly solved.[5]

As the competition in the global marketplace is increasing continuously, most companies are also penetrating the low-end competition in order to avoid congestions of firms in the urban areas and secure the path of market leader by exploring the alternative markets. There are many industries in fray in the global market to acquire customers and retain those existing with them. In this competitive dynamics every firm lives in fear of low-end competition, wherein a company might lean towards offering much lower prices for an apparently similar product. A majority of such low-end firms fall into the categories of strippers, predators, reformers, or transformers in sustaining market competition. Such categories of firms are defined by the functionality of product and the convenience of purchase. Stripper firms, for instance, typically enter a market with skeletal offerings, limited functions, and usually offer convenience services. Large firms have significant advantages for combating low-end competition, but they often hesitate because they're afraid their actions will adversely affect their current profit margins.

Thus the new and growing firms in the competitive market environment need to find the response that is most likely to restore market calm in the least disruptive way. Firms leading the market could choose to ride out the challenge by ignoring, blocking, or acquiring the low-end competitor or decide to strengthen their own value proposition by adding new price points, increasing their level of benefits, or dropping their prices.[6]

Global market competition has also driven large companies that could operate on economies of scale by reducing the cost and staying competitive in the market with large firms in reference to price and services. When low-cost competitors emerge in a given marketplace, one of the toughest challenges that firms with premium products and brands face is whether to respond to such competitive threats. For example, Ryanair has emerged as a low-cost airliner and its entry into the European aviation industry has been a huge success against the large airliners. Likewise, the world's leading telecommunications companies are highly active competing with one another to recognise the threat from the Chinese low-cost competitor Huawei, now a leader in fixed-line networks, and mobile-telecommunications networks. The example of Vizio, a little-known LCD TV supplier may also be cited, which overtook the premium brands in five years to become the North American market leader in large-format TVs. Complacency and arrogance produce blind spots that delay a response and leave incumbents vulnerable.[7] The initial impact of low-cost players on incumbent companies may not be the most important consideration. In many markets, if they are relatively easy to enter, a number of low-cost competitors may do so. There might be enough business for everybody at first, with little direct competition between low-cost players. Economic geography in an era of global competition exhibits many inconsistencies in the marketplace. Theoretical understanding reveals that location is no longer considered as a source of competitive advantage. Open global markets, rapid transportation, and high-speed communications allow any company to source anything from any place at any time. Geographic, cultural, and institutional proximity provides firms with special access, closer relationships, better information, powerful incentives, and other advantages that are difficult to tap from a distance. Competitive advantage lies increasingly in local business hub, customer relationships, and motivation that distant rivals cannot replicate.[8]

Global retailing firms build their strategies to resolve the regional disparities in their strategies by coordinating and integrating the strategy implementation activities that involve centralisation, standardisation, delegation of authority, and local responsiveness. In the global marketplace India and China have made significant progress in economic and commercial sectors. China has emerged as a manufacturing base for the world in providing quality products at low prices and also leading the retailing operations in domestic and international markets. As more firms turn their attention to compete in emerging markets, they strive towards developing a viable alternative to sustain competition.[9]

Gillette[10] today is the market leader in nearly a dozen major consumer products, principally in the grooming, alkaline battery, and oral care businesses. Since the company was founded, Gillette has gained, held, and strengthened leadership positions through the company's strategy of managing its business with a long-term, global perspective. This demonstrated ability to generate long-term, profitable growth in a changing global marketplace rests on several fundamental strengths. These include a constantly increasing accumulation of scientific knowledge in core businesses, innovative products that embody meaningful technological advances and an immense manufacturing capability in terms of reliability, cost effectiveness, and quality. Skilful marketing of superior technology to achieve worldwide leadership is the goal of Gillette. An array of premium quality shaving preparations and after shaves complements the shaving process and rounds out the Gillette grooming franchise. Additional market presence and support is provided by the company's well-established deodorant/antiperspirant brands. Batteries are another thriving worldwide business in which the company competes successfully. Duracell, the most popular brand of alkaline batteries in the world, is the clear global leader in the growing alkaline battery market. Oral care offers a comparable opportunity as consumers' trade up from regular Oral-B manual toothbrushes to the premium-priced Cross Action manual toothbrush, and then move on to power-assisted Oral-B toothbrushes which generate a highly profitable refill brush-head business. Gillette announced in May 2004 an exclusive three-year marketing agreement with the football star David Beckham, who will be featured in the company's worldwide consumer advertising and promotional campaigns for its premium grooming products.

In today's highly competitive and global marketplace, the pressure on organisations to find new ways to create and deliver value to customers grows ever stronger. Asian economies other than Japan have grown over 6% consistently during 2005–6. Positive forces at work in retail consumer markets today include high rates of personal expenditures, low interest rates, low unemployment, and very low inflation. Negative factors that hold retail sales back involve weakening consumer confidence.[11] In the last two decades, technological innovation, logistics, and supply chain have moved to centre stage. There has been growing recognition that it is through effective management of the logistics function and the supply chain that the goal of cost reduction and service enhancement can be achieved. The global marketplace may be described as spatial network of markets across the countries comprising homogeneous and customised segments.

Contemporary global business models explain that firms tend to structure themselves as one of four organisational types: international, multi-domestic, global, and transnational. Depending on the type, a company's assets and capabilities are either centralised or decentralised, knowledge is developed and diffused in either one direction or in many, and the importance of the overseas office to the home office varies. International marketing refers to exchanges across national boundaries for the satisfaction of human needs and wants. The various marketing functions coordinated and integrated across the multiple country markets may be referred as *global marketing*. The process of such integration may involve product standardisation, uniform packaging, homogeneity in brand architecture, identical brand names, synchronised product positioning, commonality in communication strategies, or well-coordinated sales campaigns across the markets of different countries. The term 'global' does not convey the literal meaning of penetration into all countries of the world. However, it needs to be understood in relative sense and even a regionalisation or operating in a cluster of countries may also be taken as a global operation in an applied perspective. Regional marketing efforts like trans-Asian or Pan-European marketing operations may also be viewed as examples of global marketing. Suppliers of products ranging from Budweiser beer to BMW cars have been able to keep growing without succumbing to the pricing pressures of an intensely promotional environment. A strong brand also can open the door when growth depends on breaking into new markets. Starbucks Corporation,[12] among the fastest-growing brands, recently set up shop in Vienna, one of Europe's cafe capitals, with among 400 new stores planned for opening at overseas locations. Companies succeed in the regional integration across multiple countries as they follow similar strategies and management principles.

The global corporation operates with the staunch loyalty at relatively low costs with standardisation. Coca-cola and Pepsi companies have standardised their products globally according to the regional and ethnic preferences of consumers. The most effective world competitors integrate quality and trust attributes into their cost structure. Such companies compete on the basis of appropriate value of price, quality, trust, and delivery systems. These values are considered by the companies in reference to the product design, function, and changing consumer preferences like fashion. Multinational corporations know a lot about the business environment in a country put their efforts on adapting to the given environment and set gradual penetration process in the country. On the contrary, global corporations recognise the absolute need to be competitive and drive through the lower prices by standardising its marketing operations.[13]

Competition matrix

In the contemporary global market, new and intermediate firms co-evolve around shifts in consumer demand new innovation, working cooperatively and competitively, to support new products and satisfy customer needs. In an increasingly competitive market, several firms may compete for survival and dominance. Hence it is necessary for firms to develop generic competitive strategies to sustain competition in the market. Managers of these firms may thus develop competition matrix to develop appropriate marketing strategies to survive against the threatening firms. A competitive matrix is an analysis tool that helps in establishing the competitive advantage of a firm. It provides an easy-to-read portrait of competitive landscape of firms and position them in the marketplace. This can be just a two-dimensional matrix where the main features of firms are in one axis and competitive advantages across firms on the other.

There are some common strategies adopted by retailers to overcome the competitive threats such as price-slashing competitors, and mood swings in the economy. Such wishful thinking holds that sales promoters will thrive if only they communicate better with consumers during pre-purchase situations and assist in product demonstrations involving consumers to help their purchase decisions using self-reference criterion. Competitive strategies, whether effective or ineffective, moderate market effect sales and market share.[14] Firms need to ascertain a continuous organisational learning process with respect to the value creation chain and measure performance of the new products introduced in the market. In the growing competitive markets large and reputed firms are developing strategies to move into the provision of innovative combinations of products and services as 'high-value integrated solutions' tailored to each customer's needs than simply 'moving downstream' into services.[15] The emergence of virtual shopping and liberalisation of economic policies in developing countries all over the world have created a derbylike scenario in which many companies participate in a neck-to-neck race. The rules of this game are subject to change without notice, the prize money may change in short notice, the route and finish line is also likely to change after the race begins, new entrants may join at any time during the race, the racers may form strong alliances; all creative strategies are allowed in the game and the state legislation may change without notice and sometimes with retrospective effect. Hence, to win the race a company should acquire the strategies of outwitting, outmanoeuvring, and outperforming the competitors. In this process, a company must understand thoroughly all the moves of the rival firms from various sources. In the scenario of growing competition, retailer firms can also establish how a customer relationship management and monitoring system ensures the buying decision-making process through the use of joint project teams and facilitating technology. Development and innovative applications of e-commerce transactions, as well as the integration of available technology, can provide an organisation with a unique opportunity to remain competitive within today's global business environment. Although technology plays an important role in gaining a competitive advantage for organisations worldwide, information technology professionals, consumers, and e-retailers ensure proper security measures to overcome harmful impact of the misuse of these same technologies.[16]

The Darwinian principles of biological evolution also influence business practices, legal systems, and technology, besides the life sciences itself. However, ultimate Darwinism functions as a general theoretical framework for stimulating the business growth in the global marketplace. New explanatory theories and predictive models in business growth can be developed analysing Darwinian principles for emerging firms in a competitive marketplace.[17] For example, if American firms are to catch up with the Japanese, they must strive to achieve global platforms rather than engage in competition on a country-by-country basis. A global strategy requires that a firm rebalance the configuration and coordination of its activities so that comparative as well as competitive advantage is achieved.[18] A matrix can help firms understand market behaviour towards survival and sustainability matrix as exhibited in Figure 4.1. The figure brings many hidden product attributes of the global marketplace to the surface. It helps understanding firms to see that an emerging firm may have different salient attributes for different business situations. The matrix gives an iterative process for validating assumptions about attributes of competing firms and lay indications to develop strategies towards monitoring changes that might occur because of shifts in the nature of competition in a given marketplace.

Large firms operate on economies of scale in the market with low cost and high differentiation of products and services. Such strategy leads the firms in the mass market and drives them to gain high market share. Many firms operate at the same time in a given marketplace and competition among

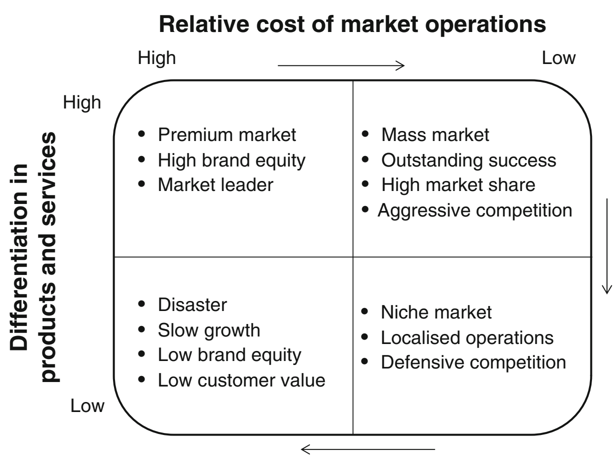

Figure 4.1 Competition in marketplace: strategy matrix

the firms turns fierce. Some firms operate at high cost but also go for high differentiation of products and services. Firms with such attributes locate themselves in the premium market and struggle for achieving high brand equity. On the contrary firms that have low differentiation of products and services and low cost of marketing, operate in niche by following defensive marketing strategies. In case firms have low differentiation of products and services at high cost of marketing, business growth turns slow affecting the brand equity of the firm. If this situation prevails for a long time with such firms, it may cause disaster in the long run. Many small firms that emerge with high cost and low differentiation stay out of market competition and get extinct over a period either by shutting down operations or merging with stronger firms.

Many firms stay in global competition believing they need to develop innovative products or leading brands before venturing abroad. Some firms become global players in their industries by excelling at old-fashioned capabilities. They skip the risky, expensive strategy of opening their own facilities and extend their reach through acquisitions and alliances. Speed of innovation also appears to be an important factor in the success of newly emerging firms. Faster and appropriate customer-centric business strategies allow the new entrants to pull ahead of competing firms and drive vertical integration. Newly emerging firms with such attributes are able to get products quickly and cost-effectively to far-flung customers.[19]

Sustainability of firms in market competition

Dynamic competitive environment in a marketplace often prompts economic shifts in consumption pattern, changes in the orientation of business growth and market share of a firm, competitive intensity, globalisation, mergers and acquisitions, and escalated product and technological innovations. Under such market dynamism firms face the challenges among top managers' ability to sense and respond to market changes accurately. In this process many small and marginal firms and emerging firms are weeded out by the aggressive market competition. Hence, it is critical that firms identify and understand strategic orientations that enable a firm to sustain performance in the competitive marketplace, especially during the rapid changes in market conditions. In order to sustain competition in the market many firms make investments in improving customer satisfaction, anticipating that it could affect firm performance through improved customer retention and profitability. However, these benefits from improving customer satisfaction are more likely to be observed in the long run than in the short run while the immediate requirement might be the introduction of technological innovations to strengthen the competitive posture of the firm as well as to ensure sustainability in the market.[20]

A customer-centric market-orientation strategy of firms encourages a culture of experimentation and a focus on continuously improving the firm's process and systems, which improve the chances for firms to stay in the marketplace and sustain competition for a prolonged period. This implies that developing and improving business strategies on a firm's market orientation may drive the capabilities of the firm more distinctive in reference to the competition over the long run. Responding to customer insights through development of product or service innovations, competing firms can improve business performance among others in the marketplace. However none of the products or services is safe from imitation in the market. Many competitors develop their own products and services system, and marketing culture to protect their brands from the market competition. Pharmaceutical companies for instance derive competitive advantages while their products are under exclusive patents, which provide them lead time in developing sustainable competitive advantage and recover the cost towards research and development incurred by the firm. Despite several protections activated by the firms, often competing pharmaceutical firms develop competing products and patent similar formulae, which could lead to competitive threats in the short-run and maintain industry equilibrium in the long run.[21] For instance, upon being introduced in the market by Pfizer as an arousal-triggering medication, Viagra has tremendous consumer response. The success of the product has arrested the attention of many large pharmaceutical firms and prompted them to think on launching a similar duly patented product in the market. Over a period Eli Lilly came out with a product having similar effect bearing the brand name Cialis and positioned it as a medication for erectile dysfunction, though it is broadly categorised as an arousal stimulant. All firms operating in the competitive marketplace are driven by the Darwinian principles following a life cycle pattern. Factors affecting the competitive posture and sustainability of firms in the marketplace are exhibited in Figure 4.2.

To survive in a competitive marketplace it is important for firms to have an obvious sense of advantage so that they can drive the business to achieve its predefined objective. Defining the objective, scope, and advantage requires to manage the trade-offs amidst market competition. If a firm pursues growth or size, profitability will be jeopardised, which in case the firm chooses to serve institutional clients, may ignore retail customers. Hence, trade-offs in the marketplace will bounce if appropriate decision is not taken by the firms to sustain market competition. On the contrary, a firm may derive its competitive advantage from scale economies and it may not be able to accommodate idiosyncratic customer needs. Accordingly, growth of local firms may emerge with high brand equity in niche amidst the threats of large firms while large firms can follow a combination of long-run and short-run strategies to outwit regional firms as illustrated in Figure 4.2.

In this way local firms struggle for existence while large firms may be consistent with the Darwinian theory of survival of the fittest in a given competitive marketplace. Local firms that demonstrate long-run effective

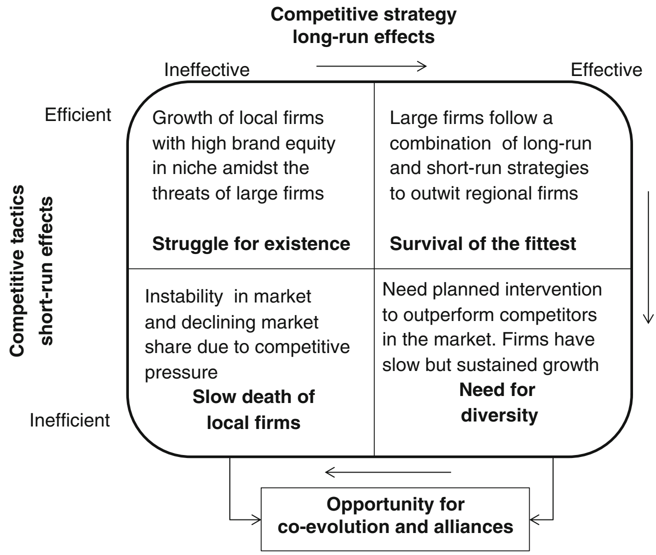

Figure 4.2 Darwinian factors of marketplace posture and sustainability of firms

strategy but appear weak in the tactical front to gain short-run competitive advantage should look for diversifying their business activities. In the contemporary global marketplace, the smartest organisations recognise that workforce diversity can be a source of competitive strength. It has been observed that the increasing diversity of the firm in a competitive marketplace leverages it to explore new market opportunities and work with most of them. Emerging firms should learn how industry giants IBM and Merck harnessed their employees' diverse backgrounds and perspectives to gain a competitive edge. Diversity of firms would help them to sustain the competition and increase their life span in the market.[22] On the contrary, firms that could not manage the diversity, succumb to ineffective strategies and inefficient tactics over the period.

Most firms stay critical in the market competition as they do not bring expected yield. In a general phenomenon observed in the marketplace, businesses generate 80% to 90% of their profits from less than 20% of their brands as revealed by the Pareto principle. In a market competition context, this rule of thumb is a useful heuristic that applies when there is a question of effectiveness versus diminishing returns on effort, expense, or time. Yet most companies tend to ignore loss-making brands, unaware of the hidden costs they incur and succumb to the piling-up losses. When firms abandon brands clumsily, they antagonise loyal customers. Previous research shows that seven times out of eight, when firms merge two brands, the market share of the new brand never reaches the combined share of the two original ones.[23]

Survival of firms

Large firms in the marketplace carry continuous improvements in delivering products and services in order to prove their efficiency. Competing firms realise that innovation carries risks and is no sure path to success. However, many firms in the competitive marketplace consider that investing money in research and development is inertia to a firm while facing the decline trend. However, if decline is attributed to temporary causes, firms may incur high costs and efforts towards research, development, and innovation.[24] It has been found that when globalisation pressures are strong and a company has no competitive assets, it needs to recoil to a locally oriented link within the value chain. On the contrary, a company in a competitive marketplace may be able to defend its market share by leveraging the advantages that it enjoys at the low-end markets.[25] A study shows that innovation has a positive and significant effect on the probability of firms' survival. This effect increases over time and is conditional on the firm's age and size. It has been observed that small and young firms are the most exposed ones to the risk of exit (death in competition). Though there are chances that firms may seek most benefit of innovation to survive in the market in the longer run.[26]

Location of a new firm, whether in global, regional, or local marketplace, can significantly impact performance outcomes. Macro locations often contain a wealth of diverse resources but may also have a greater number of competitors. Regional and local level firms may lack diversity but can enable the firm to exploit a niche with limited competition.[27]

In the global marketplace competition accelerates as the knowledge on innovation, strategy, and tactics is disseminated. The speed of competition increases in accordance with the dynamics of innovation and technology. Firms in a market competition manage their processes strategically and maximise their knowledge development capabilities to the full in creating and exploiting business opportunities. The emerging firms with strong market orientation identify not only the speed of the organisational transition to be the single biggest issue underpinning its successful development, but also the determination and exploitation of strategic processes to be the key creative ingredient to success.[28] The competitive dynamics and survival process of firms in the marketplace in the context of Darwinian principles is exhibited in Figure 4.3.

Successful challenger firms in the market competition drive dynamic market share and high brand equity by following aggressive marketing strategies in order to cope up with the high speed of competition and the predetermined targets of high sales and market share. Though firms with such competitive power are susceptible to the intermittent threats of small firms penetrating locally using disruptive technology (like imitations, reviving

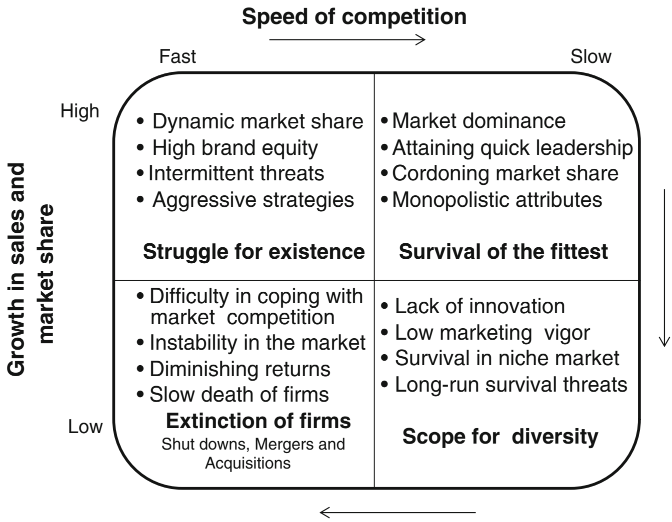

Figure 4.3 Competitive dynamics and survival process of firms in the marketplace

obsolete technology products, and offering low-cost ad-hoc solutions) products and services. It can be seen from Figure 4.3 that firms competing in the market with such attributes continue to struggle for existence. It may be observed that the speed in new product introduction is a critical dimension of competition many firms face in high-tech industries. This is especially becoming more evident with shorter technological life cycles and increasing global competition. In the present scenario of global competition, it appears that there is a significant influence on firms' ability to develop global market leaders in reference to technological familiarity, product differentiation, competitive intensity and internal research, development, and innovative skills.[29]

Many firms in a given market enter at an appropriate time when there is slow speed of competition and leverage higher sales and market share target. Such strategy of firms may be considered as opportunistic penetration in the market. Such firms become market leaders within a short period, cordon their market share from new entrants in the market, and exhibit monopolistic attributes implicitly or explicitly. The firms with such market orientation appear consistent with the Darwinian theory of survival of the fittest. Contrary to this business situation firms in a market competition need to explore the possibility of diversities to sustain the competition. For instance, with the costs of servicing the grocery industry rising at an alarming rate, many smaller manufacturers are likely to go out of business. Too many supplier companies are willing to do business with the top multiples that achieve high volume sales but it is totally unprofitable.[30] Such market pressures dump the weak firms in the growing market competition as they lack in innovation and diversity, are incapable of managing long-term minor attacks of competing firms, which may be considered as guerrilla marketing. Firms that face difficulty in coping with market competition, instability in the market and diminishing returns may have the consequences of slow death in the marketplace. Under such circumstances, many firms become extinct from the market by shutting down their production and business operations or opt for merger with the stronger firms contending in the market. Often large firms keep an eye on such firms on the brink of extinction and propose their acquisition to get advantage of their mobile and immobile assets including skilled human resources.

Darwinian life cycle of firms

Marketing organisations, like products, have life cycles, of which the span between the periods of life cycles varies in different business situations wherein the firm grows. Firms are established or formed (emerge), grow and develop amidst market competition (struggle), reach maturity and attain sustainability (survival), and begin to decline over a period of time (death of firms). Firms in a competitive marketplace, at any stage of the life cycle are affected by internal and external business dynamics. These development stages for a firm tend to be sequential, occur as a hierarchical progression that is not easily reversed, and involve a broad range of organisational activities and structures. The Darwinian life cycle of a firm may be explained through four stages of emergence, struggle, survival, and death that require alterations in the firm's objectives, strategies, managerial processes (planning, organising, staffing, directing, controlling), technology, culture, and decision-making in each stage of the life cycle. As many large firms look for reviving sick firms, the globalisation phenomenon pushes the firm to a revival stage as a second life cycle of the firm. The life cycle of a firm in a competitive marketplace has defined stages of its life though there exist opportunities for enhancing the life of the firm at different stages. Life cycle concepts of a firm are exhibited in Figure 4.4.

Firms at the initial stage of life cycle (Emergence) exhibit a very simple marketing and organisational structure with centralised decision making and driving the firm through hierarchy in order to impose checks and controls. As the firms grow, they adopt flexible structures and decentralised authority to middle-and lower-levels of hierarchy in the firm. At maturity, the firms demonstrate significant concern for internal efficiency and install more control mechanisms and processes flows. Firms make more frequent changes in their product line, services, and related technologies during the stage of growth (Struggle) to ensure their market share and customer value among the competing firms. Often such aggressive marketing strategies

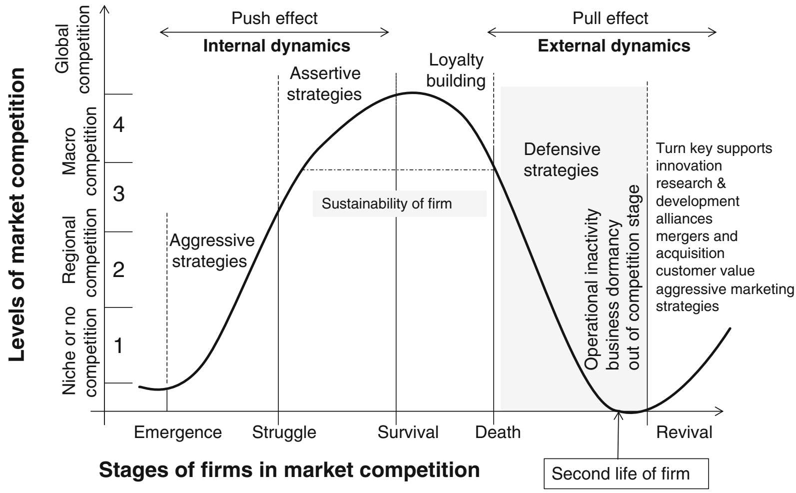

Figure 4.4 Darwinian lifecycle of firms in marketplace

create competition for such firms within their own product line and suffer from internal cannibalisation. However, to minimise cannibalisation effects and protect profits from the predetermined product line of the firm, managers need to understand how consumers value their products with marginal differentiation. Firms in the stage of struggle in market competition should consider a portfolio approach to position their products, services, and related technologies for generating higher profit. A portfolio that includes new products can enable firms to reach additional market segments and help block competition from new low-end products or third-party remanufacturers.[31]

In the initial phase of a firm's life cycle (Emergence) business growth should be driven through creativity and innovations that eventually leads to establish business in the competitive marketplace. Firms may follow advanced management practices to manage cost, value, and operational efficiency that lead to move the firms to the growth stage. This stage is more challenging for the firms as they struggle for existence in the marketplace against the competing firms. In order to respond quickly to the market needs and competitive strategies, most firms decentralise decision-making process so that hierarchical constraints may not affect the management and administration processes. However, it has been observed in many firms that growth through delegation of power eventually leads to a crisis of control. This occurs when autonomous employees who prefer to operate without interference from the rest of the organisation, confront with the top management of the firm who perceive that they are losing control of a diversified company. Such organisational conditions are very vulnerable as competitors' may attack on the weak sectors of the management and harm its corporate image.

Most firms assume faster time to market and shorter innovation cycles to survive in the competitive marketplace. Such firms during their struggle in establishing their brand value in the market introduce new products and services frequently against the competitors. However, competing firms can offer tremendous value, product innovations and transitions, pose enormous challenges to the firms business. Competing firms need to analyse the risks impacting a transition, identify factors at cross-sections tracking those risks, monitor the evolution of these factors over time, and develop strategic mapping scenarios of risks and responses to enhance the span of the life cycle at the survival stage.[32]

Business networks and alliances

As multinational firms search for growth in the increasingly competitive global marketplace, they are left with no choice but to compete with regional firms in the big emerging markets of Brazil, India, Russia, and China. To be successful, large firms need to ponder over every element of competitive business models, so that these firms can outwit the local firms and penetrate the emerging markets. It was observed that during the first phase of globalisation large firms had signalled market entry and operated in the markets of developing countries with what might be termed an imperialist mind-set, assuming that the emerging markets would merely be new markets for their old products. But this mind set was turned down by the local firms as they structured their markets with innovative products supported by intermediate technology, high customer value, prolonged product-related services, and low cost. What is truly big and emerging in countries like China and India is a new consumer base comprising hundreds of millions of people that governs the market competition. In order to compete with local firms or have a business network with them, large firms need to identify emerging consumer segments in the potential markets and how the distribution networks operate. Besides finding responses to these questions, large global firms should consider whether to take on local partners as competitive rivals or cooperate with them to co-evolve in the market. Business networking and developing strategic alliance with local firms is necessary for the large firms to establish their coexistence in the market and then trigger the real competition over the period. Thus, to compete in the big emerging markets, large firms must reconfigure their resources, rethink their cost structures, and redesign their product development processes in consideration to the consumer need that exists in the local market.[33]

Some firms consider that business networks and strategic alliances are ad-hoc arrangements to sustain competition and these firms believe in building their own standing in the competitive marketplace. Such arrangements are typically tactical, stop-gap actions that result in short-term benefits. Many firms tend to move their production operations in the competitive market destinations to obtain a factor cost advantage to sustain and gain ability to compete. For example, IKEA is a network company sustaining in the global competition. IKEA offers a wide range of well-designed, functional home furnishing products at prices so low that as many people as possible will be able to afford them. This industrial network is fundamental to IKEA's strategy in terms of efficiency and development goals. This company has three structural components including defining the content of relationships, forming the network structure, and evaluating goal matching with the network that cordons the market share of the firm from the competitors. The core network strategies followed by the firms are interacting via inter-organisational routines for efficiency goals, and interacting via joint projects for development goals. The success of IKEA has revealed that network strategies cannot be used as shortcuts to compensate for severe weaknesses, but instead can only be pursued by the firms that possess adequate competences, external organisational interfaces, and network-oriented cultures in order to sustain the shocks of market competition and uncertainties.[34]

Business networking is a socioeconomics activity by which groups of like-minded business firms recognise, create, or act upon business opportunities and stay abreast in the market competition. A business network is a type of socio-economic network among the peripheral players in the markets like service providers, suppliers, advertising and communication firms, and outsourcing services that cooperate among the firms for mutual existence in the competitive marketplace. There are several prominent business networking organisations that create models of networking activity to build new business relationships and generate business opportunities at the same time. In a large company at the global marketplace, groups of creative individuals self-organise to explore and develop ideas that they care deeply about. These collaborative networks often include customers and others outside the company's boundaries. For instance the automobile company BMW posts numerous engineering challenges on its Web site, enabling customers and company designers to network and collaborate on developing various features of future cars. Accordingly, the company drives collaborative innovation from the realm of idea generation and product development in business gaining the confidence of all players in the market. In fact, some companies have based their entire business models on collaborative networks.[35]

Globalisation, on the one hand generates competition in the local markets through the penetration of multinational firms and also provides enough opportunities for local firms to strengthen their market posture to compete with the large firms, on the other. Local firms can compete with large firms augmenting their value in local culture, consequently moving from local strengths to global production and consumption dynamics. Some domains where local firms can broadly offer alternatives to standard global products include products embedded in local culture, ethnic goods, and organic products like edible textiles and the like. Small firms facing competition in a large marketplace must develop an innovative perspective in marketing by blending a global and local vision, self-crafted skills and practices, partnerships and alliances, and a supportive political environment. Such firms can successfully travel on their alternative road within the global arena.[36] Strategic alliance has been proved to be a successful tool for the firm to partner with those firms that have specific business attributes to sustain competition. It has been observed that large organisations that exhibit high performance at generating value from alliances have a dedicated strategic alliance function in one of the four areas: production, distribution, finance, and technology. Companies operating with a strategic alliance perform efficiently in the competitive marketplace by considering four key alliance management elements, including knowledge management, external visibility, internal coordination, and accountability.[37]

Capabilities and competencies

Competencies in marketing organisations can be broadly classified as organisational level, strategy level, and implementation level. The strategy-level competencies towards developing innovative and intervening strategies are embedded in the competencies at organisational level. The identification of the former is important for organisations interested in using competencies to achieve competitive advantage. Once the appropriate strategy-level competencies are identified, a competency-based market-information system can be implemented to ensure that the implementation of strategies actually do possess the identified competencies in a marketing organisation.[38] Besides the organisational, strategy-level, and implementation-level, successful marketing firms consider developing three types of competencies that include superior technological know-how, reliable processes, and external relationships. Firms may not be able to achieve all types of competencies as different approaches are needed to develop each type of competency. While large and multinational firms have historically relied on technological know-how and reliable processes, they are planning to develop competencies in external relationships for sustainability in the competitive marketplace. External relationships help firms in strengthening and extending their organisational core competencies while responding to the demands of globalisation, mass customisation, enhanced quality, and rapid technological change.[39]

The degree of competition in a market is largely affected by the moves and countermoves of various firms' activity participating in the market. Generally, it begins with a firm trying to achieve a favourable position by pursuing appropriate strategies as what is advantageous for this firm may be harmful to rival firms and in response the rival firms may move counterstrategies to protect their interests. The competition attracts the firms seeking to capitalise on an available business opportunity. As the number of firms get involved in the process of sharing the pie, the degree of competition increases. When the entire market represents one large homogeneous unit, the intensity of competition is much greater than the segmented market. However, if a market is not appropriate for segmentation, firms may compete to serve it homogeneously, thus intensifying competition. Hence, in either of the market situation the intensity of competition is unavoidable for the participating firms. Understanding the capabilities and competencies (C&C) of the rival and developing the company's own are the most important tasks in sailing through the marketing competition. This is essential for winning the marketplace in future, sustain and get the circumstantial leverage. The capabilities in general address as how well an organisation performs or executes some of the vital activities like, customer relationship management, services, supply chain management etc. The competency may be stated as what an organisation does well across the region and subsidiary units or customer segments. In all, the C&C involve action, focus and emphasis on what the competitor does in the market to outperform his business rival. Common competencies that can be judged in reference to the competitor are as follow:

- Quick movement of the products to the marketplace from R&D units
- Faster response to market opportunities
- Providing convincing and unique solutions to customers' problems
- Hire, train, and retain best personnel
- Develop, nurture, and extend the best relationship with customers and alliance partners

There are four key tasks in the management of core competency: Which include selecting core competency, building core competency, deploying core competency, and protecting core competency. Companies are likely to differ in terms of their abilities to select, build, deploy, and protect core competency. These differences are, in turn, likely to yield differences in corporate performance. Building core competency requires the accumulation and integration of knowledge, residing both within the firm and without. For example, the core competency of a telecom company in managing billing systems, an insurance company's core competency in claims processing, and Sony's core competency in miniaturisation are each a tapestry of many individual technologies and skills. The core competencies of the companies are those that push down competitors' products in all business domains. These strategies are central to the customers, channels, and alliance advantage. There are many attributes of C&C, however, the following may be defined as key:

- Dynamism
- Span

- Robustness
- Security against imitations
- Ability to expand

The dynamism of C&C refers to continuous change for the betterment of policies and execution of strategies. The organisation must be able to identify new markets continuously and never be static at any point of time. An organisation must have a wide span to discharge their competency without specifying the boundaries of time and area. It is essential for a company to retain its C&C for a longer duration and unrestricted to any areas of change. C&C also vary in their acceptability to the current and future business domains. A competitor cannot always leverage a competency for the new products or services development in changing business domains. Companies must ensure that their C&C strategies are not replicated by other firms or used in any distorted manner. Indeed, any C&C of any company should be able to enhance continuously so that it adds to the sustainable advantages. Large marketing firms foster implementation of competitive marketing strategies as organisational learning path and provide employees with psychological safety. These companies also employ distinct approaches to day-to-day work that enhance the competencies of the firm to sustain in the competitive marketplace. These approaches include application of the available knowledge, encourage employee collaboration by information sharing on core functions, capturing data on processes on regular basis to map the process, and analyse data to find ways to improve the implementation of competitive strategies.[40]

In practice, today's global competition is more dynamic and multidimensional. The mature industry paradox is that leadership demands differentiation, yet differences are quickly copied. Single-factor innovations tap one competency, and capable competitors can usually match it. Multiple competencies strengthen several dimensions and in effect redefine the basis of competition. The 'shadow strategy task force' is offered as a method to force managers to relinquish the comfort of the firm's accepted view of itself. This approach begins with the objective of identifying the strategies and competency that, in the hands of competitors, might be used to attack the firm's competitive position successfully. Especially critical on the task force are individuals with insight into how customers, suppliers, and competitors view the firm's products and services. Developing new competency requires constant experimentation. The innovation-imitation-equilibrium cycle suggests that industry leaders teach customers what to demand by defining the current state-of-the-art in performance, price, service, and other dimensions; customers learn to judge competitive offerings against these standards, and the learning effect is cumulative.[41] Figure 4.5 exhibits various factors that influence the build of competencies and capabilities of a marketing organisation.

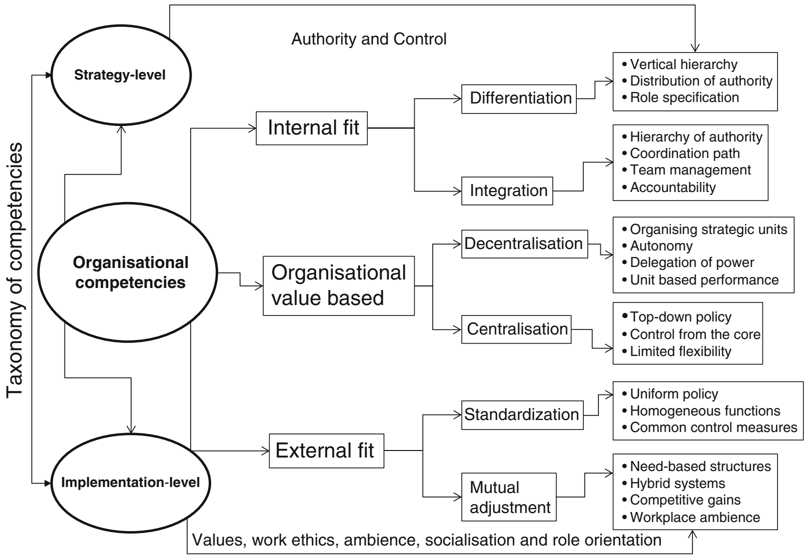

Figure 4.5 Attributes associated with building competencies
Source: Based on Rajagopal and A. Rajagopal (2011), 'Shifts in organizational design, culture and structural paradigms in financial organizations during economic recession', *International Journal of Business Excellence*, 5(1), 385–98.

There are many ways to categorise core competency broadly distinguished as market-access competency, integrity-related competency and functionality related competency. The market access competency includes management of brand development, sales and marketing, distribution and logistics, technical support, etc. All these skills help to put a firm in close proximity to its customers. The attributes associated with competency like quality, cycle time management, just-in-time inventory management and so on, which allow a company to do things more quickly, flexibly or with a higher degree of reliability than competitors, constitute the integrity related competency of a firm. Functionality related competency leads to the skills which enable the company to invest its services or products with unique functionality and invest the product with distinctive customer benefits, rather than merely making it incrementally better. The functionality related competency is becoming more important as a source of competitive differentiation, relative to the other two types of competencies. In the growing competitive phenomenon, the companies are converging towards universally high standards for product and service integrity, and are moving through alliances, acquisitions and industry consolidation to build broadly matching global brand and distribution capabilities. Interestingly, the Japanese concept of quality has shifted from an idea centred on integrity ('zero defects') to one focused on functionality ('quality that surprises' in that the product yields a unique functionality benefit to the customer). Comparative analysis examines the specific advantages of competitors within a given market and offers structural and response advantages. Structural advantages are those built into the business; for example, a manufacturing plant in Mexico may, because of low labour costs, have a built-in advantage over another firm. Responsive advantages refer to positions of comparative advantage that have accrued to a business over time as a result of certain decisions. This type of advantage is based on leveraging the strategic phenomena at work in the business. Besides, the examination of the business system operating in an industry is useful in analysing competitors and in searching out innovative options for gaining a sustainable competitive advantage. The business-system framework enables a firm to discover the sources of greatest economic leverage, that is, stages in the system where it may build cost or investment barriers against competitors.[42] The framework may also be used to analyse a competitor's costs and to gain insights into the sources of a competitor's current advantage in either cost or economic value to the customer.

In the developed markets brands are perceived as low profile and are paying high cost for changing such perception. However, the Indian market has opened up the opportunity for brands to position at a premium scale at relatively low costs. Firms play as high profile rivals in the Indian market as their business strategies closely cut across each other to achieve their business goals. Most companies focus on matching and beating their rivals. As a result, their strategies tend to take on similar dimensions. What ensues is head-to-head competition based largely on incremental improvements in cost, quality, or both. The multinational companies which are dynamic in strategy experimentation and innovative companies break free from the competitive pack by staking out fundamentally new market space by creating products or services for which there are no direct competitors. This path to value innovation requires a different competitive mind set and a systematic way of looking for opportunities. Instead of looking within the conventional boundaries that define how an industry competes, managers can look methodically across them. By doing so, they can find unoccupied territory that represents real value innovation. Rather than looking at competitors within their own industry, for example, managers can ask why customers make the trade-off between substitute products or services. For example, *Home Depot* – a US chain retail store on construction materials and services, looked across the substitutes serving home improvement needs. Intuit looked across the substitutes available to individuals managing their personal finances. In both cases, powerful insights were derived from looking at familiar data from a new perspective.[43]

Corporate venturing in competitive market

The corporate venturing strategy has regained its strength with the booming concept of globalisation, virtual business, and rising demand for high value products. The concept of corporate venturing has become a significant method for business development.[44] The principal reason behind the popularity of this strategy may be counted on the presumed ability of corporate venturing to facilitate continuous growth by embracing high-level innovation and accessing cutting-edge technological development. Some companies have conceived the corporate venturing as a core concept in their strategic planning.[45] Firms become multinational companies (MNCs)s by setting up manufacturing or marketing subsidiaries overseas. Some researchers argue that internationalisation is a process of transferring an MNC's knowledge, which embodies its advantage, from one country to another. That is, knowledge flows from headquarters to overseas subsidiaries. Venturing is serious business, requiring skill, patience, and entrepreneurial flair. Most new ventures involve entering unfamiliar markets, employing unfamiliar technology, and implementing an unfamiliar organisational structure.[46] An approach of particular promise is the new-style joint venture, in which a small company with vigour, flexibility, and advanced technology joins forces with a large company with capital, marketing strength, and distribution channels. The most intensive corporate involvement occurs in the internal venture, in which a company sets up a separate entity within itself in order to enter new markets or to develop entirely new products.[47]

The discussion on the issues of corporate venturing has received considerable attention in academic literature in the recent past with focus on the later stages of the venturing process, such as the organisational designs for carrying out the corporate venture activity, the criteria for developing a portfolio of ventures into a winning entity, the development and growth of a venture, and possible exit strategies.[48] It has been found that the research studies also laid strong applied focus on the later stages of the venture process. The process of globalisation resulting in free trade and business development opportunities for multinational companies has further strengthened the corporate venturing as a strategy for international business development. It involves investment in high-risk activities that generate new businesses within or closely related to the activities of the parent corporation. Hence, this may be described as a business development strategy, which seeks to generate new businesses for the corporation in which it resides.[49] Corporate venturing is used strategically to encourage corporate renewal in the parent organisation, as a growth driver by investing in ventures with high growth potential, or to diversify the core business of the parent by investing in ventures in diverse industries. The ideas for new businesses can originate either inside the organisation or externally. Activities hosted by the corporate venturing unit will often be new to the organisation and require the parent company to extend their resources by acquiring new equipment, people, or knowledge. The corporate venturing activities possess significantly higher risk or failure rate and greater uncertainty (Block & MacMillan, 1993).[50] Such attributes of corporate venturing appear to distinguish this strategy from other business development strategies such as takeovers, corporate R&D, traditional venture capital financing, and joint ventures.[51]

> GE is one of the prominent companies engaged in fabrication of jet airplane engines and Honda is primarily known for automobiles. These companies together are exploring to build engines for small jets airplanes. Their new joint venture, GE Honda Aero Engines is equally owned by GE Aircraft Engines and Honda Aero (50:50) and was formed in 2004 to produce engines for 4–8 seat business jets. In particular, the company began producing Honda's HF118 engine for the light business jet market in 2005. Going forward, GE Honda Aero Engines have produced turbofan engines in the 1,000 pound to 3,500 pound thrust range by way of comparison, GE's most powerful jet engine can produce more than 125,000 pounds of thrust. Similarly, a joint venture between General Electric's GE Industrial unit and Japan-based Fanuc, manufactures automation and control products such as servo units, motors, motion controls, nano-to-high-end controllers, switches, and amplifiers, as well as related software needed for operation. Other products of this joint venture company include controls and Ethernet ports used for computer networking, embedded computer systems, and operator interfaces. GE Fanuc serves global customers in a variety of industries, including aerospace, communications, medical, electronics, and government.[52]

The knowledge may also flow in the opposite direction in the process of establishing and running its overseas operations. An MNC learns, intentionally or unintentionally, from the process multinational firms build new capabilities to adapt to changing environments through the corporate venturing as a core of strategic business management. However, contemporary research has addressed this question only recently. How do the firms develop a capability to create and develop ventures through corporate venture capital, alliances, and acquisitions has been addressed in an integrated model.[53] The model is based on two longitudinal case studies of large corporations operating in the information and communication technology sector in Europe. The model envisages learning processes, which enable a firm to build up an external corporate venturing capability, by utilising learning strategies both within and outside venturing relationships. The study finds that firms engage in acquisitive learning, in order to build this new capability and adapt to the firm-specific context through experiential learning mechanisms. Corporate venture firms often rely heavily on their ability to develop firms around 'winning' ideas and too little on how they can promote the development of a continuous flow of high quality ideas.

Internal and external fit

Firms with growth aspirations have several ways of reaching their goals. Mergers, acquisitions, and joint ventures are a few of the better-known approaches to firm growth. Another route, which is of interest to both managers and researchers, is corporate venturing – growing a business from the inside out. The motives for launching a corporate venture include improving corporate profitability, generating strategic renewal, fostering innovation and gaining knowledge that may be parlayed into future revenue streams.[54] Corporate venturing has been identified as a vehicle for firm growth and has addressed several issues unique to this growth mechanism. The relationship between a corporate parent and its corporate venture has also been studied; however, no substantial literature is available to empirically test whether the connection, or fit, between parent and venture influences performance of corporate venture. Although arguments have been laid that high levels of relatedness between corporate parent and corporate ventures are desirable, some other researchers have contended that tight coupling is negative to venture success.[55] However numerous studies have argued that corporate venturing is a dynamic process, that is, one in which the relationship between parent and venture evolves as the venture matures. The debate revolves around which point on this spectrum is optimal for corporate venture performance.

It is generally agreed that corporate venturing has a positive effect on firm performance, although such benefits are not guaranteed and ventures may take several years to become profitable. Corporate ventures go through a series of stages as they mature.[56] However, there is general agreement that the nature of corporate ventures is dynamic, not static. Effective corporate venturing has been described as a balancing act with needs creativity and change on one side and demands for cohesiveness and complementarities on the other. The profitability of individual companies depends on technical expertise and the ability to accurately price long-term contracts. Large companies enjoy economies of scale in design, manufacturing, and purchasing. Small companies can compete effectively by concentrating on manufacturing selected components and parts for particular prime contractors. Increasingly, small companies are developing system integration capabilities as large firms outsource more aspects of contracts.

Financial and investment venturing

On the financial upfront corporate venturing induces the prospecting entrepreneur to exert an effort that is higher than within the corporation, but lower than the traditional venture capital financing framework. The competition from venture capitalists increases corporate venturing activity, the salaries of potential entrepreneurs, and the total economic output. Factors affecting corporate venture success may be broadly classified as intrinsic and extrinsic. Intrinsic factors are inherent to the venture itself, and are subdivided into two categories: product related and managerial. Extrinsic or environmental factors are determined by the characteristics of the investment sponsor, for example, corporation or venture capital fund.

Extrinsic factors are also subdivided into two categories – structural, which are determined by the organisational and functional relationship to the investment sponsor; and procedural, related to managerial processes to be imposed by the investment sponsor.[57] Large companies have long sensed the potential value of investing in external start-ups, but more often than not, they fail to get it right. Remember the dash to invest in new ventures in the post-1990s globalisation drive and the hasty retreat when the economy turned? The framework describes four types of capital investments for the corporate venture, each defined by its primary goal strategy and finance, and by the degree of operational linkage between the start-up and the investing company:

- Driving investments are characterised by a strong strategic rationale and tight operational links.
- Enabling investments are also made primarily for strategic reasons, but the operational links are loose.
- Emergent investments, which are characterised by tight operational links, have little current-but significant potential-strategic value, and
- Passive investments, offering few potential strategic benefits and only loose operational links, are made primarily for financial reasons.

The passive investments in corporate venture capital dry up in a recessional economy, but may enable gains and drive investments, usually for those which are sustainable in the market.

It has been observed that the focus on investments in the global marketplace is not necessarily being driven by venture firms identifying opportunities in far-away lands and then acting alone in making the investment. Rather, networks of relationships among venture firms around the world are beginning to develop identifying the best opportunities wherever they may be by creating an investor group with partners on the ground that can help the local company succeed in a global marketplace. Such venture concept has shown a broad-based rebound in primary and secondary capital markets around the globe. An evidence of the trend is the resurgence of initial public offerings in places like Germany, London, and India.[58] However, China and India have interestingly accounted for 7% and 4% of the global venture investments respectively during 2006. The key to successful international investing is to develop strategic alliances with foreign-based firms or local enterprises in the destination markets. However, relocating partners or relocating portfolio companies are not favourable strategies towards increasing the global presence of venture firms. In the case of India, barriers to entry were fewer than those identified in China.

Greater trade openness in Latin America would help to improve institutions. The opening up of markets can play an important role in weakening the vested interests and reducing the economic rents associated with long-standing economic and institutional arrangements. Trade can thus spur improvement in domestic institutions that otherwise would not have been possible. In addition, international agreements can be an important external anchor and catalyst for institutional change by breaking through domestic impediments to reforms. Chile and Mexico provide important role models for the region. Institutional strengthening in both countries has allowed them to establish a successful inflation targeting framework, the public debt, open the trading regime, and build a strong regulatory and oversight framework for the banking system. Both countries also provide important lessons of targeted social spending. Chile's example, in particular, of institutional changes that limit the room for inconsistent fiscal behaviour by the regional governance, provides an especially valuable lesson to other countries that have frequently witnessed high fiscal volatility.

Economic competition

Contemporary concepts of economic advancement are largely based on the concepts of collaboration. Cooperation and competition for developed countries include entire range of governmental functions, including sectoral policy reform, economic integration, privatisation, public sector enhancement, labour market competitiveness, investment climate enhancement, e-government, soft infrastructures for developing a knowledge economy, macroeconomic management, and effective long-range planning. The weight of the public sector constitutes a serious impediment to more rapid growth for many countries. Importantly the large expenditure burden it requires does not always translate into an efficient and equitable distribution of services. Such performance is reflected by public sector efficiency and governance in promoting the economic advancement of a country.[59] Competition is a pivot of economic development which allows cooperation to lead the competition many times. The inadequate functioning of some product markets and lack of competition has undermined the dynamism of the economy, in particular productivity growth. While discussing economic environment Kohn seems to be pro-competition and states that despite the enormous discrepancy between perfect competition and the actual state of our economic system, competition is still the stated ideal. Businesspeople and public officials use the term as an honorific, discussing ways in which they can make their companies and countries *more competitive* and never pausing to ask whether a competitive system really is the best possible arrangement.

Competitive drivers support companies for matching their strategies appropriately with their moves in the market. The existence of many global competitors indicates that an industry is mature for international business operations. Global competitors operate on cost advantages over the local competitors. The emergence of strong global competitors has served to develop the market infrastructure for the local companies and also to help in transferring technological skills enabling the domestic company to explore the scope of expansion. Competitive efforts put pressure on companies to globalise their marketing activities to derive optimum performance by interpreting appropriately the competitor signals. When Kodak backed out from sponsoring the 1984 Los Angeles Olympics, Fuji Film entered into the sponsorship issue immediately at the prescribed price and was one of the official sponsors of the Olympics. By the time Kodak reconsidered to participate in this international event, time overran. However, for the Olympics of 1988 and ABC-TV Kodak became the sport programme sponsor.[60]

The need for economic as well as market competition has been endorsed by many applied studies conducted to evidence the driving factors in the economic growth. Market competition is essential for any economy to be efficient. In order to develop competition in a transition economy, it is conventionally thought that privatisation should take place first. This wisdom has been challenged by the Chinese reform experience of the last two decades, which has modified the incentive structure of state enterprises and has created markets and market competition in the absence of large scale privatisation. China's experience, however, raises the question of whether its chosen type of reform is sufficient to promote competition in a market dominated by public firms. It has been observed in Kohn's readings that though he delineates competition as a driver of growth but at the same time argues that it is not a healthy psychological attribute to nurture growth of either an individual or an organisation. He discusses that the distinction between trying to do well and trying to beat others is not the only explanation we can come up with for the failure of competitions. Competition also precludes the more effective use of resources that cooperation allows. The dynamics of cooperative effort make this arrangement far more efficient, while competitors hardly are predisposed to like and trust each other enough to benefit from it.

However, contemporary economists favour competition as an important tool for economic growth. They discuss whether standard procedures and widely accepted insights of competition policy remain valid when one deals with potentially anti-competitive conduct in innovative industries. The question of appropriateness arises because competition in these industries displays features that are radically different from those encountered in traditional sectors of the economy. Competition is for the market rather than in the market, dynamic aspects of competition matter more in knowledge-based industries.[61] In reference to international economic development the competitiveness among nations in exploiting resources has certainly proved as a major attribute. It has also been noticed that global competitiveness is the key element to survive in business and it is a task that the business sector along with governments have to confront. Since the latter half of the 1980s and all through the 1990s, issues of reforms have swept the economies of Latin America and Caribbean countries.[62]

Managers of corporate parent companies and their ventures have a long standing and pertinent question of how closely to tie the parent and venture for achieving growth and success. Though technological capabilities with MNCs in Mexico tend to facilitate lowering the cognitive inertia of managers, the dependency relational factors seem to be increasing, affecting the internal fit of the ventures. Hence the parent ventures may provide higher autonomy in a phased manner to other ventures in reference to their growth and age. However, effective implementation of autonomy requires a clear view of the objectives, dedication to understanding the process, and discipline in the venture. The venture success is associated with high levels of awareness, commitment, and connection with the parent. It may be necessary for the Latin American corporate ventures also to engage in acquisitive learning through the convergence of best management practices in order to develop appropriate strategic internal and external fit. Hence the parent companies need to take responsibility for knowledge sharing in ventures. An effective win-win situation may be acquired between the parent and venture by sharing value potentials and offering equity in the venture. This would allow the venture managers to focus fully on the commissioning and on-going sustainable operation of the new facilities to ensure productivity, cash flow, and profitability of the business. It would be appropriate for the venture to have greater financial independence accompanied with higher accountability. And, as a venture gains in independence and accountability, the relational dimensions would develop stronger ties with the venture and offer improved internal as well as external strategic fit.[63]

Competition has been identified by some researchers as an aggressive tool to achieve market power while cooperation is determined as a management instrument for defensive positioning against competition. Though both forms of organisational tools lead to growth and development, cooperation is considered to be more balanced and welfare oriented. Hence there has been major emphasis on cooperation in international trade among the nations who have joined the stream of globalisation. Collaboration across the supply chain has become a crucial element in the creation of business value in such a complex manufacturing environment. The collaborative planning, forecasting, and replenishment (CPFR) process is a powerful tool to enhance the cooperation between partners from upstream to the vendor/suppliers and downstream to the customer.

In fact in varied business situations both competition and cooperation are used to build the organisational and customer value. The optimal portfolio demand for products under competition varies strongly with the values associated with the brand, industry attractiveness, knowledge management, and ethical issues of the organisation. The extent of business values determines the relative risk aversion in terms of functional and logistical efficiency between the organisation and supplier while the switching attitude may influence the customers if the organisational values are not strong and sustainable in the given competitive environment.[64] The success of a firm largely emerges from the three different management practices that refer to the use of information on customer value, competition, and costs respectively.[65] It is argued that the success of these practices is contingent on relative product advantage and competitive intensity, which reveals that there are no general 'best' or 'bad' practices, but that a contingency approach is appropriate. This may be competition, collaboration, and strategic cooperation.[66]

Some arguments are contradictory with expressions such as competition will lower achievement markedly for such individuals who seriously affect the performance of the whole group (class, corporation, society). One way a competitive culture deals with those who find competition unpleasant, of course, is to accuse them of being afraid of losing. Working against, rather than with, colleagues tends to be more destructive than productive. This corroborates the bulk of evidence on the topic – evidence that requires us to reconsider our assumptions about the usefulness of competition. However, competition is an essential constituent of development and has been evidenced by a large number of research studies in reference to animal and human behaviour, social, national, and international growth. The more competition there is the more likely are firms to be efficient and prices to be low. Economists have identified several different sorts of competition. Perfect competition is the most competitive market imaginable in which everybody is a price taker.

Global local marketing

Global growth products of multinational companies are mostly centralised in the country of origin and the products that emerge tend to have features, advantages and benefits specified by central marketing system of the company. Hence, key technologies and major product introductions cater primarily to customers in that geographical region. Marketing and customers in other regions are relegated to acceptance of custom modifications, or they have the choice to buy from other local suppliers. Product targeting goes beyond the perceived use values of the customers, local preferences, and local language. Expectations regarding size, shape, customised items, price, and availability vary widely. Hence regional markets tend to be dominated by local companies. Often companies offer locally engineered or customised products at a differential price to win market share. For growth and success in the new global economy, the guiding principle must be: *Go Global – Think Local!* Automation suppliers must become truly global by allowing local development of products for local markets. The best approach is to develop technology (hardware and software) through global alliances – preferably with relatively small, fast-moving local companies. In a global market, there are three keys that constitute the winning difference:

- Marketing abilities that assess correctly the local needs in a global arena.

- Proprietary technology and products targeted specifically for local markets.
- High value-added services offered through effective local service providers.

In the global village of the new economy, automation companies have little choice – they must find more ways and means to expand globally. To do this they need to minimise domination of the central corporate culture, and maximise responsiveness to local customer needs.

Further reading

Camarero, C. (2007), 'Relationship Orientation or Service Quality: What is the Trigger of Performance in Financial and Insurance Services?' *The International Journal of Bank Marketing*, 25(6), 406–26.

Chang, T. Z., Mehta, R., Chen, S. J., Polsa, P., and Mazur, J. (1999), 'The Effects of Market Orientation on Effectiveness and Efficiency: The Case of Automotive Distribution Channels in Finland and Poland', *Journal of Services Marketing*, 13(4–5), 407–18.

Choudhury, K. (2007), 'Service Quality Dimensionality: A Study of the Indian Banking Sector', *Journal of Asia-Pacific Business*, 8(4), 21–38.

Chung, J., Jin, B. and Sternquist, B. (2007), 'The Role of Market Orientation in Channel Relationships When Channel Power is Imbalanced', *The International Review of Retail, Distribution and Consumer Research*, 17(2), 159–76.

Cugini, A., Carù, A., and Zerbini, F. (2007), 'The Cost of Customer Satisfaction: A Framework for Strategic Cost Management in Service Industries', *European Accounting Review*, 16(3), 499–530.

Dicken, P. (1998), *Global Shift-Transforming the World Economy*, Paul Chapman, London.

Jaccard, J., Turrisi, R., and Wan, C. K. (1990), *International Effects in Multiple Regression*, Thousand Oaks CA, Sage University Press.

Dwyer, F. R., Paul, H. S. and Sejo, O. (1987), 'Developing Buyer-Seller Relationships', *Journal of Marketing*, 51 (2), 11–27.

Frazier, G. L. and Rody, R. C. (1991), 'The Use of Influence Strategies in Inter-Firm Relationships in Industrial Product Channels', *Journal of Marketing*, 55(1), 52–69.

Ganeshan, S. (1994), 'Determinants of Long-Term Orientation in Buyer-Seller Relationships', *Journal of Marketing*, 58(2), 1–19.

Heskett, J. L., Jones, T. O., Loveman, G. W., Sasser W. E. Jr., and Schlesinger, L. A. (1994), 'Putting the Service-Profit Chain to Work', *Harvard Business Review*, 72(3), 164–74.

Hunt, S. D. and Morgan, R. M. (1995), 'The Comparative Advantage Theory of Competition', *Journal of Marketing*, 59(2), 1–15.

Kim, W. C. and Mauborgne, R. (1999), 'Creating New Market Space', *Harvard Business Review*, 27(1), 83–93.

Maguire, S., Koh, S. C. L. and Huang, C. (2006), 'Managing Customer Satisfaction through Efficient Listening Tools: An Evaluation of Best Practice in Four World-Class Companies', *International Journal of Services and Operations Management*, 2(1), 22–41.

Narver, J. C. and Slater, S. F. (1990), 'The Effect of Market Orientation on Business Profitability', *Journal of Marketing*, 54(4), 20–35.

Porter, M. E. (1996), 'What is Strategy?' *Harvard Business Review*, 74(6), 61–78.
Rajagopal (2008), 'Dynamics of Buyer-Supplier Co-dependency for Optimizing Functional Efficiency', *International Journal of Services and Operations Management*, 4(4), 399–416.
Ruekert, R. W. (1992), 'Developing a Market Orientation: An Organizational Strategy Perspective', *International Journal of Research in Marketing*, 9(3), 225–45.
Selden, L. and MacMillan, I. C. (2006), 'Manage Customer-Centric Innovation Systematically', *Harvard Business Review*, 84(4), 108–16.
Slater, S. and Narver, J. (1995), 'Market Orientation and the Learning Organization', *Journal of Marketing,* 59(3), 63–74.
Voss, M. D.; Calantone, R. J., and Keller, S. B. (2005), 'Internal Service Quality: Determinants of Distribution Center Performance', *International Journal of Physical Distribution & Logistics Management*, 35(3), 161–76.
Wakefield Kirk, L. and Inman Jeffrey, J. (2003), 'Situational Price Sensitivity: The Role of Consumption Occasion, Social Context and Income', *Journal of Retailing*, 79(4), 199–212.

5
Competition versus Cooperation

There are many factors that determine the structure of competition in the environment of growing globalisation. Of these, the factors which predominate the nature of competition include not only rivals, but also the economics of particular industries, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products. Hence, competition seems to be inevitable. However, collaboration in business strategy may be considered analogous with the cooperation in reference to the prevailing concerns of the globalisation. This chapter delineates the driving factors behind the ideologies of the strategy formulation through competition and cooperation. The arguments in the chapter are woven around socio-economic human behavioural paradigms and analytically discuss the strategic fit of competition and cooperation maxims intended towards the growth of business in a firm. The motivation on these juxtaposed issues of competition and cooperation has been derived by reviewing the ideologies debated over the recent past. The chapter discusses managerial implications explaining the process map for both competition- and cooperation-oriented practices and their impact on business growth.

Growing competition in the global marketplace has turned intensive due to low-cost firms competing at the bottom of the market segment pyramid. Low-cost competitors are on the offensive in many industries, from airlines to B2B capital equipment markets, eating away at market share traditionally enjoyed by premium companies.[1] Competition is the act of striving against another force for the purpose of achieving dominance or attaining a reward or goal, or out of a biological imperative such as survival. It is characterised as striving together to win the race, not to destroy the other competitors from the point of view of the supporters of globalisation. Most of the new products in the FMCG category, like processed food products, cosmetics, etc, face competition in the market and the firms penetrate into the oligopoly market conditions. Most of the competing firms in the global marketplace seek cooperation in various functions of marketing such as technology and distribution. For instance, General Mills is partnering with Nestle in marketing breakfast cereals, and similarly Nestle is co-branding with Coca Cola for the marketing its green tea beverages. The managerial skills that partnering firms need to develop is the ability to manage power, leadership, and culture for ensuring the right cooperation.[2]

Biology of competition

Contrary to the above conceptualisation on competition Kohn (1986) argues that the competition is essentially detrimental to every important aspect of human experience; our relationships, self-esteem, enjoyment of leisure, and even productivity would all be improved if we were to break out of the pattern of relentless competition. Far from being idealistic speculation, his position is anchored in many research studies and careful analysis of the primary domains of competitive interaction. Another study substantiates Kohn's ideology and challenges the usual argument which says that competition is a fair mechanism because it ranks individuals according to their relative preferences between effort and leisure. This argument states that justification of fairness in competition is a complex issue.[3] Kohn states that the human nature has the effect of blunting change and it is played for all its rhetorical advantages. Ideals and reforms are opposed on the ground that they are impossible to attain, that they fly in the face of the 'givens' of life.[4] The human life history is characterised by several unusual features which provide life history trade-offs between competition and mortality in humans. There are two phenomena of particular interest in evolutionary anthropology, both of which are apparently unique to humans and neither yet fully understood – firstly, the competitive behaviour towards growth in the life; and secondly, sustaining in demographic transition. Parental investment in children in competition with each other may be determined as key to understanding both these unusual human phenomena.[5]

However, there are many social, legal, economic, political and technological factors that determine the structure of competition and in the environment of growing globalisation competition is inevitable. Of these, the factors which determine the nature of competition, include not only rivals, but also the economics of particular industries, new entrants, the bargaining power of customers and suppliers, and the threat of substitute services or products. A strategic plan of action based on this might include positioning the company so that its capabilities provide the best defence against the competitive forces; influencing the balance of forces through strategic moves; and anticipating shifts in the factors underlying competitive forces.[6] Competition obscures the realities and significance of play, in particular, the bodily play originating in infancy and typical of young children. A multidisciplinary perspective on child's play elucidates the nature of child's play and validates the distinction between competition and play.[7] However, Kohn argues that there are, broadly speaking, two general responses to the claim that competition is an inevitable feature of human life which includes cooperation which is at least as integral to human life as competition, and competition is a learned phenomenon. He further states that competition is is elaborated in the early parent-child relationship.[8]

Competition: Sociological paradigm

Studies on moral sociology first examine the moral aspect of criticisms traditionally leveled at capitalism and then analyse the attempted response and justification of capitalism based on the supposed naturally beneficial effects of competition. Social contests inherent in human ways of life are not restricted to economics and are unlikely of possess spontaneously the moral virtue attached to them.[9] In consideration of the positive dimensions of the competition embedded in society, the general theory of competition maintained that while competition and conflict are universal and essential in society, they are always parts of the larger social order. It also implied that all forms of competition must be subordinate to the larger social order. Therefore, progress in a social order, in this respect, consists not in attempts to eliminate competition but in raising the plane of competition under rules and regulations of a higher type.[10] Throughout history, people had little need to manage their growth; they were confined to various social, cultural, and economic barriers. But times have drastically changed, and today people must learn to manage themselves. As explained by Peter Drucker, it means we have to learn to develop ourselves. We have to place ourselves where we can make the greatest contribution to our organisations and communities.[11]

We judge ourselves in relation to others and feel satisfied when our competitors fail. For example, the Japanese encourage more cooperative culture in schools and businesses unlike Americans. Another example may be observed in Kohn's work drawn from a meta-analysis of educational studies, which argues that learning is achieved more effectively in a cooperative than in a competitive environment.[12] A study in reference to education in Chinese schools has observed that students in competitive conditions performed better in easy tasks than their counterparts in non-competitive conditions. However, they were more performance-oriented and more likely to sacrifice learning opportunities for better performance. They were also prone to have worse self-evaluation after failure. Although there were no statistically significant differences between the two conditions in task enjoyment and achievement attribution, the direction of the differences was consistently unfavourable to students in competitive conditions.[13] However, Kohn notes that in a hypercompetitive society, it is never too early to begin such training. Most recently, 'readiness programmes' have appeared to prepare infants for the 'feverish completion at better nursery schools'. By the time of elementary school, the pressure to be number one is nothing new, but it has just begun to be codified and quantified. It has been argued that rural Mexican children were more cooperative than Mexican-Americans, who were in turn more cooperative than Anglo-Americans. The latter, as noted above, tended to compete even when the situation was arranged to reward cooperation and tended to take away another's toy out of sheer spite twice as often as did the Mexican children.[14] There are some research studies, which reveal that school children consider competition as risk averse and develop avoidance behaviour while they are encouraged by cooperation as an opportunity for mutual growth and development. A study combining the notion of self-worth in sociology and educational psychology with economic modeling in reference to the incentives on students' learning in a behavioural economic model reveals that within an educational institution, competition as an incentive scheme evaluates students on their relative performance, which strengthens the connection between students' relative performance and their perceived ability. When the perception of ability becomes a major concern, competition may motivate students to make a low effort, a strategy to win by not losing.[15]

Competition versus cooperation

It is argued that the propensity to cooperate may be negatively affected by competition. Experimental evidence supports this hypothesis. In a set of three experiments in which different degrees of competition characterise the markets, participants reduce their contributions to a public project as the degree of competition increases.[16] Not everyone thinks along Alfie Kohn to muddle with the arguments on whether cooperation is better than competition. He tries to determine the fix between these two practices and compares competition with doing the best for oneself to some extent. However, cooperation and partnerships are justified only if they stand to yield substantially better results than the firms could achieve on their own. And even if firms are warranted, they can fail if the collaboration of partners mismatches expectations. In matters of the heart, it may be better to have loved and lost, but in business relationships, it's better to have headed off the resource sink and lingering resentments a failed partnership can cause.[17] Kohn states while discussing the issues related to economic competition that when regulation is cut back in order to bring more competition to the marketplace, we again witness the true consequences of this competition: its advantages often prove illusory or short-lived or selective which has been viewed controversial by many corporate analysts.[18]

The competition among firms is increasingly shifting from company versus company to supply chain versus supply chain. Benefits can be grouped as customer-oriented benefits, productivity benefits, and innovation-related benefits. Factors supporting collaboration are observed as trust, common goals for cooperation, and existence of cooperation mechanisms, while barriers are related to three factors such as lack of trust, risk-benefit evaluation, and lack of common goals for cooperation.[19] The collaboration in the business strategy may be considered analogous with the cooperation in the reference to prevailing concerns of the globalisation. On the contrary, heavy competition in almost all product categories has been experienced in India due to the diversification by large and medium companies and the increased entry of multinationals, which has restricted the growth of domestic companies. Previously, large companies enjoyed high profit margins by targeting premium priced products in the upper strata of Indian society. Social entrepreneurs offer lower costs, strong social networks, and deep insights into potential customers and communities.[20] Such cooperation framework may be considered as the hybrid value chain. High levels of competition from equally reputed brands have not only decreased the companies' market share but also created price wars, reducing profit margins and limiting market growth. This has motivated companies to consider the lower classes and the rural segments, which they had previously ignored.[21] In reference to above two dissimilarities in the business development process, it may be stated that in practice, Kohn's ideology of cooperation as a tool to replace competition, thus cannot be generalised.

Achievement and competition

Knowledge-based competition has magnified the importance of learning alliances as a fast and effective mechanism of capability development. The parameters of success and effective knowledge transfer are used interchangeably to indicate a relatively high level of achievement of intended as well as the unintended benefits to a firm.[22] However Kohn argues that cooperation is more effective when the size of the organisation is smaller and the degree of interdependence is higher among its units. He strongly phrases his idea on cooperation as a rider over the negativity of competition. In his view competition works just as any other extrinsic motivator does.[23] The movement of public services into direct competition with their private enterprise counterparts is a common feature of public sector policy throughout the developed world. The publicly funded provision of school education has not been exempted from this trend. The creation of a competitive climate is placing public school leaders and teachers under pressure to improve performance in an environment where parents-as-consumers choose the schools to which they send their children.[24] However, Kohn disagrees with the fact of involving increasing competitive efforts for augmenting the extent of achievements and argues that far from making us more productive, then, a structure that pits us against one another tends to inhibit our performance. Children simply do not learn better when education is transformed into competitive struggle. Many teachers conclude that competition holds attention better even though they have never worked with cooperative alternatives.[25]

Relationships among competition, athletic skill, and social relationships among children have received considerable attention from social psychologists and have also sparked considerable public debate. Most studies of these relationships have concentrated on sports programmes involving upper elementary or older boys. Competitive environments heightened the tendency for athletic skill to function as a generalised status element in peer networks. After-school sports programmes contributed to the reproduction of athletic skill as a basis of peer status, even for young children.[26] A passive argument has also emerged on pushing children to competition though at times the classical arguments seem to be pro-competition. It has also been observed that forcing children to compete is something defended precisely on these grounds:

- Early experience with competition will lead to more effective competition on later life.
- Competition works just as any other extrinsic motivator does.
- The distinction between trying to do well and trying to beat others is not the only explanation we can come up with the competitions failure.
- Competition also precludes the more effective use of resources that cooperation allows.

The dynamics of cooperative effort make this arrangement far more efficient, while competitors hardly are predisposed to like and trust each other enough to benefit from it.[27]

Some studies have shown that cooperation is a better tool for growth and achievement as compared to the competition. While analysing the behavioural attributes of children it has been observed that combining cooperation with other behaviours has been observed as a successful strategy for competing for resources. Children quickly learn to cooperate, however, viewing times varied significantly between them, suggesting that they were competing against each other even while cooperating. The inequitable outcomes appear due to individual differences in the ability to combine helping others with more competitive behaviours.[28] It has been evident from Kohn's debate for and against competition that when we compete we do so out of primary concern of our own welfare. Working together as a group would not be a strategy for maximising individual gain but a logical consequence of thinking in terms of what benefits all of us. Sometimes such a tradeoff will occur, but it will not be seen as catastrophic. More to the point, this question will not occur to someone whose worldview is different from our own. It would seem as odd as your feet asking whether the body as a whole benefits from jogging at their expense.[29]

Economic competition

The contemporary concepts of economic advancement are largely based on the concepts of collaboration; cooperation and competition for developed countries include entire range of governmental functions, including sectoral policy reform, economic integration, privatisation, public sector enhancement, labour market competitiveness, investment climate enhancement, e-government, soft infrastructures for developing a knowledge economy, macroeconomic management and effective long-range planning. The weight of the public sector constitutes a serious impediment to more rapid growth for many countries. Importantly the large expenditure burden it requires does not always translate into an efficient and equitable distribution of services. Such performance is reflected by the public sector efficiency and governance in promoting the economic advancement of a country.[30] Competition is a pivot of economic development which allows cooperation to lead the competition many times. Inadequate functioning of some product markets and lack of competition has undermined the dynamism of the economy, in particular productivity growth.[31] While discussing economic environment Kohn seems to be pro-competition and states that despite the enormous discrepancy between perfect competition and the actual state of our economic system, competition is still the stated ideal. Businesspeople and public officials use the term as an honorific, discussing ways in which they can make their companies and countries *more competitive* and never pausing to ask whether a competitive system really is the best possible arrangement.[32]

The need for economic as well as market competition has been endorsed by many applied studies conducted to evidence the driving factors in the economic growth. Market competition is essential for any economy to be efficient. In order to develop competition in a transition economy, it is conventionally thought that privatisation should take place first. This wisdom has been challenged by the Chinese reform experience of the last two decades, which modified the incentive structure of state enterprises and created markets and market competition in the absence of large scale privatisation. China's experience, however, raises the question of whether its chosen type of reform is sufficient to promote competition in a market dominated by public firms.[33] It has been observed in Kohn's readings that though he delineates competition as a driver of growth but at the same time argues that is not a healthy psychological attribute to nurture growth of either an individual or an organisation. He discusses that the distinction between trying to do well and trying to beat others is not the only explanation we can come up with the competitions failure. Competition also precludes the more effective use of resources that cooperation allows. The dynamics of cooperative effort make this arrangement far more efficient, while competitors hardly are predisposed to like and trust each other enough to benefit from it.[34]

However, the contemporary economists favour competition as an important tool for economic growth. They discuss whether standard procedures and widely accepted insights of competition policy remain valid when one deals with potentially anti-competitive conduct in innovative industries. The question of appropriateness arises because competition in these industries displays features that are radically different from those encountered in traditional sectors of the economy. Competition is for the market rather than in the market, dynamic aspects of competition matter more in knowledge-based industries.[35] In reference to international economic development the competitiveness among nations in exploiting resources has certainly proved as a major attribute. It has also been noticed that global competitiveness is the key element to survive in business and it is a task that the business sector along with governments have to confront. Since the latter half of the 1980s and all through the 1990s, issues of reforms have swept the economies of Latin America and Caribbean countries.[36]

On the global landscape today, there are several business firms lying in transitions at various stages and with differing degrees of success. The accomplishments of Japanese industries are the result of powerful alliances and in cooperation among the industry players. Accordingly, Japan establishes some of the essential rules for managing complex organisations in the modern world.[37]

Managerial applications on applied rationale

Competition may be characterised as striving together to win the race not to destroy the other competitors from the point of view of the supporters of globalisation. Local market competition is targeted towards the customers and the competitors strive to win the customer, temporarily or permanently. However, in business-to-business processes, competition may turn more tactical and strategic in order to outperform rival firms. In this way competition can be seen as regulated struggle. Competitive roles can be radically altered with technological advances or with the right marketing decisions.[38] In the growing competitive markets the large and reputed firms are developing strategies to move into the provision of innovative combinations of products and services as 'high-value integrated solutions' tailored to each customer's needs than simply 'moving downstream' into services. Such firms are developing innovative combinations of service capabilities such as operations, business consultancy, and finance required to provide complete solutions to each customer's needs in order to augment the customer value towards the innovative or new products. It has been argued that the provision of integrated solutions is attracting firms traditionally based in manufacturing and services to occupy a new base in the value stream centred on *systems integration* using internal or external sources of product designing, supply and customer-focused promotion.[39] However, competition varies strongly with the values associated with the brand, industry attractiveness, knowledge management, and ethical issues of the organisation.[40]

The contemporary ideology on competition emphasises largely on the competitive environment which contributes to various dimensions of rivalries. It has been observed that low-end competitors offering much lower prices for a seemingly similar product, suffer with the common fear of uncertainty in business among competitors. The vast majority of such low-end companies fall into one of the four broad categories which include strippers, predators, reformers, or transformers.[41] Global companies often try to promote competition among their salespeople by offering incentives to the best performer and marketing planners develop strategies to defeat their competitors as a way to ensure their company's success. Hence it may be stated that in the corporate business management practices competition is largely accepted as a desirable and effective way to improve performance.[42] Certainly one would expect competition to be more effective under some circumstances. It is surprising to learn how difficult it was to find empirical evidence about situations in which competition proved superior, especially when one may look at the range of evidence examined by Kohn. However, he emphasises that competition leads to produce a less positive regard for people of different ethnic backgrounds. Many organisations feel that in growing competition establishing strategic alliances would better check the competitor's penetration than the own brand or technology-driven company. They recognise that alliances and relationships with other companies

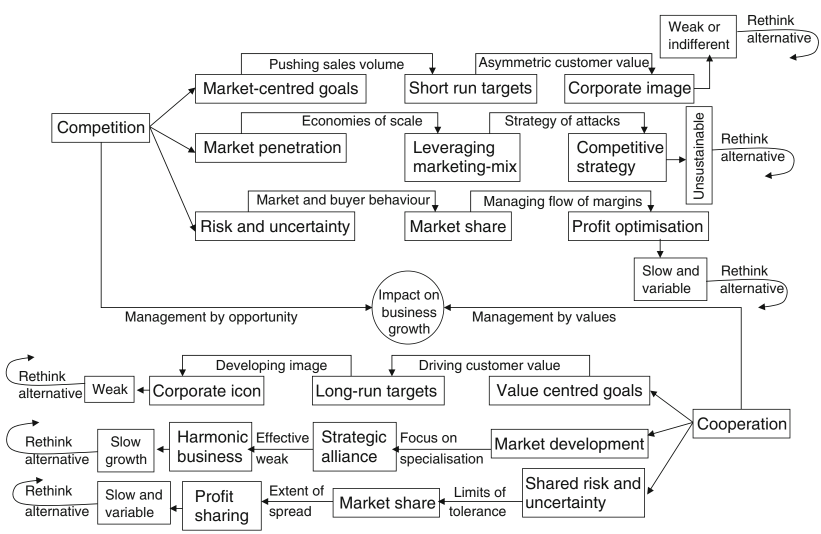

Figure 5.1 Process mapping in adaptation of competition or cooperation practices as competitive drivers in a firm

of repute are fundamental to outwit, outmanoeuvre and outperform competitors by ways of better branding, better service, and tagging global brands for assuring the quality of goods and services. Alliances and relationships thus transform the concept of the competitor.

A competing firm intends to push the aggregate sales in short term by leveraging the marketing mix components particularly those related to price and promotion to get short-term market advantages. However, such efforts may lead to higher risk and uncertainty to sustain with its competitive strategies in a given market causing variability in the market share of the firm. It is necessary for managers to look into the cause and effect chain while implementing competitive marketing strategies as sometimes it may induce irreversible results. Alternatively, if a firm chooses to develop its business through cooperation with the existing firms in a given market, it may derive value-centred goals with focus on strategic alliance. The alliance firms would have advantage to share risk, uncertainty and profit in a given market over a specified time. Managers of a firm may opt for learning to cooperate as a safe and mutual growth driver to go international or expand their business in the domestic market with long-term business equilibrium. However, proper choice of strategy is situation and firm specific and a more effective approach for managers may be to act on the particular circumstances in which they find themselves.[43]

The concepts of cooperation and competition are not opposite to each other but may be determined as supplementary to the growth in a given society. We may find pro-Kohn ideology brought into practice in Japan wherein the puzzle inherent in cooperative export strategies has been solved as to be successful; firms have to cooperate in one market in order to compete in another. As companies in other Asian countries as well as in transition economies engage in cooperative export strategies to increase competitiveness, these indicators provide a useful tool in determining the likelihood of domestic cooperation that makes such strategies possible.[44] It has been observed that strategic planners in organisations of the future need to consider the potential benefits of collaborating, cooperating and coordinating with others serving the same markets, rather than pursuing conventional 'competition'. This new mindset may be delineated as *co-opetition*. It has been observed that the competitive psychology represents oneself as being better than others, and stresses the winning of more resources at their expense. The antithesis is active cooperation, wherein one embraces competitors in partnership to the benefit of all. It is argued that the new business environment demands new kinds of business relationships, and that *co-opetitive* partnerships have emerged as a more effective response to changed environmental threats and opportunities.[45]

There has been much work done to determine whether competition is better than cooperation and some work has compared competition with doing the best for oneself. Studies emerge from diverse fields, but primarily from education, sports, the performing arts, and psychology. However, results have been consistent, clear-cut, and surprising: competition typically results in less creativity, poorer performance, and reduced satisfaction. It has been a debatable issue since long to weigh the role of competition and cooperation in social and economic development and at times the arguments favouring each tool seem to be appropriate. Certainly one would expect competition to be more effective under some circumstances. Kohn has described varied and interesting research outcomes to support his arguments on cooperation socially, anthropologically, and economically. Competition has been identified by some researchers as an aggressive tool to achieve market power while cooperation is determined as a management instrument for defensive positioning against competition. Though both the forms of organisational tools lead to growth and development, cooperation is considered to be more balanced and welfare oriented.[46] Hence there has been major emphasis on cooperation in international trade among the nations who have joined the stream of globalisation. Collaboration across supply chain has become a crucial element in the creation of business value in such a complex manufacturing environment. The collaborative planning, forecasting, and replenishment (CPFR) process is a powerful tool to enhance the cooperation between partners from upstream to the vendor/suppliers and downstream to the customer.

In fact in varied business situations both competition and cooperation are used to build the organisational and customer value. The optimal portfolio demand for products under competition varies strongly with the values associated with the brand, industry attractiveness, knowledge management, and ethical issues of the organisation. The extent of business values determines the relative risk aversion in terms of functional and logistical efficiency between the organisation and supplier while the switching attitude may influence customers if organisational values are not strong and sustainable in the given competitive environment.[47] The success of a firm largely emerges from the three different management practices that refer to the use of information on customer value, competition, and costs respectively.[48] It is argued that the success of these practices is contingent on relative product advantage and competitive intensity, which reveals that there are no general ‘best’ or ‘bad’ practices, but that a contingency approach is appropriate. This may be competition, collaboration, and strategic cooperation.[49]

Some arguments are contradictory with expressions such as competition will lower achievement markedly for such individuals, which seriously affects the performance of the whole group (class, corporation, society). One way a competitive culture deals with those who find competition unpleasant, of course, is to accuse them of being afraid of losing. It has been argued that across many fields the assumption that competition promotes excellence has become increasingly doubtful. Such competitive pressures ultimately benefit no one, least of all the public. Working against, rather than with, colleagues tend to be more destructive than productive. This corroborates the bulk of evidence on the topic – evidence that requires us to reconsider our assumptions about the usefulness of competition. However, competition is an essential constituent of development and has been evidenced by large number of research studies in reference to animal and human behaviour, in social, national, and international growth. The more competition there is the more likely are firms to be efficient and prices to be low. Economists have identified different sorts of competition. Perfect competition is the most competitive market imaginable in which everybody is a price taker.

Patterns of cross-cultural cooperation

Culture refers to the distinctive way of life of a group of people, their complete 'design for a living'. For ethnologists, folklorists, anthropological linguists, archaeologists, and social anthropologists, culture is always a point of departure or a point of reference if not invariably the point of emphasis.[50] Culture consists of patterns, explicit and implicit of and for behaviour acquired and transmitted by symbols, constituting the distinctive achievement of human groups, including their embodiment in artefacts; the essential core of culture consists of traditional (i.e., historically derived and selected) ideas and especially their attached values; culture systems may, on the one hand, be considered as products of action, on the other, as conditioning elements in a future action.[51] The influence of cultural values on business negotiations has been diagnosed by Geert Hofstede (1991) by conducting research in 66 countries to measure the cross-cultural impact. The four cultural dimensions observed by Hofstede include individualism which focuses on self-reference criterion; power distance index which leads to authority orientation; uncertainty index which refers to the attitude of risk avoidance; and Masculinity/Femininity Index which focuses on assertiveness and achievements. Most existing frameworks tend to want to discard the current situation in favour of a new corporate culture, thus discarding the best of what already exists. Changing an organisation's culture is a contradiction in terms. This is because cultures act to preserve themselves and to protect their own living existence.[52]

Organisational reforms are introduced by many multinational companies in view of changing scenarios in the global marketplace and the nature of competition. As markets globalise, the need for organisational reforms towards workplace management, operating systems, and work culture emerges. However, the balance between consistency in the changes and adaptation is essential for corporate success.[53] As long as there are not imbalances in the change process, may be by introducing the new systems and its rate of adaptation of the change culture, there may not be any threat to the organisational management. Human value system is a synergy of societal values, family values, and individual values generated through the influence of culture. Personality traits are largely evolved through the family value and societal values that govern the family value paradigm. Such process may be described as a pyramidal paradigm of personality and values which has a large base of societal culture in the bottom of the pyramid, groomed into the family values and ultimately shaping the personality at the top of the paradigm.[54]

The basic attributes of a good team include clear identification of goals, clarity of roles, common feeling, motivation, commitment, and collaborative attitude. The efficiency of group approach is a function of many behavioural factors which may be expressed as:[55]

$$p = f\,(m, a, g)$$

Where, p denotes the degree of performance, m represents motivation, a exhibits the abilities of the individuals associated with team and g is expressed to realisation of goals. The team may not function effectively if any of the above factors or associated variables thereof are disjointed. The reward and punishments issues in a team emerge as a post-process synergy of all associated variables and are largely governed by the factors common feeling, motivation, commitment, and collaborative attitude.[56] Hence teams are collections of people who must rely upon group collaboration, if each member is to experience the optimum success and goal achievement. Changing technology and markets have stimulated team approach in multinational companies for performing organisational tasks. Furthermore, the complexity of society and human needs devised to meet augmented needs have endorsed the team spirit as a significant tool in managing corporate tasks.[57] Team management is employed largely in organisations where activities are less repetitive and predictable. Such an approach demands effective liaison, appropriate delegation of powers, judicious allocations of roles of team members, sharing of information, and accuracy in evaluation of team performance.[58]

Brainstorming exercises in business arena are used as a tool to defreeze ideological barriers, emphasise core issues, and filter the process of negotiation. Many companies use brainstorming as a tool for innovation and strategy development.[59] The process of brainstorming involves six major stages – setting objectives, defining core issues, laying discussion protocol, filtering shared information, synthesising discussion, and evaluating the outcome in reference to set objectives. In conducting cross-culture brainstorming sessions the following considerations[60] may be necessary to organise the session with a group of both American and Mexican subjects:

- Attire, respect to culture, greetings
- Warming-up discussion

- Clarity on the issues of discussion
- Availability of information
- Antecedents and precedents
- Transparency in information sharing
- Discussion, protocol-scheduling speakers, turnover time, listening, argument interruption, and question session, discussion streamlining, discussion documentation
- Time management
- Language and expressions
- Synthesising the debate
- Wrapping-up the meeting

The brainstorming session with a group of both Mexican and American subjects should be carefully managed as American business culture is based on the work culture of transparency, time-oriented, and strategic decision. The SMART variables may be considered to manage such brainstorming sessions. The SMART variables include strategy orientation, measurability, approach, reality, and time frame. Strategy orientation would drive the brainstorming discussion to result orientation, and measurability would count on the success of the deliberations.[61] It may be necessary to follow a mutually suitable brainstorming approach respecting the individual and corporate cultures with real and open facts. However, respecting the timeframe for discussion is another important issue to be considered in the brainstorming session failing which it may end the discussions with unfinished decisions.

Cultural congruence at workplace (Mexican-Japanese)

The similarities between the Mexicans and Japanese may be observed largely in the social institutions that cultivate the business culture in them. However, there are differences in the material culture comprising technology and economy in these regions. The interdependence defines the relationship of Japanese business players as they feel comfortable in team work either in a family or in an organisation. Their business generally emerges from a family pedigree[62] like in traditional Mexican companies. A good example is of Donfer Alimentos of Mexico which had emerged as a family business and has been standing in the Mexican market for the last six decades, manufacturing and marketing sausages.[63] The Japanese and Mexicans both believe in knowing their counterparts before starting to work with each other and such meetings are held in a common place to get acquainted with their counterparts. Another similarity between the Mexicans and Japanese is the promising behaviour intending to offer a pleasant, positive and rewarding scenario of the situation under discussion and unpleasant consequences are kept undisclosed.[64] The Japanese, particularly, are indicative of their polite conversational style refraining, from the use of *no* and facial gazing[65] which is similar to Mexicans as they too avoid any negativity in their conversation as far as possible.

Besides the similarities discussed above there are many obvious differences that lead to managerial challenges in getting along with Mexican and Japanese counterparts at work. One of the typical work cultures that Japanese have may be described as the 3-T power-grid which comprises a synergy of task (commitment), thrust (driving force), and time (punctuality). These attributes of the Japanese distinguish them from most of the existing work cultures across the world. This has been imbibed into the material culture (technology and economy) of Japan towards continued improvement (*kaizen*). In fact Kaizen is a social culture which has been later adapted by the Japanese organisations.[66] Mexicans have yet to grow to adopt the 3-T concept in order to be at par with Japanese work culture. Language is another barrier for the persons of both the countries – Japan and Mexico – as the common language for conversation always remains foreign to them. Under such circumstances establishing a perfect relationship between them by a manager would be an up-hill task.[67] Besides the differences discussed above, non-verbal behaviours, values, and process of thinking and decision making are also different for both groups of people. Mexican behaviour is an anthology of Latin American share culture and adapted American culture which does not have a strategic fit with that of the Japanese.[68] Japan is a more centralised society that lays emphasis on Darwinian philosophy of evolution-survival of the fittest, which sets more rigid standards of work culture leading to *kaizen*.[69] Japanese are generally challenging and risk averse unlike Mexicans whose cultural attitudes towards risk sometimes are influenced by fatalism.[70] Hence it would be a challenging task for the manager to choose a Mexican in assigning a risk averse and time-bound schedule as against a Japanese counterpart. The Japanese are formal and reserved and boast the strongest work ethic.[71] Differences in learning and thinking patterns influence the way people process information, as demonstrated in their natural responses to business communications. Audiences differ in the way they perceive and value concepts of time, space, money, relationships, power, risk, and even the protocols of gender roles. Culture is an omnipresent evolution of social behaviours that continually transforms over the spatial, temporal, and demographic sub-groups.[72]

In a work environment it would be challenging for a manager to understand and adapt to individual behaviour of different cultural groups and use a yardstick to soften the communication gap. The Japanese believe that implicit communication with a thumb rule of implied is better than spoken and appreciate interdependence to work in teams.[73] However, the similar may be the case with Mexicans in communicating with others as they prefer to hide either negative communication or ignorance on the issue. A study in relevance to the management of emerging challenges of cross-cultural issues associated with the persons involved in an organisation discusses Mexican managers constructing their own social reality with rules and norms bounded primarily by the existing organisation. It has emerged out of this study that if adequately balanced; individualism-collectivism may be a good source of intercultural fit while building shared leadership that protects mutual values. Such managerial outlook would help in reconfiguring individual and cultural orientations and styles of persons of different origin in the design of management teams to build high levels of social effectiveness in the work environment.[74] In my opinion, managing cross-cultural challenges in the workplace can be made easy by developing a strategic fit of values in organisations with flexibility in individual values and shared personality traits.

Low-trust determinants at workplace (Hispanic-American-Asian)

Dealing with the concept of trust now appears to be significant in the environment of globalisation in varied cultural settings to build relationships between individuals and organisations. In view of this process trust may be defined as the confidence people have in each other.[75] Trust is a collective behaviour which emerges over a period through personality traits of individuals in a community. When trust is damaged, the community as a whole suffers in dealing with any matter – business, social, or personal. However, trust is a situational feature in general. When trust is low in a cultural setting it affects the confidence of the people and so depletes their responsiveness to the given situation. If a businessman relies on trust and it is not reciprocated, he will suffer from substantial harm.[76] Thus, trust is an important factor in organisational behaviour and any damage to it would not only affect the negotiations but may also up root the interpersonal relations. Trust is not accorded at the outset and then tested. It is grounded in direct experience and fits with overall emphasis on relationship.[77]

In low-trust cultures interpersonal relationship remains obscure, and business dealings are largely bureaucratised and tagged with evidences. Such negotiation approaches slow down the process of getting work done and also may cause retrenchment from the business scenario over time. Thus, it is necessary to identify the right and responsive people who could be relied upon as well as qualify on organisational parameters to build future relationship continuum.[78] In low-trust culture countries business negotiators try to measure the good intentions on the other side in terms of the motive of involvement in business, fairness in information sharing, refraining from any unethical behaviour like foul play in pre-and post negotiation stages, respect the terms of negotiation, and extend cooperation all through the business process. These indicators determine the trust level in the low-trust-profile countries.[79] Trust is also measured by previous experiences – antecedents and precedents. Trust is largely culture borne and so the degree of trust is a community- or country-bound issue. Russians respond to unknown persons with fear and suspicion but interact with strong loyalty to those outsiders with whom they are successful in developing personal relationship. But in particularistic culture, where one judges according to the particular nature, a trustworthy person may be one who respects the terms of relationship.[80]

However, judgement on personal relations or organisational negotiations can often be reduced to patterns and rules and truly inspired decisions seem to require an ability to see similar patterns across regions. Since trust is an opaque entity as it has built over subjectivity associated with the human nature than objective traits of the event, it can easily cloud intuitive decision making.[81] Hence it is necessary to run business in low-trust regions with more objective determinants than leaning towards personal relations or biases over people. The facts of information, endorsed commitments (contracts), pilot observation on the committed tasks, previous tack records of the people getting associated in the business from the low trust regions, setting legal implication and the like may be appropriate strategy to conduct business with the people of low-trust countries. However, development of trust can best be carved by a balanced and coordinated set of activities designed to enhance both cognitive and behavioural aspects.[82] In low-trust societies the family values are also found at the lower end which reflects in the cognitive behaviour of people largely leading towards opportunism. Under such situations, it has been found that family businesses emerge as a solution in view of exercising controls to equalise low-trust syndrome. Mutual interdependent relationships are perceived as difficult to sustain in the low-trust cultural setting, so bureaucracy breeds under such societal situations. Bureaucracy is followed as a system to run business by the foreign entities as the family businesses are secured for the natives of the low-trust societies. In traditional Korean societies, the primary loyalty remains confided in the family. As in the case of China, Korean family structures appear to be more individualistic than Japan; though the individualism therein largely reflects the competition among families. However, labour relations tend to suffer with such a strategy – bureaucracy or controls imposed by family businesses.[83]

In low-trust societies an in-depth understanding of the various dimensions is essential. Long-held psychological perceptions are transformed in to social attitudes and self-perceptions begin at the micro level. Such perceptions are largely oppressed by the families towards external entities. However, lack of inclination towards change and adaptations to externalities restricts the low-trust societies to stay in the web of economic and cultural barriers.[84] One of the American firms, Granny's Goodies which emerged as a family business run by two brothers, may be a good example of a low-trust organisation. The owner of this company had very low trust on employees and had imposed very high control to cope with the low-trust syndrome. This company had been reluctant in recruiting new people and working in an informal environment and this attitude hampered the growth of the company.[85] Thus the best options to run business in the low-trust societies may be to collaborate with foreign ventures in a phased manner for competitive advantage, nurture family business with increased cross-cultural approaches, or reducing the family control and gradually adapting to the change by introducing automation in business.

Business opportunities in developing countries

There has been substantial thinking in favour of globalisation. Economists, management experts, and statisticians were of the strong notion that big demographic and social lifestyle shifts will impact business in this new decade, century, and millennium: fickle fashions, ageing but wealthy populations, retired people inheriting trillions of dollars, an aggressive war for top talent, female consumer influence, human cloning, medical breakthroughs, and a host of other factors, including the huge untapped challenge of mega-city markets in emerging economies. These changes are fundamental to the shape of business because they will alter the way people think and feel. Soft factors may create greatest new business opportunities. Nevertheless, are teams gearing up to exploit them? Fears that globalisation is imposing a deadening cultural uniformity are as ubiquitous as Coca Cola, McDonald's, and Mickey Mouse. Many people dread that local cultures and national identifies are dissolving into a cross-regional consumerism. That cultural imperialism is said to impose American values as well as products, promote the commercial at the expense of the authentic, and substitute shallow gratification for deeper satisfaction. The core issues woven around globalisation are that it can free people from the tyranny of geography. Just because someone was born in France, does not mean only they can aspire to speak French, eat French food, read French books, and so on. That we are increasingly free to choose our cultural experiences enriches our lives immeasurably. We could not always enjoy the best the world has to offer. Technology is reshaping culture: just think of the Internet. Individual choice is fragmenting imposed uniformity of national cultures. New hybrid cultures are emerging, and regional ones re-emerging. National identity is not disappearing, but the bonds of nationality are loosening. Some of the questions that have strong hold in the debate of globalisation seem to be lashing out against Western influence on pushing global trade. The questions that have emerged during the thought process of globalisation may be stated as whether globalisation and international trade is destroying local cultures and diversity. Does market expand our positive liberties and increase the menu of choice? Does trade in cultural products support the artistic diversity of the world or destroy it? More generally, are market exchange and aesthetic quality allies or enemies.

The continuing debate on the global organisations and executives over time has definitive answer that may be slated for the question what is really meant by 'global'. The dilemma of setting clear objectives of global marketing is not easy as some corporate leaders feel that they are losing sight of the reality of globalisation. However, companies should pay attention to globalisation as national barriers are quickly coming down. Global companies integrate assets, resources, and diverse people in operating units around the world. The multinational, multi-domestic, and transnational companies can build three strategic capabilities: global-scale efficiency and competitiveness; national-level responsiveness and flexibility; and cross-market capacity to leverage learning on a worldwide basis through a flexible management process, in which business, country, and functional managers form a triad of different perspectives that balance one another. In reference to the benefits of global marketing, it may be firmly stated that the market overseas goes beyond simple and pure marketing considerations as it stands on the trade-off within the array of gains and risks. Global marketing under such fix may determine the following objectives to sail through the distant and somewhat troubled markets across countries:

- To exploit market potential and growth to the optimum extent
- To set its marketing operations to gain the advantages of economies of scale
- To learn from the leading markets through technology, innovation, and competition
- To increase competitive pressure in stronghold markets to make space for survival and sustenance
- To explore the score of diversification of products, services, and markets,
- To gain comprehensive knowledge on doing overseas business successfully

Multinational companies see globalisation in general as a matter of replication, spreading a single business model as widely as possible to maximise economies of scale. From this perspective, the key strategic challenge is choosing how much of the model to keep standard and how much to grudgingly adapt to local tastes. Indeed, the scope of generalisation or peripheral understanding is as wide as the differences that remain among countries, and those differences continue to be broad and deep with changing customer preferences and competitive moves across the regions. In order to reap the benefits of diplomatic privileges, growing economies and market size a multinational company must properly construct its efforts into its overall organisation and perform at the national level but also tailor local strategies, by way of joint ventures, franchising and mitigate risk, in particular the theft of intellectual property.

Cultural diversity has multiple meanings. Diversity within a society refers to the richness of choice within that society. Globalisation focuses on diversity across societies, that is, whether societies are becoming more similar. Cross-cultural exchange tends to favour diversity within a society but not across societies. Trade tends to increase diversity over time by accelerating the pace of change and bringing new cultural goods with each era or generation. Cultural similarities tend to come together over time across the regions. That is, although chain restaurants take an increasing percentage of restaurant sales, growth in dining out has led to an expansion of specialty food opportunities. While cross-cultural exchange alters and disrupts each society it touches, it also supports innovation and creative human energies. The author's views are definitely positive on the benefits of cross-cultural exchange. The *creative destruction* of the market creates a plethora of innovative and high-quality creations in many different genres, styles, and media cross-cultural exchange expands the menu of choice, at least provided that trade and markets are allowed to flourish.[86] Since globalisation gathered pace in the 1980s, world inequality has also increased. The strong arguments against the globalisation move argue that while some developing countries were able to take advantage of trade to improve their standard of living, many fell further behind as they depended on a single commodity. Rich countries invested erratically and selectively in developing countries and continued to protect their own markets. The anti-globalisation movement argues that the world trading system is unfair, undemocratic, and unsustainable.

Few subjects polarise public opinion as much as the role of globalisation in developing countries. Foreign direct investment (FDI) boosts their economic performance by endowing them with new skills, new technologies, and new jobs – all of which increase their standard of living. In reality, global corporations and the developing countries where they invest have symbiotic objectives. Globalisation brings broadly positive economic benefits to developing economies, which in turn represent the best hope for the future of global companies. Both sides should recalibrate their approach. The advantages of the globalisation may be viewed as it gives ambitious companies access to the best capital, talent, markets, and resources that the world has to offer. On the contrary it generates neck-to-neck competition for survival at least for some companies, every organisation is essentially competing against the best in the world. In this adaptation from *Race for the World*, globalisation explores the economic benefits of free trade and look at how the changing landscape will force many companies to reevaluate their strengths and weaknesses. Globalisation is both irreversible and, in its present form, unsustainable. What will come after it is far from determined. It could be a war of all against all, world domination by a single superpower, a tyrannical alliance of global elites, global ecological catastrophe, or some combination thereof.[87] Hence, at the positive end globalisation gets mixed reviews. However, increasing interconnectivity among the world's people seems to promise a *global village* in which the destructive antagonisms of the past can be left behind, replaced by global cooperation and enriching diversity.

In developing countries business opportunities may be explored mainly for two reasons. Firstly, a large number of developing countries are pursuing a growth path. South Korea, Taiwan, Singapore, and Hong Kong were the first; Brazil and China followed. Most recently, India and Eastern European countries have also opened their gates to globalisation in consonance with neo=liberalism concepts. The developing world is beginning to rely on the international market mechanism to attract foreign investment and technology to become industrialised. Such change proneness has given scope to increasing demand for the technological and environmental products world over. An example of organic products marketing may be appropriately discussed in this context. Most major markets offer good prospects for suppliers of organic products that are not produced domestically, such as coffee, tea, cocoa, spices, tropical fruits and vegetables, and citrus fruits. There are also very good prospects for foods that are produced in the main markets themselves. These opportunities stem from the simple fact that the rapidly growing demand in most markets cannot be met by local supply, at least in the short and medium term. Developing countries produce a wide range of organic products and many are exporting them successfully. Secondly, opportunities in developing countries should be even closely examined than those in advanced countries as the government plays a significant role in business decisions in developing countries. This necessitates dealing with the procedural issues therein in foreign investment with considerable sophistication and confidence.

The World Bank advance loans to developing countries to fund projects for economic development and poverty reduction. This generates around 40,000 contracts ranging in size from a few thousand dollars to multimillion dollar expenditures for the delivery of a vast range of goods and services. Procurement on a World Bank project is the primary way through which companies get involved with the World Bank. Bank lending generates thousands of contracts worth approximately a total of $12 billion annually to firms worldwide. Loans are made to more than eighty governments and government agencies, which are responsible for procurement under World Bank projects. The World Bank develops procurement policy and guidelines, issues standard bidding documents, supports executing agencies in developing procurement capacity, disseminates information on procurement matters and maintains contacts with industry to ensure that World Bank policies and guidelines reflect current industry standards. The government of the borrowing country is responsible for all procurement steps, including advertising, prequalification evaluation, preparation of bidding documents, evaluation of bids, and contract awards. In its final form, the Country Assistance Strategy (CAS) document outlines the Bank's planned operations in the country lending, analytical work, and technical assistance. Eighty-five countries are covered by the CAS process.

In an effort to create jobs and diversify and grow the economies, many countries in the Middle East have embarked on economic reform and privatisation programmes to attract FDI. Algeria, Kuwait, and Saudi Arabia are moving towards opening the development of their oil and gas fields to foreign companies, and Qatar and the UAE continue to use foreign companies, as partners as they expand the development of their oil and gas industries. In the last five years, Egypt, Morocco, Tunisia, and the UAE have undertaken one or more new independent power projects. In recent years, most of the countries have implemented new investment laws that allow foreign ownership of domestic enterprises to the full extent. Better laws and stricter enforcement of intellectual property protection in many of the countries have led to an increased investment in the pharmaceutical industry in Jordan and in high-tech industries in Israel and the UAE. The Middle East has become an important region for the development of information technology. Several countries, including Egypt, Jordan, and Tunisia, are seeking to develop their IT industries. Two countries, Israel and the UAE, have already taken major steps to create vibrant IT sectors. Israel boasts a high-tech sector that is successfully integrated with the global economy. There are more than 200 US high-tech companies in Israel today, ranging from the giants, such as Intel and IBM, to 'specialty' companies with only a few employees.

An accelerating growth and poverty reduction requires governments to reduce the policy risks, costs, and barriers to competition facing firms of all types, from farmers and micro-entrepreneurs to local manufacturing and multinational companies. A vibrant private sector creates jobs, provides the goods and services needed to improve living standards, and contributes taxes necessary for public investment in health, education, and other services. Too often governments stunt the size of those contributions by creating unjustified risks, costs, and barriers to competition.[88] However, policy-related risks dominate the concerns of firms in developing countries. Uncertainty about the content and implementation of government policies is the chief concern, with other significant risks including macroeconomic instability, arbitrary regulation, and weak protection of property rights. These risks cloud opportunities and chill incentives to invest productively and create jobs. Nearly 90% of firms in Guatemala, and more than 70% of firms in Belarus and Zambia, find the interpretation of regulation unpredictable. It has been highlighted in the World Development Report (2005)[89] that more than 80% of firms in Bangladesh, and over 70% of firms in Ecuador and Moldova, lack confidence in the courts to uphold their property rights. Improving policy predictability alone can increase the likelihood of new investment by more than 30% Barriers to competition are also pervasive and dull incentives for firms to innovate and increase their productivity – the key to sustainable growth. High risks and costs restrict competition, while governments also limit competition through policy barriers to market entry and exit. Nearly 90% of firms in Poland report strong competitive pressure, more than twice the share of firms in Georgia. Stronger competitive pressures can increase the probability of innovation.

The Tenth Five Year Plan of the Government of India estimated that the Indian economy needs to grow at around 8% per annum over the next decade to create the required 100 million new jobs and reduce the poverty rate to 11%. This would require an increase in agricultural growth from the trend rate of about 3% per annum in the last decade to 4.5% per annum over the next 10 years. Industrial growth would need to increase from 6% per annum in the last decade to 8% per annum in the next decade and services from 7.5% annually in the last decade to 9% per year on an average over the next 10 years.[90] International comparisons indicate that India has intrinsic advantages, such as macroeconomic stability, a large and rapidly growing local market, a large and relatively low-cost labour force, a critical mass of well-educated workers, and abundant raw materials that should allow it to attract and sustain higher levels of private investment, both domestic and foreign. A key challenge for India is to streamline business entry and operation procedures, so as to reduce delays and opportunities for rent seeking.

Promotional efforts to attract FDI have become the focal point of competition among developed and developing countries. This competition is maintained even when countries are pursuing economic integration at another level. Moreover, it often extends to the sub-national level, with different regional authorities pursuing their own strategies and assembling their own basket of incentives to attract new investments. While some countries see lowering standards to attract FDI in a 'race to the bottom', others praise FDI for raising standards and welfare in recipient countries. Several trends are reinforcing traditional impulses for FDI, such as access to natural resources, markets, and low-cost labour. Some countries rely on targeted financial incentives, such as tax concessions, cash grants, and specific subsidies. Others have chosen a broader approach that focuses on improving their domestic infrastructure and local skills base to meet the demands and expectations of foreign investors. However, many countries have entered into international governing arrangements to increase their attractiveness as investment locations. Although promoting and arranging such investments are complicated, an effective regulatory environment and strong policy framework can make such investments successful.

The World Trade Organisation (WTO) has come up with the rules of trade between nations. In the area of work on trade and investment, it specially focuses on conducting analytical work on the relationships between trade and investment. There are three main areas of work in the WTO on trade and investment:

- A working group established in 1996 conducts analytical work on the relationship between trade and investment.

- The Agreement on Trade-Related Investment Measures (TRIMs Agreement), one of the Multilateral Agreements on Trade in Goods, prohibits trade-related investment measures, such as local content requirements, that are inconsistent with basic provisions of GATT 1994.
- The General Agreement on Trade in Services addresses foreign investment in services as one of four modes of supply of services.

This agreement was negotiated during the Uruguay Round, which applies only to measures that affect trade in goods. Recognising that certain investment measures can have trade-restrictive and distorting effects, it states that no member country of the WTO shall apply a measure that is prohibited. The list of TRIMs includes measures which require particular levels of local procurement by an enterprise (local content requirements) or which restrict the volume or value of imports that an enterprise can purchase or use to an amount related to the level of products it exports (trade balancing requirements). The agreement requires mandatory notification of all non-conforming TRIMs and their elimination within two years for developed countries, within five years for developing countries and within seven years for least-developed countries.

Corporate governance is also one of the measures in the microeconomic environment of the country that affect the foreign investor and an overseas firm seeking to enter a developing country. OECD Principles have become the most widely accepted corporate governance benchmark and have influenced the drafting of other codes issued by international organisations, countries, companies, and stock exchanges. Codes of best practice are important tools in corporate governance reform that raise awareness and help build consensus and ownership of reform processes and outcomes.[91] These codes are non-binding rules that go beyond the law, take specific country conditions into account and often exceed the standards set by international guidelines like OECD Principles. While adherence to such codes and standards is voluntary, compliance by specific companies sends a signal to investors to help them identify candidates that match their criteria for investment. One of the central Asian republics, Uzbekistan, is a small country grappling with a legacy of state ownership of enterprises that has contributed to conflicts between government and market-based business objectives, as well as an unclear division of responsibility for corporate governance.[92] The significance of the corporate governance hence may be reviewed as one of the major parameters in evaluating business opportunities in developing countries.

Managing cooperation in the competitive marketplace

In a marketing organisation there should be a continuous flow of information from the consumers which will enable the manufacturer to improve the product accordingly. The ideas generated through the feedback of consumers need to be evaluated with the view of accelerating the product improvement process. However, the company should develop a proper match with the supply and distribution system to ensure the availability of the products to the consumers. The marketing department in an organisation should consist of a chain of functionaries for managing various marketing operations such as consumer survey, production, research and development. The functionaries should have a horizontal and a vertical network in order to perform their tasks efficiently and to provide feedback to the decision managers. Horizontal networking is needed to promote product distribution, sales, and promotion at a grass root level. It is better to spread geographically covering all the sensitive marketing points in the hinterland of the operation of the company.

The networking of a marketing organisation can also be built in a pyramidal structure wherein administration, monitoring, and evaluation is done in a synchronised manner. The top management exercises the highest powers while the middle and lower management are answerable to the personnel of the top management. This is a centralised marketing system where the middle and lower levels of management executives are not given functional autonomy. The service functions have to be coordinated, monitored, and evaluated at the middle management level while the planning functions need to be taken care of by the top management of the organisation. Service functions include – administration of sales personnel, promotion, marketing research and market surveys. Functions pertaining to strategic planning, product planning, marketing research, and decisions about the new projects comprising the planning and programme functions rest with the top management. The area functionary in a marketing organisation should provide regular feedback to the middle management to enable them to evaluate product performance and modify marketing strategies as and when required. The product manager's role is to develop product plans and to administer them in the selected market segments. Other important functions such as the job chart of the product manager are stated below:

- Formulation of sustainable and competitive product plans
- Formulating annual operational marketing plans
- Forecasting sales
- Planning sales force
- Developing sales promotion strategies
- Managing the market information system
- Analysing marketing problems, consumer grievances, and working out suitable solutions for them
- Suggesting product improvement

The product manager has to interact with different types of interest groups in order to ensure smooth functioning of a marketing organisation. On the product front, interactions of the product managers are marked with the personnel of research and development, production, distribution, promotion, media, consumer services, packaging, purchase, sales, fiscal, and legal department (to ensure that the product on sale is not violating any regulations stipulated by the government).

Often in a vertical organisational network the problem of striking a balance of operational decisions between the apex and the lower level functionaries occurs. Operational decisions consist of marketing and non-marketing functions. Marketing functions consist of planning, programme, implementation, monitoring, and evaluation while the non-marketing functions comprise research and development and public relations. A balance needs to be struck as to what mix of these activities will be attended by apex and grassroot-level functionaries. An important point to remember is that along with functional decentralisation there remain chances of duplication of efforts. In such circumstances, networking decisions have to be taken on the basis of the extent of the expenditure incurred while performing the tasks. However, there exist advantages and disadvantages of functional centralisation and otherwise. Some of the main considerations for organising marketing are as follows:

- The structure of the global marketing organisation must be acceptable, conducive, and dynamic to perform the functions on time.
- All the sub-activities should be properly coordinated.
- Information on marketing activities needs to be collected by an efficient department of the organisation and the relevant facts must be made available to all the functional units to set their strategies.
- It is essential to maintain integrity among the marketing personnel in an organisation.

Environmental control in marketing (with reference to new entrants, buyers and distributors' lobby and the substitutes of products and technology) must be considered while exercising market control approaches. All these areas need to be monitored simultaneously and continuously. It has been observed that new entrants and new technologies work hand in hand and generate latent threats to the existing products. These control operations are termed as strategic control. To achieve such critical control operations successfully, managers belonging to the strategic level need to look into the following factors:

- Effectively assessing consumerism
- Analysing the first sight of threats in the market
- Protecting the company's interest on maintaining markets

- Attainment of marketing objectives
- Maintaining the quality of market intelligence
- Keeping the sales level intact

Operational control in a marketing organisation comprises streamlining of sales, distribution, promotion, and product innovation activities. Sales control may be administered by scrutinising new contracts, competitive sales approaches, and new proposals of expanding sales avenues. It is essential to identify brand loyalty among the distributors and encourage exclusive distribution of the product's effective monitoring of sales. Promotional control consists of administering effective communication strategies to the distributors and the consumers by way of advertisement, consumer surveys, and sales campaigns. Periodical reviews need to be done by the operational control personnel of a company in order to build up the image of the company and its product thereof in the market. One of the important tasks of operational control is the streamlining of consumer services. This activity can be performed after knowing fully the views of the consumers regarding the services offered by the company through benchmarking. This technique enables one to see at a glance the investment in consumer services providing the value in their perceptions. The marketing manager of a company may prepare a consumer service matrix denoting high, medium, and low perceptions of different segments of consumers and thus identify the target area. It is expected of the marketing manager to take clear action if the elements of consumer service fall into certain specific parts of the matrix. The target area emphasises the importance that needs to be given to the consumers of the 'target' segment.

Characteristics of the global market place are diverse and international marketing approaches are different. Firms need to adapt a strong rationale for grouping the countries into segments. Multinational and global corporations are different as the former operates in a number of countries and carries adjustment in production and marketing practices in each country at a highly relative costs.[93] The global corporation operates with staunch loyalty at relatively low costs with standardisation. Coca Cola and Pepsi have standardised their products globally according to the regional and ethnic preferences of consumers. The most effective world competitors integrate quality and trust attributes into their cost structure. Such companies compete on the basis of appropriate value of price, quality, trust, and delivery systems. These values are considered by the companies in reference to the product design, function and changing consumer preferences like fashion. Multi-national corporations know a lot about the business environment in a country and put their efforts on adapting to the given environment and sets gradual penetration process in the country. On the contrary, global corporations recognise the absolute need to be competitive and drive through the lower prices by standardising its marketing operations. Global corporations treat the world as composed of a few networked and standardised markets than many independent and customised markets.

There are five major categories of drivers that propel companies towards globalisation. These drivers include market, competition, cost, technology, and government. Of these, market driver has been considered as one of the strongest forces that pushes the process of global marketing.

The **market drives** comprise the needs of common customers, global customers, global channels, and transferable marketing. Common customer needs become a compelling factor for the multinational companies when customers of different countries have the same needs in a product category. Free trade and unrestricted travel has created homogeneous groups of customers across countries in reference to specific industries. However, some markets that typically deal with culture-bound products like food and beverages, apparel and entertainment strongly resist the shift towards globalisation and remain multi-domestic catering to different customer preferences and differentiated products across countries. On the contrary global customers need the same products or services in many countries like in the case of Kodak films or Hilton Hotels. The global channels, distribution, and logistics companies offer seamless transport, storage, and delivery services. A firm can expand internationally provided the channel infrastructure is met with the distribution needs of the company. Hence their integrated networks thrive to bring the multinational companies close to the global distributors, retail stores like super markets and departmental stores in order to generate systems effect. Transferable marketing is applied to the same marketing ideas on brand names, packaging, advertising, and other components of marketing mix in the different countries. Nike's campaign anchoring the basketball champion Michael Jordan pulled up the brand in many countries. This is how good ideas of multinationals get leveraged world over.

The **competitive drivers** support the companies for matching their strategies appropriately with their moves in the market. The existence of many global competitors indicate that an industry is mature for international business operations. The global competitors operate on cost advantages over the local competitors. The emergence of strong global competitors has served to develop the market infrastructure for the local companies and also help in the transfer of technological skills, enabling the domestic company to explore the scope of expansion. Competitive efforts put pressure on companies to globalise their marketing activities to derive optimum performance by interpreting competitor signals appropriately. When Kodak backed out from sponsoring the 1984 Los Angeles Olympics, Fuji Film entered into the sponsorship issue immediately at the prescribed price and was one of the official sponsors of the Olympics. By time Kodak reconsidered to participate in this international event, time had overrun.

However, for the Olympics of 1988 and ABC-TV Kodak became the sport programme sponsor.[94]

The **cost drivers** are largely based on the scale of economies that involve the cost of production functions in large and complex industries, cost of outsourcing, diffusion and adaptation of technology, tariffs and taxes and costs associated with the basic and advanced marketing functions. Macroeconomic factors of neighbouring countries also govern the cost drivers. When a new automobile plant is set up, it aims at designing, manufacturing, or assembling and delivering a particular model by penetrating into the neighbouring markets to gain the advantages of economies of scale. Toyota's automobile plant at Kentucky manufactures the Camry model for catering to the markets of NAFTA group of countries. The high market share multi-domestic companies derive gains from spreading their production activities across multiple product lines or diversified business lines to achieve advantage through the scope of economies. Manufacturing and marketing activities of Procter & Gamble, Unilever, Colgate-Palmolive may illustrate this global attribute that is explained by the cost drivers. The other cost drivers include global sourcing advantages, low global communications and automation processes. The location of strategic resources to the production plants, cost differences across the countries and transport costs are also some important considerations of the cost drivers.

Lowering of trade barriers made globalisation of markets and production a theoretical possibility, and technological change has made it a tangible reality. Since the end of World War II, the world has seen major advances in communications, information processing, and transportation technology including, most recently, the explosive emergence of the Internet and World Wide Web. The **technology drivers** play a significant role in global business. Global expansion of the multinational companies has been highly stimulated by the technological advancements in the designing, manufacturing, and marketing of consumer and industrial products. Services were also improved by many technological breakthroughs. The Internet revolution has triggered the e-commerce as open access channel as a strong driving force for the global business in the consumer and industry segments. Improved transport and communication now makes it possible to be in continuous contact with producers anywhere in the world. This makes it easier for companies to split production of a single good over any distance. Storage and preservation techniques have revolutionised the food industry for example, so that the idea of seasonal vegetables is no longer relevant today as anything can be exported all year round from anywhere.

In addition, IT revolution has made the movement of investment capital around the globe an almost immediate process ensuring that financing opportunities across the developed and developing world have both expanded and become more flexible. However, non-economic drivers of global integration, from travel to telephone traffic maintained their forward momentum, making the world more integrated at the end of 2002 than ever before. Technological upgrading, in the form of introduction of new machinery and improvement of technological capabilities, provides a firm with the means to be successful in competition. In the process of introducing better technologies, new lower-cost methods become available, which allow the firm to increase labour productivity, that is, the efficiency with which it converts resources into value. Firms will adopt these newer methods of production if they are more profitable than the older ones. The ability of a firm to take advantage of technical progress is also enhanced if the firm improves its entrepreneurial and technological capabilities through two competitiveness strategies, namely (i) learning and adaptation and (ii) innovation. The latter is a process of searching for finding, developing, imitating, adapting, and adopting new products, new processes, and new organisational arrangements. Because rivals do not stand still, a firm's capacity to develop these capabilities, as well as its ability to compete, depends on the firm's maintaining a steady pace of innovation.[95] Containerisation has revolutionised the transportation business, significantly lowering the costs of shipping goods over long distances. Before the advent of containerisation, moving goods from one mode of transport to another was very labour intensive, lengthy, and costly. It could take days to unload a ship and reload goods onto trucks and trains. The efficiency gains associated with containerisation, transportation costs have plummeted, making it much more economical to ship goods around the world, thereby helping to drive the globalisation of markets and production.

The **government drivers** for globalisation include diplomatic trade relations, customs unions, or common markets. Government drivers add favourable trade policies, foreign investment regulations, bilateral or regional trade treaties, and common market regulations. The introduction of global standard norms like ISO certifications by the respective countries may be one of the effective measures to promote the globalisation through uniform quality perspectives. In the past the government barriers to foreign market entry protected the domestic markets and made the global marketing an uphill task. WTO has been instrumental in promoting government drivers for improving trade in the developing countries.

Integrating a worldwide strategy involves five key dimensions: selecting markets for their global strategic importance; standardising products; locating value-adding activities in a global network; using uniform marketing techniques; and integrating competitive moves across countries. Industry globalisation drivers that are defined as the industry conditions that determine industry globalisation potential and organisation and management factors largely determine the use of global strategy. Such drivers have the strongest influence in global trade. The application of global strategy in industries with high globalisation potential improves business performance. The global companies constantly search for opportunities to achieve the benefits of globalisation; take a zero-based view of existing activities; flout conventional wisdom and established practices; systematically analyse industry, strategy, and organisational linkages; and make multiple reinforcing changes in strategy and organisation.[96] They assume that strategy should be global but implemented locally.

Besides, the five drivers discussed above there exists other reasons to market products and services globally. The major factors that influence the drivers of globalisation may be illustrated as under:

- Market saturation
- Trade deficit
- Foreign competition
- Emergence of new markets
- Globalisation of markets
- Opportunities via foreign aid programmes
- Other reasons

The most evident reason to drive the companies go global is the market potential in the developing countries that constitute as major players in the world market. Companies such as *Nintendo, Disney* and the Japanese Motorcycle industries (Honda, Kawasaki, and Suzuki etc.) have been greatly benefited from exploiting the markets of the developing countries and reassuring their growth in the world market to harness the promising market potential. The emerging scope of spatial diversification has also been one of the drivers for enhancing the global business utilising the additional production capacity at the economies of scale and low-cost outsourcing. The thrust of Japanese motorcycle industry in the US markets is aided significantly by its low-cost position. The saturation of the demand for the products and services of a company in domestic market may also be an effective driver to globalisation wherein the company looks for building the value for its brand across the boundaries. A product that is near the end of its life cycle in the domestic market may be beginning to generate growth abroad. *Dickson Poon's* export of high brand value luxury goods from America to the Far East may be cited as an example of gaining advantage of general rise in the conspicuous consumption that is regarded as a sign of prosperity. Sometimes cross-cultural attributes of overseas markets that become the source of new product ideation, also may be considered as one of the potential drivers for globalisation of business and explore the strategic alliances with prominent regional or multinational brands thereof. Tested market entry approaches may be implemented in the emerging markets such as South-east Asia as shown by Revlon in cosmetics though there appears the risk of international currency, legal issues and business protocols. However, the most difficult task for the global companies is to develop products with a universal appeal as illustrated by *Gillette* with its fragrances. On the contrary *Lego* is facing hardship in the Far East markets to popularise its concept of *do it yourself* (DIY) for creative learning against the head-on competition of video games industries attracting the same segment of buyers (age group 5–14).

Further reading

Abraham, Z. (2004), 'Managers and leaders: Are they different', *Harvard Business Review*, 82(1), 74–81.

Argote, L. (1999), *Organizational Learning: Creating, Retaining and Transferring Knowledge*, Kluwer Academic Publishers, Boston, MA.

Barro Robert, J. (1991), 'Economic growth in a cross section of countries', *Quarterly Journal of Economics*, 106, 407–43.

Billington, J. (1997), 'Fairly timeless insights on how to manage your time', *Harvard Business Publishing Newsletter*, February, 1–2.

Björkman, I. (2002), 'Aura: Aesthetic business creativity', *Consumption Markets & Culture*, 5(1), 69–78.

Duffey, T., Haberstroh, S. and Trepal, H. (2009), 'A grounded theory of relational competencies and creativity in counseling: Beginning the dialogue', *Journal of Creativity in Mental Health*, 4(2), 89–112.

Jonathan, E. and Kortum, S. (1995), 'Engines of growth – domestic and foreign sources of innovation', National Bureau of Economic Research Inc., NBER Working Paper 5207.

Jerry, H. and Moria Ortiz, B. (2002), 'Entrepreneurial exporters: The Canadian experience', *The International Trade Journal*, 16(1), 31–71.

Vera Garcia, J. (2001), *From Globalization to Upgrading Value in the Productive Chain in Specialized Agglomerations: Is Local Space Still Important? – Evidence from Mexico*, ERSA Conference Paper, European Regional Science Association, Vienna, August.

Paul, K. (1994), 'Competitiveness – A dangerous obsession', *Foreign Affairs*, 73(2), 28–44.

Martin, C. A. and Bush, A. J. (2003), 'The potential influence of organizational and personal variables on customer-oriented selling', *Journal of Business and Industrial Marketing*, 18(2), 114–32.

Paulus, P. B. and Dzindolet, M. (2008), 'Social influence, creativity and innovation', *Social Influence*, 3(4), 228–47.

Pieter, K. J. and van Gorp, D. M. (2003), 'Spin-out management: Theory and practice', *Business Horizons*, 46(2), 15–24.

Rajagopal and Rajagopal, A. (2008), 'Team performance and control process in sales organizations', *Team Performance Management – An International Journal*, 14(1), 70–85.

6
Forecasting and Fudge Factors Modelling

Many experiments were carried out in the past in developing various marketing models to fit into different business situations. However, still there exists a gap in building quantitative models with academic rigour from managerial relevance. It is evident from the review of literature that though marketing modelling as emerged has a discipline over the twentieth century; marketing is considered as science in academia. This chapter discusses the forecasting and modelling techniques that support development of market-oriented competitive strategy. It has been argued that many firms develop new strategies to shift from traditional management to network orchestration by changing their focus to customer managed relationships (CMR). Such companies in transition move their orientation from company-branded products to customer-branded solutions using appropriate analytics and metrics. The companies breeding in new organisational culture follow the adaptive experimentation and prepare to meet the challenge (and change) of new mind maps.

Competitive marketplace has dynamic attributes of business. Hence, firms operating under increasing competition invest in knowing their business growth in future. It is obvious to the competing firm in the market that the problems of today often arise as unintended consequences of yesterday's solutions. Shifts in market demand, changing consumer preferences, dynamic competitor's signals, and volatile market shares of brands are of principal concern to the firms striving to survive in the competitive marketplace. Hence, business and market policy settings of firms suffer from market resistance and the tendency for well-intentioned interventions of competing firms grow continuously. For example when an airline uses better in-flight services to help customers in realising higher brand equity of the airlines company, the competitive dynamics drive the rival airlines to reduce prices by marginally cutting the in-flight services causing a threat to the competing airline company in fostering its marketing strategy. Competitive market dynamics is also a process for working with myopic strategies to use effectively in resolving a variety of critical issues facing by the firm in the industry.[1]

The analysis of consumer buying decisions has been a major topic in marketing of products and services. In the past several models were developed that examined consumer decision-making processes that stimulate purchase intentions and buying process in a given market environment.[2] Most of these models assume a two-stage decision-making process. In the first stage, consumers lay individual preferences regarding the decision and in the following stage measure the comparative advantage with peers to revise their decision. The outcome then depends on the relative bargaining power (influence) of the fellow consumers.

Among the many motivating influences on buying behaviour that researchers have forwarded over the years, the notion of a *desire for exploration* has established as a recurring behaviour. The perceptional attributes that influence the buying behaviour of consumers include risk taking in making buying choices, innovativeness in the adoption of new products and retail facilities variety seeking in purchase behaviour,[3] browsing, looking at window displays and similar forms of recreational shopping,[4] and curiosity-motivated information acquisition evidenced in leafing through catalogues or talking to others about purchases.

The discussions in this chapter provides researchers a framework for analysing using structural equations the behavioural variables that affect the decision making process of consumers and discusses how consumers behave in a given socio-economic context. In the following sections three different models to measure the trends of consumer choice, shopping preferences, and marketplace advantages have been discussed using mathematical applications. Literature often focuses on buying environment *per se*, but to understand consumer behaviour better in a personal, social and economic context, some studies have considered cognitive variables other than the market driven factors towards stimulating buying decisions among consumers.[5] These models can be used in determining customer choices, shopping preferences, and competitive advantage in a given marketplace as the principal initiators in buying decision process of consumers.

Customer choice modelling

Consumer choice towards buying a product is determined by different variables including the perception of product value and exploratory buying behaviour. Besides the effects of perceived values of consumers on products, it is observed that the group of variables associated with consumer culture is best at discriminating the buying phenomenon. However, as far as the variables are concerned, the exploratory product-acquisition factor has a more important role than some variables associated with culture.[6]

Most consumers exhibit variety seeking behaviour, reinforce product attraction, and perceive use value as major determinants of their buying decisions. Product line design involves important decisions at the interface of operations and marketing that are very costly to implement and change, and, simultaneously, determinant for market success. To evaluate the consumer choice in reference to a product line, in the following section problem formulations are typically proposed as non-linear optimisation models that can be applied in particular when empirically supported consumer choice data sets are used in a research study.[7]

According to the customer choice model of Giannakas and Fulton (2002), individuals are assumed to consume optimum one unit of the product of their interest within a given time. The construct of the model[8] of customer behaviour, assumes that prior to choice of high value product, customer i derives perceived use value, for t non-high value or synthetic products having U_{vi} willingness to pay for the non-high value product on the perceived used value of customer i at price p. In order to explain the customer preference to the product and estimating the brand value in reference to this study it may be derived that customer obtains the perceived use value ($U_{vi}-p^t$) from consuming non-high value product.[9] The customer also exercises his option of buying a high value substitute (high value products) at an alternate price p^a where ($p^a \geq p^t$). Hence without availability of high value products, the customer value Cs may be derives as:

$$Cs_i^t = {}_{\lim 0-\infty}\Big[\left(U_{vi} - p^t\right), \left(U_{vi} - p^a\right)\Big] = \left(U_{vi} - p^t\right) \tag{1}$$

Following the scenario when the customers get access to the high value products in the market, customers enhance the perceived use value of the high value product by factor E_{vi}. This parameter is subjective to the customer decision in view of their preferences towards consuming organic products. However, due to lack of awareness, advertising and sales promotions, many customers may not be able to establish their preferences explicitly towards the synthetic and non-high value products. If α represents the market segment for the high value products, the customers would access the products and perceive its value by (αE_{vi}). Accordingly, the customer value after the high value products are made available in the market segment may be described as:

$$Cs_i^{AP} = {}_{\lim 0-\infty}\Big[\left(U_{vi} - p^t\right) - \alpha E_{vi}, \left(U_{vi} - p^a\right), B_i^{vg}\Big] \tag{2}$$

Wherein, the expression Cs_i^{AP} denotes the enhancement of customer value for high value products in reference to the advertising and promotion strategies of the firms and B_i^{vg} represents the brand value of high value products perceived by the customers. Further, Cs_i^{AP} may be understood as a function of interpersonal communication $\left(Cs_i^{IP}\right)$ comprising word of mouth and referrals, commercials $\left(Cs_i^{ma}\right)$ and point of sales promotions

$\left(Cs_i^{ps}\right)$. Hence, the factors influencing the enhancement of customer value may be expressed as:

$$Cs_i^{AP} = f\left(Cs_i^{IP}, Cs_i^{ma}, Cs_i^{ps}\right)^{\lim_{0-\infty}} \tag{3}$$

Motivational forces are commonly accepted to have a key influencing role in the explanation of shopping behaviour. Personal shopping motives, values and perceived shopping alternatives are often considered independent inputs into a choice model. It is argued that shopping motives influence the perception of retail store attributes as well as the attitude towards retail stores.[10] Liberal environment of the self-service stores for merchandise decisions, service quality and learning about competitive brands are the major attributes of retail self-service stores.[11] Retail self-service stores offer an environment of three distinct dimensions of emotions *e.g.* pleasantness, arousal and dominance. The change in the customer value observed among the synthetic and high value products in reference to advertising and promotional strategies used by the firms, may be described as:

$$Cs_i^{AP-t} = Cs_t^{AP} - Cs_i^t \tag{4}$$

The model assumes that if N_{rs}number of customers in a given retail store has preferred to use high value products, the change in the customer value may be derived as:

$$\Delta Cs_i^{AP-t} = \sum_{i=1}^{Nrs_1 \ldots Nrs_n} \Delta Cs_i^{AP-t} \tag{5}$$

Customers choose the product which offers maximum utility in reference to the price, awareness and promotional advantage over other non-high value products. Hence, the customer value for high value products may be expressed as:

$$\Delta C_{Nrs=1}^{E_{vi}-t} = \alpha\left(C_i^{E_{vi}} - Cs_i^t\right) \tag{6}$$

Where, $C^{E_{vi}}$ represents the customer value in total derived by all factors. Value and pricing models have been developed for many different products, services and assets. Some of them are extensions and refinements of convention models on value driven pricing theories.[12] There have also been some models that are developed and calibrated addressing specific issues such as model for household assets demand.[13] The key marketing variables such as price, brand name, and product attributes affect customers' judgement processes and derive inference on its quality dimensions leading to customer satisfaction. The experimental study conducted indicates that customers use price and brand name differently to judge the quality dimensions and measure the degree of satisfaction.[14] The value of corporate brand endorsement across different products and product lines, and at lower levels of the brand hierarchy also needs to be assessed as a customer value driver. Use of corporate brand endorsement either as a name identifier or logo identifies the product with the company, and provides reassurance for the customer.[15]

The cost of acquiring high value products would be the difference in traditional good price, variation in the perceived use value and search cost as indicated by $\left(C_i^{sc}\right)$ for each customer. Hence the appreciation of customer value to obtain high value products may be expressed as:

$$\Delta C_i^{Krs-t} = \alpha\left[\left(E_{vi} + p^a + C_i^{sc}\right) - Cs_i^t\right] \tag{7}$$

Where, C_i^{Krs} represents the cost of acquiring the high value products from a given retail store. The competitive advantage of a firm is also measurable from the perspective of product attractiveness to generate new customers. Given the scope of retail networks, a feasible value structure for customers may be reflected in repeat buying behaviour ($\hat{R}$) that explains the relationship of the customer value with the product and associated marketing strategies. The impact of such customer value attributes in a given situation may be described as:

$$\sum_{Nsr=1}^{n} Cs_i^{AP} = \hat{R} = C^{E_{vi}} \tag{8}$$

Repeat buying behaviour of customers is largely determined by the values acquired on the product. The attributes, awareness, trial, availability and repeat (AATAR) factors influence the customers towards making re-buying decisions in reference to the marketing strategies of the firm. The decision of customers on repeat buying is also affected by the level of satisfaction derived on the products and number of customers attracted towards buying the same product, as a behavioural determinant.[16]

New product attractiveness may comprise the product features including improved attributes, use of advance technology, innovativeness, extended product applications, brand augmentation, perceived use value, competitive advantages, corporate image, product advertisements, sales and services policies associated therewith, which contribute in building sustainable customer values towards making buying decisions on the new products.[17] Attributes of the new products lead to the satisfaction to the customers and is reflected through the product attractiveness (F_x). It has been observed that the high value products have been considered as new and experimental products in Mexico by a significant number of consumers. Hence product attractiveness (F_x) may be explained along the associated variables in the following equation as:

$$F_x = \prod \left[\alpha E_{vi} \left(Cs_t^{AP}, q, Z_{xi}, p^a \right) \right]^t \tag{9}$$

Wherein, q denotes quality of the product and Z_{xi} represents the services offered by the retailers towards prospecting and retaining customers who intend to buy the high value products. The customer value may also be negative or low if the attributes are not built into the new product to maximise the customer value as per the estimation of the firm. The perceived use value of customers by market segments αE_{vi} is a function of advertising and promotion Cs_i^{AP}, and price appreciation p^a and retailer services Z_{xi} in a given time t. Hence Π has been used as a multiplication operator in the above equation. The quality of the product and volume are closely associated with the customer values.

Introduction of new technological products makes it important for marketers to understand how innovators or first adopters respond to persuasion cues. It has been observed in a study that the innovativeness and perceived product newness which are one of the constituents of new product attractiveness were independent constructs that had independent effects on customer's attitude towards the brand and purchase intent for the new product.[18] The proposed model components allow for individual heterogeneity and customisation possibilities to the cognitive dimensions of the subjects and market players. Purchase probabilities for buyers can be captured as a function of purchase history, buyer expectations of future generations, and preferences for the currently available options. Such model holds parsimonious attributes as the model can be applied with selected or as few parameters as possible for a given set of subjects or market determinants.[19] This model has been empirically tested using individual-level purchase data, which fits into and explains individual consumers' actual purchase behaviours reasonably well (Rajagopal, 2007).

Measuring shopping preferences

Shopping preferences describe consumers' shopping motivations at retail outlet in a store or virtual format. The preferences of consumers to shop in a particular outlet are based on motives that are considered most important by consumers and that contribute to their shopping preferences.[20] The aggressive, geographic market expansion of successful retail organisations, the development of a global consumer market and the spatial diffusion of retail innovations have turned consumer preferences for shopping more complex. As the routes to market have increased with the growth of technology shopper are able to visualise their preferences across time and place to make strategic decisions.[21] The adoption of e-commerce applications and technologies deliver retail organisations with number of distinct benefits over traditional modes of buying. However, their adoption also provides consumers competitive benefits, over traditional store formats and ultimately leads to the success of e-markets.[22]

This following model describes demographic profiles of shoppers at selected outlets analyses the factors that are more influenced by functional motives in the buying process. To the extent that such generalisation can occur, it would reduce the redundancy of research and associated costs for making decisions in major retail organisations.

Let us assume that the shopping attraction at marketplace m is $\left(SA_m^t\right)$ and type of marketplace is $\left(MP_t^{(i_1+i_2+i_3+\ldots i_n)jh}\right)$ with factors affecting shopping behaviour of consumers $(i_1, i_2, i_3 \ldots i_n)$ comprising logistics, security, market services, price, sales promotions, and customer relationship in j^{th} store of the marketplace at a location h.

Shoppers perceive value in terms of socio-cultural satisfaction and economic advantage, which is derived by visiting a preferred marketplace (a shopping mall or street market). Consumers make shopping commitments consequent upon shopping arousal (A_{am}) driven by shopping ambience (S_{ax}) and price advantages (B_{sp}). These factors determine the choice of marketplace (C_{mp}^h) among consumers. Hence, the preference of marketplace for shopping can be measured in reference to marketplace attraction considering:

$$SA_m^t = \Sigma_t^{jh} C_{mp}^h \left[MP_t^{(i_1, i_2, i_3 \ldots i_n)} \right] [B_{sp}, A_{am}, S_{ax}] \tag{10}$$

In reference to shopping preferences, let us assume that a marketplace (a shopping mall or street market) has predetermined retailing attributes with linear physical amenities. As the street markets are located within close proximity of shopping malls, let the distance $z \geq 0$ between symmetrically located street markets and shopping malls. Accordingly, the consumer value function for marketplace performance can be explained as:

$$C_m^h = MP_t^{jh} \left[S_{cn}^{(x_1+x_2+x_3+\ldots+x_n)_t^{jh}} \right] [\{p_i \alpha_i \omega_i (A_i) d(t_i)\} - CA_t^{jh} \{q_i p_x z_i (E_n)\}] \tag{11}$$

Wherein,

S_{cn}= cost of shopping in a marketplace with $(x_1 + x_2 + x_3 + \ldots + x_n)_t^{jh}$ as cost variables in a j^{th} store at time t and h location

p_i = consumption preference

α_i = volume of buying

$\omega_i(A_i)$= proportion of customer traffic per stores in a marketplace

$d(t_i)$ = distance and time to travel and shop in a preferred marketplace

CA_t^{jh} = competitive advantage over shopping in a marketplace at j^{th} store at time t in h location

q_i = quality of products and services
p_x = price of identical and similar products in stores across the marketplaces
$Z_i(E_n)$ = ambience and relaxing facilities

Hence,

$$MP_t^{jh} = SA_m^t\left(\frac{\partial q}{\partial t}\right) = C_b^{jh}\left(\frac{\partial b'}{\partial k}\right)\left(\frac{\partial k}{\partial x}\right) \tag{12}$$

Wherein $\left(C_b^{jh}\right)$ denotes buying orientation of shoppers in a store (*j*) at location (*h*), (*q*) represents attitude towards marketplace ambience in stimulating preferential shopping interests (*k*) at a determined store. In the equation b' expresses the volume of buying during the visit to the marketplace. The total quality search performed by the consumer in preferred marketplace to make purchases (∂_t / $\partial_k > 0$), and customer services offered in the marketplace (malls or street markets) affecting the level of satisfaction ($\partial_{b'}$ / $\partial_k > 0$) increase simultaneously during the process of buying. In reference to the type of marketplace attraction (*x*), preferential shopping interests (*k*) of consumers create lower values with less preferred marketplace ambience (∂_k / $\partial_x < 0$) while the shopping attractions in the marketplace enhance the consumer value ($\partial_{b'}$ / $\partial_x > 0$) irrespective of competitive advantages on price and promotional offers.

$$\therefore \int C_b^{jh} = \int C_{mp}^h\left(A_{am} + B_{sp} + S_{ax} + V_b\right) \tag{13}$$

In the above equation V_b denotes the customer value generated in shopping with competitive advantage over time, distance, price and promotion. Thus, optimising the impact of marketplace towards shopping in both malls as well as street markets located closely to each other at a distance $z \geq 0$. Such proximity to marketplaces generates higher customer traffic in malls and street markets. In the market competition shopping attraction is initiated by the malls and street markets increasing both the economic and environmental advantages of shopping. This strategy induces choice of marketplace among consumers at the point where $S_{ax} \geq 0$. Hence,

$$S_{ax} = 0 = C_b^{jh}\{Z_i(E_n)p_i\alpha_i - S_{cn}\} \tag{14}$$

In order to measure variations in the shopping arousal and buying decisions that influence choice of marketplace among shoppers in urban areas where shopping malls and street markets co-exist, initial robust weighting matrix and optimal weighting matrix were employed using the equation:

$$V_b = \frac{\mu b'}{\mu k}\left(C_b^{jh}\right)\left[\beta\left(\gamma_1 + \gamma_2 + \gamma_3 + \gamma_4\right)B_{sp}\right]_t^{jh} \tag{15}$$

The above equation represents the choice of marketplace in preferred store (j) at location (h), (μ) denotes the consumer preference for the marketing tagged with customer friendly ambience, (γ_1) represents the preference for shopping in a marketplace influenced by physical variables, (γ_2) denotes inclination towards buying decision persuaded by cognitive variables stimulating arousal and merriment among consumes, (γ_3) shows the buying behavior derived by the economic variables, (γ_4) indicates attitude towards cross-cultural shopping experience, and (β) refers to the structural parameter relating to the endogenous variables to one another.

The model discussed above would help researchers in measuring the behavioural variables that affect the shopping preferences among consumers. Previous research that tested this model and anecdotal evidence suggests that satisfaction from shopping is derives various tangible (products, store ambience, promotions and the like) and intangible variables including self reference and attitudinal criteria.[23] Some studies argue that shopping environment itself may become part of the consumers' experience influencing subsequent shopping behaviours and evaluations. Consumers are also driven by the emotional state and shopping values that build shopping preferences by influencing enjoyment of shopping, willingness to talk to salespeople, revisit intentions, and tendency to spend more money and time than originally planned.[24] The above model discusses such interrelationships to measure the trend of shopping preferences among consumes.

Marketplace advantage

As the use of technology is increasing in retail channels, consumer's preferences significantly vary to shop among brick-and-mortar stores, catalogues, and e-retailers. The importance of retailers is spanning over multi-channel operations including brick-and-mortar stores, catalogues, and websites which has created an opportunity for consumers to choose products from a variety of retailers and retail channels lessening the probability that others have the same collection.[25] The relationship between perceived store formats attributes and store format choice has moderating effect on the shopping behaviour of urban consumers. It is observed that multiple store patronage is affected by variables including customer income, satisfaction, and expenditure that are suggestive of heterogeneous cost–benefit tradeoffs and opportunity costs of time. Customers are intrinsically different in the predisposition to being loyal. In this respect, store patronage emerges as a continuum between single store loyalty and use of several different stores, on which customers vary depending on individual preferences.[26] It has been observed in a study that the impact of store loyalty on store equity is higher than the impact of store satisfaction on store loyalty and the impact of store attributes on store satisfaction.[27]

The preferences of consumers towards store format lean significantly higher for discount stores and hypermarkets when conducting major trips. However, consumers patronise multiple store formats and investigate probable value appreciation in various shopping situations and store formats.[28]

Ofek Elie (2002) discussed that the values of product and service are not always the same and are subject to value life cycle that governs the customer preferences in the long-run. If customers prefer the product and service for N periods with Q as value perceived by the customer, the value may be determined as Q > N, where Q and N both are exogenous variables. If every customer receives higher perceived values for each of his buying, the value added product q ≥ Q, where 'q' refers to the change in the quality brought by innovation or up-graded technology. The customer may refrain from buying the products if q ≤ Q, that does not influence his buying decisions. However, a strong referral 'R' may lead to influence the customer values, with an advantage factor β that may be explained by price or quality factor. In view of the above discussion it may be assumed that customer preferences have high variability which inflences the behavioural factors in retail buyers' decisions[29] may be expressed as:

$$D_{bn} = \sum_{t=1}^{N} \beta^t \mu\left(C_t, \hat{Z}\right) + \beta^{N+1} Q_t \tag{16}$$

Where, D_{bn} is expressed as initial buying decision of the customers, C_t represents consumption, $\hat{Z}$ is a vector of customer attributes (*viz.* preferential variables) and Q_t is the value perceived by the customer.

A customer behaviour is largely derived from the customer value and it has a dynamic attribute that plays a key role in buying and is an intangible factor to be considered in all marketing and selling functions. The value equation for customer satisfaction may be expressed as a function of all value drivers wherein each driver contains the parameters that directly or indirectly offer competitive advantages to the customers and enhance the customer value.

$$V' = K_s, K_m, K_d, K_c\left[\Pi\left\{V\left(x, t, q, p\right)\right\}\right] \tag{17}$$

In the above equation V' is a specific customer value driver, K are constants for supplies(K_s), margins (K_m), distribution (K_d), and cost to customers (K_c); x is volume, t is time, q is quality and p denotes price. The perceived customer value (V) is a function of price (p) and non-price factors including quality (q) and volume (x) in a given time t. Hence Π has been used as a multiplication operator in the above equation. The quality of the product and volume are closely associated with the customer values. The total utility for the conventional products goes up due to economy of scale as the quality is also increased simultaneously ($\partial_v/\partial_x>0$). The ∂_v customer value is enhanced by offering larger volume of product at a competitive price in a given time (∂_v/∂_p>0) and (∂_v/∂_t>0). The conventional products create lower values to the customers (∂_v/∂_x<0) while the innovative products irrespective of price advantages, enhance the customer value (∂_v/∂_x>0). The value addition in the conventional products provides lesser enhancement in customer satisfaction as compared to the innovative products. Such transition in the customer value, due to shift in the technology may be expressed as:

$$V'_{hj} = a\left[\sum \frac{T_p}{\left(1+V_p+R_{ex}\right)^{(1+j'+i)}}\right] + b\left(X_j\right) \tag{18}$$

In this equation V'_{hj} represents enhancements in customer value over the transition from conventional to innovative products, *a* and *b* are constants, T_p denotes high-tech and high-value products, V_p represents value of product performance that leads to enhance the customer value, the volume is denoted by *X* and (j') is the period during which customer value is measured.[30] The recreational expenditure of retailers *(R_{ex})* adds to the customer value. The recreational expenditure of retailers largely includes the children's corner, music and television, beauty consultation, family events etc.

In many new or repeat purchasing situations, business buyers must decide how many suppliers to consider (a 'choice set") in determining which supplier(s) to actually buy from or contract with. In an optimisation approach to determining the sise of the choice set, can be considered to determine the buyer utility, search and evaluation costs for products, stores, and services.[31] In the latter case, let *U* (*p*, *y*) be the indirect utility function, where *p* is a vector of prices and *y* is income. For validity, *U* (*p*, *y*) should be homogeneous of degree zero in income and prices (*p*), non-decreasing in y, non-increasing in p, and convex or quasi-convex in *p*. The demand equations can be obtained through:

$$q_i = \frac{\partial U}{\partial p} / \frac{\partial U}{\partial y} \tag{19}$$

In the above equation (q_i) is denoted as demand for the product. The simple utility function derived by generic consumer behaviour may be understood as $\left[U = \frac{y}{P}\right]$ wherein *P* may be expressed as geometric mean of prices which derives dynamic consumer behaviour with the variability factor of competitive advantage (α_j) over the products in a given retail environment and $(\vec{v})$ is the vector adding to unity over the *n* commodities. Such condition of consumer behaviour may be explained as:

$$\log P = \sum\left(\alpha_j \log p_{\vec{v}}\right) \tag{20}$$

The above equation helps in deriving the demand equation as below:

$$w_i = \left(\frac{p_i q_i}{y} \right) = \alpha_{\vec{v}} \tag{21}$$

In the above equation, (w_i) represents the individual expenditure limits or disposable income for buying the products. However, these equations limit consumer responses to changes in prices, competitive advantages or disposable income to maintaining consistency in buying behaviour due to change in the elasticity of aforesaid variables. While such a consumption pattern might sometimes be plausible, it adds to the asymmetric behaviour of consumers in retail buying.

The propensity of consumption during the leisure season may be largely determined as a driver of retail attractions in terms of appealing sales promotions and availability of innovative products. The choice of the consumers thus is established by the propensity of consumption in the array of innovative products in the retail stores. The propensity of consumption of buyers may be denoted by $\theta = \left[\theta_{jt\ldots n}^{\lim 0-\infty} \right]$, which is measured in reference to frequency of buying $\left(\theta^{\lim 0-\infty} \right)$ from a j^{th} store in a given time t. The choice pattern of buyers in shopping during holiday season may be derived as:

$$x_i(t) = \frac{\exp\{\beta\theta_i(t)\}}{\sum_{j=1}^{n} \exp\{\beta\theta_j(t)\}} \tag{22}$$

In the above equation $\{x_i(t)\}$ is the probability of buying strategy i at time t. In the exponential expression β represents the degree of value optimisation on buying. At higher levels of β, consumer will have higher probabilities of buying with increased propensity. In view of the above attributes of the customers towards making decision on buying during leisure has been derived as:

$$LSe_{zt} = vs\left(m_1 + m_2 + m_3 + m_4\right)_{zt}^{n} - nvs\left(m_1 + \ldots m_n\right) \tag{23}$$

Wherein, *LSe* represents leisure sales excess, *vs* and *nvs* denote leisure sales and non-leisure sales respectively. The period in months are indicated by *m* while product categories frequently bought by the customers is denoted by *z* in the above equation in reference to the time *t*. The sales volume is considered as real per-capita retail sales. The purpose of non-leisure sales *(nvs)* for the lean months to deflate leisure sales is to control for the overall size of the market potential in the study region. Hence, the leisure sales effect has been derived using the equation as expressed below:

$$vs_{zt} = vs_{zt} - \left(\frac{nvs}{m_n} \right)_{zt} \tag{24}$$

Further, to measure the effect of the length of the shopping season on holiday sales, substituting with equation (viii), the following equation has been derived.

$$LSe_{zt} = \alpha_z + \gamma_z \left\{ vs\left(m_1 + m_2 + m_3 + m_4\right)_{zt}^{n} \right\} + \beta_z X_t + \varepsilon_{zt} \qquad (25)$$

The model discussed above also indicates that marketplaces can attain high performance when they attract a large enough proportion of the potential buyers in the market and overcome the shopping *congestion* by developing shopper's loyalty. Such marketplace strategy requires enough marketplace attractions, sales promotions and simple credit transactions. Also marketplace strategy must play pivotal role in curbing the switching behaviour of shoppers in alternative channels or price sensitive markets (Roth, 2008). Motivational forces are commonly accepted to have a key influencing role in the explanation of shopping behaviour.[32] Personal shopping motives, values and perceived shopping alternatives are often considered independent inputs into a choice model, it is argued that shopping motives influence the perception of retail store attributes as well as the attitude towards retail stores.[33]

Application of models

Customer value concepts may be applied by the firms to evaluate the product performance of an innovative product in the given market and determine the approach for gaining competitive advantage over the traditional products. In order to gain the returns in the long run on the aggregate customer value, firms may need to methodically estimate the profitability associated thereof in terms of product attractiveness, volume of buying and market share, while introducing the new products in a competitive market environment.

Retail price format determines the number of shoppers and average spending per consumer. While choosing a store, consumers evaluate both the fixed and variable utilities of shopping. Retailers located in large and extra large shopping outlets where intensity of competition is higher should lure customers into non-price promotions and develop niche of customers to build brand loyalty. If a retailing firm chooses to compete on price, complex pricing actions and cutting prices in certain channels, introducing new products or flanking brands strategies may be used, which allow the firm to selectively target only those segments of the customers which are at the edge of switching brands or retail outlets. One of the challenges for the marketing manager of a firm is to incorporate the preferences of the customer into the design of new products and services in order to maximise the customer value. An augmented and sustainable customer value builds loyalty towards the product and the brand. Systematically explored concepts in the field of customer value and market driven approach towards new products would be beneficial for a company to derive long term profit optimisation strategy over the period.

The consumer behaviour in terms of preferences over various market related determinants and satisfaction are the principal indicators for building customer centric strategies for a firm. Following a pattern of cognitive reasoning the paper highlights a set of consumer behaviour propositions that can be tested through the model. The arguments made in developing models in the paper are reviewed in reference to the experiments conducted in previous researches on behavioural factors influencing decision-making process. The intangibility in measuring consumer behaviour has extreme barrier. Consumers use perceptions and stimuli to evolve their behaviour towards procuring products and services. The models discussed in the paper have been empirically tested by some researchers. The existing theoretical and methodological issues are reviewed in this study and a new framework has been proposed in this paper for future research in measuring the consumer behaviour value. The framework for measuring the consumer values discussed in this paper provides analytical dimensions for establishing the long run consumer relationship by the firm and to optimise its profit levels.

Business growth models

Performance of a marketing organisation is largely determined by its operational design, or how the organisational structure of the firm supports the operational dynamics of the firm, processes, value systems, and organisational culture are orchestrated. An integration of the above factors in a marketing organisation generates desired synergy in the market in reference to its competitive focus, competencies, and capabilities. In a competitive marketplace the business environment is perpetually changing and marketing organisations require rethinking on a number of these basic design assumptions with respect to managing information and decision processes, and replacing single command-and-control growth designs (product led strategies, geographic expansion strategy etc.) with shared leadership and matrix approaches. Many large firms look forward to find most of their future growth in emerging markets with less complex marketing strategies. But they struggle hard to exploit the opportunity and outperform the regional competitors by persistently cutting costs and accepting profit margins close to zero. These firms explore new business growth models by identifying the factors influencing consumer values, enhancing market share and profitably at a price the customer will pay, and carefully implementing and evolving the model by constantly testing competitive advantages and making adjustments.[34]

Firms with growth aspirations have several ways of reaching their goals. Mergers, acquisitions, and joint ventures are a few of the better-known approaches to firm growth. Another route, which is of interest to both managers and researchers, is corporate venturing-growing a business from the inside out. It has been observed that the sharper the company's differentiation, the greater the competitive advantage. The successful companies relentlessly build on their fundamental differentiation to gain higher market attraction and growth in business. The firms planning to sustain in a competitive marketplace learn to deliver the differentiation advantages through the front line, creating an organisation that manages its strategic advantages day in and day out. These firms learn to sustain the market competition through constant adaptation to changes in the marketplace. Competing firms also gain knowledge of resisting the shifts in the patterns of market competition better than their less-focused competitors. Consequently, firms nearing the stability in their market share adapt repeatable business model for new products and expanded markets in order to generate sustained growth.[35] The Figure 6.1 exhibits the possible strategies for business growth of firms in a competitive marketplace by generating growth skills, operational skills, privileged assets, and special relationships with market players to gain competitive advantage.

It may be observed from the Figure 6.1 that the firms that attempt on sustaining the market competition and gain competitive advantage initially focus on improving the operational skills in reference to the existing products and markets. Operational skills are considered as core competencies that can provide the foundation for a growth strategy. For instance,

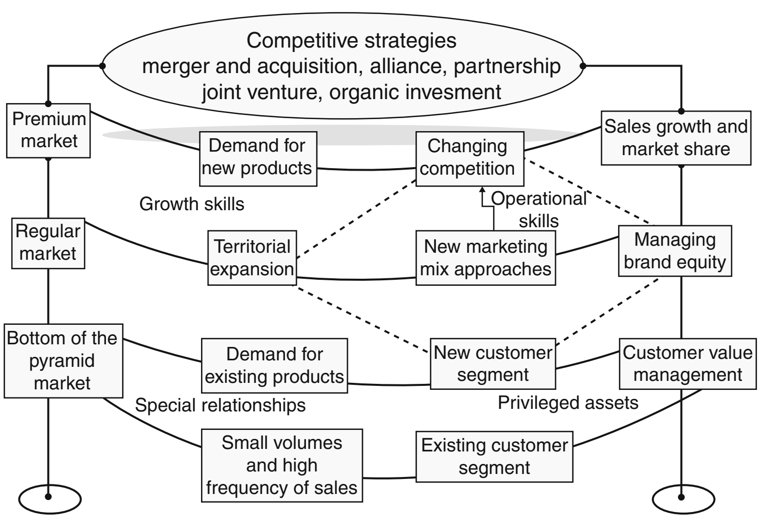

Figure 6.1 Growth strategies for firms in competitive marketplace

a competing firm may have strong competencies in customer service, distribution, and technology. Firms also tend to acquire growth skills to manage the business strategies efficiently. These include the skills of new product development, or negotiating and integrating acquisitions. The competitive strategies of the firms are focused largely on mergers and acquisitions, alliances, partnerships with the other firms in the industry, joint ventures, and organic investment. Large firms plan the growth model by investing in and applying research about the customers' needs for tailored products, marketing support, and technical services that can increase profits of the firm and provide many intangible competitive advantages in terms of customer value and brand equity.[36]

Firms leaning towards the strategy of penetrating into the bottom of the pyramid of market, for enhancing their market share aim to choose the lowest-risk option, and try to increase sales to the existing customer base at the bottom of market segment (see Figure 6.1). On the contrary, the new products are positioned by the firms in the premium segments and pursue growth in sales amidst increasing market competition. These firms follow new marketing-mix strategies comprising of packaging, people, performance, psychodynamics, posture, and proliferation to meet the challenges of the market competition.

Successful firms lean towards understanding customer value proposition that fulfills customer preferences in a better way than anything competitors offer. Firms intensively work on strategy shifts according to the opportunities in the competitive marketplace to deliver radically new customer value propositions. Hence, the firms develop strategies to serve an entirely unaddressed customer base to sustain the market competition. For example the Tata Motors has targeted its Nano, the $2,500 car at Indian families at the bottom of the pyramid who can also have the luxury of an automobile at an affordable price. Such strategies require a new business model to match the products with the market profiles as exhibited in Figure 6.2. It is often needed to leverage a new market for new products to address an entirely new segment of customers as is the case with the Tata Nano in India.[37]

Most firms invest in product innovation and market development to sustain the competition in the existing markets. Brand extensions and customer centric product positioning strategies are also considered by the firms to stay long in the competitive markets. Such strategies of firms demonstrate their efforts towards the survival of the fittest that appears to the consistent with the Darwinian principles. When firms develop new products to position in the new markets, they use aggressive marketing strategies and develop confidence among consumers through social networking. These firms penetrate in the new markets by lowering the prices to gain the competitive advantage. However, in broad sense these firms struggle for existence to develop corporate value and high brand equity in the marketplace.

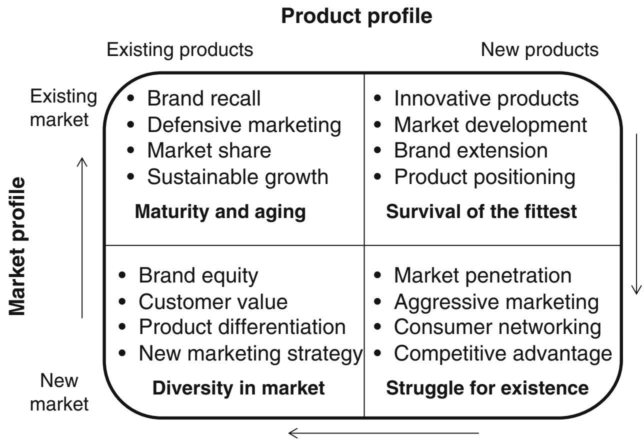

Figure 6.2 Market competitions, product strategy, and business growth of firms

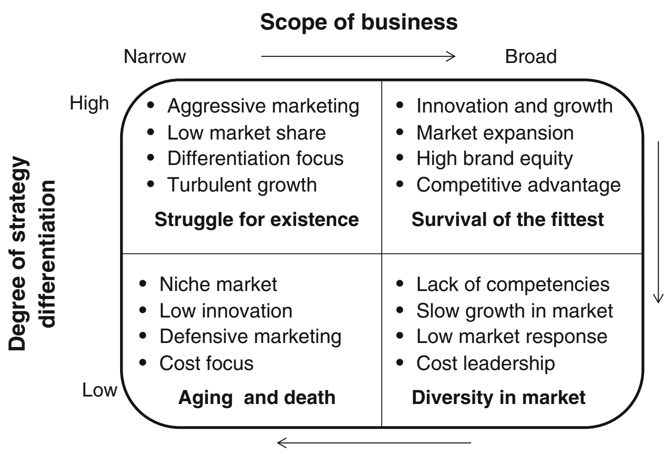

Figure 6.3 Strategy differentiations and competitive advantage among firms

The strategy differentiation is an important issue to be planned and implemented by the firms to sustain the business growth amidst the market competition. Various perspectives of strategy differentiation and its impact on the competitive advantage are exhibited in Figure 6.3.

Firms must learn how to scale up and extend its business in the new markets as well in the existing market, to grow business steadily and avoid stagnation in market expansion. It is necessary for the firms to accumulate and apply new knowledge to products and markets faster than competitors as firms cannot leave growth to chance. They need a plan consistent growth in sales over the long term to support the process for market expansion and address the product and market combinations. For instance, IKEA used duplication by repeating the business model in new regions. IKEA's success is tied to the way it manages and transfers knowledge. Companies must decide what kind of growth strategy they want to pursue, given their capabilities and market opportunities. They must then make the competitive strategy work by developing their structure and processes in a way that lets them acquire or create specific knowledge about new technologies, customers, and industries.[38] Achieving a sustainable competitive advantage for firms in a regional competitive marketplace is critical than the survival of smaller niche businesses. In general, niche firms create value for their consumers in the territory and launch products; however, some of these strategies also apply to large-company in establishing their posture at the macro level competition. These firms develop their strategies in reference to size of market, relationship to resources, visibility of and by competitors, investor expectations, risk tolerance, value-chain process, and portfolio management in order to sustain the market competition and gain competitive advantage.[39]

Most firms do not carry out the market attractiveness analysis scientifically and periodically. Market attractiveness index shows that it is a dynamic phenomenon and not necessarily a market that has high attractiveness would remain at the same level for a long-run. Firms need to measure the market attractiveness in reference to consumption patter, propensity of consumption, intensity of spending, purchasing power, market size, market growth, market profitability, pricing trends, competitive intensity and the extent of rivalry, overall risk of returns in the industry, opportunity to differentiate products and services, segmentation, and pattern of distribution structure. Firms operating in competitive marketplace must be able to evaluate the potential market attractiveness of developing markets with which they may wish to do business. To make decisions about for which market to for business, they need to search much information from specialised sources and information from the competitors.[40] Upon analysing the market attractiveness considering the above factors, firms need to pay attention towards market segmentation as a strategy for living the market competition in an easy way. Appropriate segmentation of attractive markets often weakens the effects of market competition on the firms. An example of careful analysis of market attraction and segmentation may be cited of Crown Cork, the bottle sealing company that captured the high market share in the beer industry during 1970s in United States. The strategy of Crown Cork attributed towards the concentration on specialised design and manufacturing for high growth markets. While competitors leaned towards diversifying the packaging designs for beer products and lost container market shares to former customers engaged in alternative resources, Crown Cork's careful market strategy paid off. Hence, the market choice demands a long term assurance in terms of customer base, competition and required resources.[41]

Territorial expansions and vertical expansions of firms allow a firm to concentrate on cordoning its markets where exists an advantage over competitors. Market attractiveness, thus largely depends on choice of segments, commitment to serve, explore growth opportunities, and stay abreast market competition. Drawing on recent advances in evolutionary theory, it may be argues that multi-level market selection processes of the firms operating in a competitive marketplace help them to adapt tactical growth strategies in the face of technological and market changes. This process, along with the focus on market ambidexterity and dynamic capabilities, may help to identify the attractiveness of markets and survive over long time periods.[42] The impact of market attractiveness and competencies of the firm that shows the competitive strength of the firm is exhibited in Figure 6.4.

Market leaders in the competitive marketplace exhibit high market attractiveness and competitive strength in reference to the attributes illustrated in the Figure 6.4. They reach at exceptional heights of market share, brand

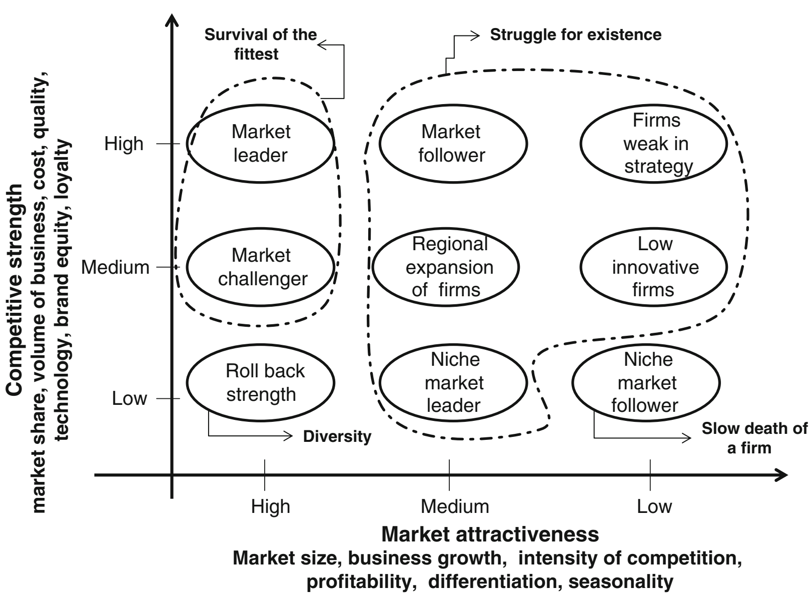

Figure 6.4 Market attractiveness and growth matrix of firms in competitive marketplace

equity, and customer value that make these firms sustain at the same level for reasonably longer period unless the platforms in the industry shifts. An industry platform involves not only the technology or service concerning a firm but also an ecosystem of complements to it that are contributed by a variety of businesses within the industry. As a result, becoming a platform leader for a firm requires proliferating in different business and technology strategies instead of launching a stand-alone product. However, to become a leader in the competitive marketplace, a firm should decide whether to pursue a platform or a product strategy.[43] Contrary to market leaders, firms that possess moderate competitive strength but enjoy high market attractiveness, stay as market challengers. Such firms often confront with market leaders in acquiring higher market share. The attributes of market challenger firms appear to be consistent with the Darwinian axiom of survival of the fittest. Though some firms have low competitive strengths but exhibit the projections on driving high market attractiveness may struggle for diversity in their business operations and competitive strategy in order to sustain in the market. However, the firms that are confined to a niche and stay as a follower of the principal firm in a niche, may not find any scope to leveraging from low profile. Such firms might shut down in the long-run or merge with healthier firms in the region. All other firms with varied competitive strengths and market attractiveness struggle for existence in the marketplace.

Firms may increase their competitive strengths by exploring the possibilities of innovations in product and operations management. A firm can innovate along different dimensions concerning product offerings, technology platform, business solutions at par with the leading firms, enhancing customer value, value chain management, improving operational processes, developing brand value, and social networking for disseminating business experiences of the firm.[44] Maruti Udyog Limited (MUL), a leading automobile manufacturer, for example, has innovated along the platform dimension, designing variety of small automobile models, besides mid-size and large sedan, and luxury sedans to lead the automobile industry in India. MUL, in alliance with Suzuki of Japan has successfully augmented its market share in the Indian automobile segment by improving its technology platform, while Hindustan Motors Limited, the manufacturer of *Ambassador* brand of automobile faced continuous decline in its market share in the competition.

Market forecasts and its effects

Forecasting has long been important to firms competing in the market. These firms may need to forecast various operational factors along with the size and growth of a market or product category. Often market forecasts are being carried out by the market research organisation. The firms need to analyse the forecast in reference to the actions and reactions of key functions such as competitors, suppliers, distributors that have impact on making strategic decisions.[45] Firms competing in the marketplace depend on the market forecasts to develop appropriate marketing strategies. Most firms in the marketplace face problem in getting the right forecast at right time. The accuracy of market forecasts are affected by lower barriers to entry for new firm, higher transaction costs, disguised competitors, growing affluent markets, and difficulty in accessing information. Thus, as the competition grows in the market, business environments turn less predictable, more complicated and more volatile. Highly recognised management tools such as net present value, are built on a foundation of assumed certainty to forecast likely cash flows into the future by discounting its value today.[46] Market size of a firm is influenced by external factors such as macro economic conditions including population, intensity to spend, technological change, or shifts in consumer preferences. The firms that engage in manufacturing and marketing of fashion accessories, factors like distribution of the population, disposable income, culture, and social factors influence the sales growth forecast. The firms seeking forecast should map future uncertainty in the business, look for the life cycle stages of the firm, sales curve, internal and external fit of strategies, and map the consumer preferences.

Judgemental methods of forecasting

Most firms of small and medium level with limited resources on market research often follow judgemental approaches to foresee the market trends. Such methods are based on qualitative parameters and cause observational biases in projecting the future trends. One of the common tools of forecasting is through surveys, in which market players are asked to predict how they would behave in various situations. Such judgemental surveys are widely used when sales data are not available, such as for new product forecasts. Some services oriented firms in hospitality industry engage in measuring the forecast of their services market through role playing. The role of market players may be a dominant factor in some situations, such as in predicting how someone in a firm would behave in negotiations. Role playing is useful for making forecasts of the behaviour of individuals in a firm who are interacting with others, and especially when the situation involves conflict. Some firms also opt for expert opinion studies in order to explore the forecasts on business though they differ substantially from general trend surveys. Such expert based forecast are risk averse as when an expert is asked to predict the behaviour of a market, there is no need to claim that this is a representative expert. In case of multiple responses to a question concerning variables of forecast, firms can develop a model of the expert analysis through conjoint analysis. This approach, known as judgemental bootstrapping, converts subjective judgements into objective procedures. Experts are first asked to make predictions for a series of conditions.[47]

As the market complexities are growing in tune to the competition in emerging markets. As uncertainty in the marketplace is at rise, firms lean towards making important strategic decisions through judgemental tools rather than applying the quantitative methods to forecast the market trend. The factors including the effects of globalisation, the prospects for regional conflicts, or the advancement of technology pose major threats in determining the forecasts for the firms.[48] The some prediction markets are judgement-driven decisions and thereby improve the quality of strategic decision making. In a prediction market, payoffs are tied to the outcomes of future events. The design of how the payoff is linked to the future event can elicit the market's expectations in reference to a range of different parameters. However, financial companies believe in more statistical results than judgemental. Some prediction markets focus on economic statistics such as of Goldman Sachs and Deutsche Bank have launched markets on the likely outcome of future readings of economic statistics, including employment, retail sales, industrial production and business loyalty.[49]

Customer choice mapping in market competition

The prospect theory developed by Tversky and Kahnman (1981) towards framing decisions and understanding the dynamics of choices of consumers reveals that the consumers exercise options in consuming products to optimise their satisfaction and ultimate value. Value measurements have been used as one of the principal tools to assess the trend of consumer behaviour for non-conventional products. Value syndrome influences the individual and group decisions in retail and bulk deals, and conditionalises the decision process of consumers. Conditional consumption behaviour suggests that consumption depends heavily on the utility function and on the source of uncertainty.[50] Repeat buying behaviour of customers is largely determined by the values acquired on the product. The attributes, awareness, trial, availability and repeat (AATAR) factors influence the customers towards making re-buying decisions in reference to the marketing strategies of the firm. Decision of customers on repeat buying is also affected by the level of satisfaction derived on the products and number of customers attracted towards buying the same product, as a behavioural determinant.[51] A study using market-level data for the yogurt category developed an econometric model derived from a game-theoretic perspective explicitly considers firms' use of product-line length as a competitive tool.[52] On demand side, the study analytically establishes link between customer choice and the length of the product line and includes a measure of line length in the utility function to investigate customer preference for variety using a brand-level discrete-choice model. The study reveals that supply side is characterised by price and line length competition between oligopolistic firms.

Each successive purchase decision is relatively unimportant to an individual consumer, which may be derived from the economic and relational variables associated with the product or services. Recent theoretical explanations for sustained dominance include network effects, increasing returns to scale and learning by doing. There is now considerable evidence to explain consumer choice behaviour such as in retail buying the choices are determined by an exogenous random process.[53] Consumer as a decision maker is endowed with propensities and values for each choice that is made. There are some critical issues associated to the price sensitive consumer behaviour, whether customers are equally price-sensitive while purchasing products for functional (e.g. purchasing frozen vegetables, toiletries or paper towels) versus hedonic (e.g. purchasing a high technology computer or a video camera) consumption situations and whether perceived value derived during consuming the product influences price sensitivity. It may also be stated that higher price volatility makes consumers more sensitive to gains and less sensitive to losses, while intense price promotion by competing brands makes consumers more sensitive to losses but does not influence consumers' sensitivity to gains (Han *et.al*, 2001).

Behavioural asymmetry and customer choice

Value of a customer may be defined in reference to a firm as the expected performance measures are based on key assumptions concerning retention rate and profit margin and the customer value also tracks market value of these firms over time. Value of all customers is determined by the acquisition rate and cost of acquiring new customers.[54] A long standing approach to examining how consumers react to price and income changes estimates a set of demand equations for the main commodities and bases deductions on coefficient values. At its simplest, economic demand theory assumes that consumers choose to allocate their limited spending power to purchases of goods to maximise their own satisfaction. This assumption of rational economic behaviour imposes substantial constraints (aggregation, homogeneity, symmetry and negativity) on the specification of a system of equations. Consumer behaviour is largely driven by tangible and intangible factors which include product attributes, pricing, willingness to pay (disposable income), product attractiveness and related variables. Value and pricing models have been developed for many different products, services and assets. Some of them are extensions and refinements of conventional models on value driven pricing theories.[55] There have been some other models developed and calibrated addressing specific issues such as model for household assets demand.[56]

Key marketing variables such as price, brand name, and product attributes affect customers' judgement processes and derive inference on its quality dimensions leading to customer satisfaction. An experimental study indicates that customers use price and brand name differently to judge the quality dimensions and measure the degree of satisfaction.[57] Most importantly, these are expected to rise their spending and association with the products and services of the company with increasing levels of satisfactions that attribute, to values of customers.[58] However, it has been observed that low perceived use value; comparative advantages over physical attributes and economic gains of the product make significant impact on determining customer value for the relatively new products.

Motivational forces are commonly accepted to have a key influencing role in the explanation of shopping behaviour. Personal shopping motives, values and perceived shopping alternatives are often considered independent inputs into a choice model, it is argued that shopping motives influence the perception of retail store attributes as well as the attitude towards retail stores.[59] In retail self-service store where consumer exercises in-store brand options, both service and merchandise quality exert significant influence on store performance, measured by sales growth and customer growth, and their impact is mediated by customer satisfaction. Liberal environment of self-service stores for merchandise decisions, service quality and learning about competitive brands are the major attributes of retail self-service stores.[60] Retail self-service stores offer an environment of three distinct dimensions of emotions *e.g.* pleasantness, arousal and dominance. Customer value gap may be defined as the negative driver, which lowers the returns on the aggregate customer value. This is an important variable, which needs to be carefully examined by a firm and measure its impact on the profitability of the firm in reference to spatial (coverage of the market) and temporal (over time) market dimension.[61]

Organisational influences on customer values

Another study explores qualitatively the understanding of the importance of intangibles as performance drivers in reference to Swedish organisations using a combination of evolutionary theory, knowledge-based theory and organisational learning. The study reveals that customer values are created towards new products through individual perceptions, and organisational and relational competence.[62] Firms need to ascertain a continuous organisational learning process with respect to value creation chain and measure performance of the new products introduced in the market. In growing competitive markets the large and reputed firms are developing strategies to move into the provision of innovative combinations of products and services as 'high-value integrated solutions' tailored to each customer's needs than simply 'moving downstream' into services. Such firms are developing innovative combinations of service capabilities such as operations, business consultancy and finance required to provide complete solutions to each customer's needs in order to augment customer value towards the innovative or new products. It has been argued that provision of integrated solutions is attracting firms traditionally based in manufacturing and services to occupy a new base in the value stream cantered on 'systems integration' using internal or external sources of product designing, supply and customer focused promotion.[63] Besides organisational perspectives of enhancing the customer value, the functional variables like pricing play a significant role in developing customer perceptions towards the new products.

Analysis of the perceived values of customers towards new products is a complex issue. Despite considerable research in the field of measuring customer values in the recent past, it is still not clear how value interacts with marketing related constructs. However there exists the need for evolving a comprehensive application model determining the interrelationship between customer satisfaction and customer value, which may help in reducing the ambiguities surrounding both concepts. One of the studies in this regard discusses two alternative models yielding empirically tested results in a cross-sectional survey with purchasing managers in Germany. The first model suggests a direct impact of perceived value on the purchasing managers' intentions. In the second model, perceived value is mediated by satisfaction. This research suggests that value and satisfaction can be conceptualised and measured as two distinct, yet complementary constructs.[64]

Improving customer value through faster response times for new products is a significant way to gain competitive advantage. In the globalisation process many approaches to new product development emerge, which exhibit an internal focus and view the new product development process as terminating with product launch. However, it is process output that really counts, such as customer availability. A study proposes that with shortening product life cycles it should pay to get the product into the market as quickly as possible, and indicates that these markets should be defined on an international basis. The results of the study reveals that greater new product commercial success is significantly associated with a more ambitious and speedier launch into overseas markets as the process of innovation is only complete when potential customers on a world scale are introduced effectively to the new product.[65]

Retail sales performance and customer value approach are conceptually and methodically analogous. Both concepts calculate the value of a particular decision unit by analytical attributes forecast and the risk-adjusted value parameters. However, virtually no scholarly attention has been devoted to the question if any of these components of the shareholder value could be determined in a more market oriented way using individual customer lifetime values.[66] Value of a customer may be defined in reference to a firm as the expected performance measures are based on key assumptions concerning retention rate and profit margin and the customer value also tracks market value of these firms over time. Value of all customers is determined by the acquisition rate and cost of acquiring new customers.[67]

Some of the existing empirical evidences, both from laboratory and field consumer data, seem to give enhanced scope for analysing the asymmetric behaviour model discussed in the paper that predicts suboptimal consumer behaviour even in the long run in view of shifts in retailing strategies. The framework for measuring customer values discussed in this paper provides analytical dimensions for establishing the long run customer relationship by the firm and to optimise its profit levels. To test some hypotheses concerning homogeneity in consumer behaviour and its impact on derived demand for the product or services may be required to be taken-up with additional parameters to estimate the above model. However, often the results may not aggregate over consumers' asymmetric behaviour, particularly in reference to expenditures. Hence, individual expenditures on goods over a group of consumers of varying incomes produce different equations with income when replaced by utility based qualitative parameters. However, it is believed that utility maximisation, and the consequent constraints on demand equations, pertain strictly to individuals and consequently consider their application at aggregate level provided the demand equations aggregate over consumers qualitative parameters. It is necessary to standardise the qualitative parameters before applying in this model.

One of the challenges for a firm is to incorporate and validate the preferences of customers into the design of new products and services in order to maximise customer value. An augmented and sustainable customer value builds loyalty towards the product and the brand and helps to stabilise customer behaviour. Systematically explored concepts in the field of customer value and market driven approach towards new products would be beneficial for a company to derive long term profit optimisation strategy over the period. Hence, a comprehensive framework for estimating both the value of a customer and profit optimisation need to be developed. On a tactical level, managers need to consider as what is the optimum spread of customers on a matrix of product attractiveness and market coverage. The model discussed in this paper provides a holistic view of the customer behaviour driven by the value matrices associated with product attractiveness, market coverage, brand and point-of-purchase services offered to the customers. Analysis of these variables would help strategists/managers to develop appropriate strategies to enhance customer value for the new products and optimise profit of the firm.

Further reading

Chan, S. L., Ip, W. H. and Cho, V. (2010), 'A model for predicting customer value from perspectives of product attractiveness and marketing strategy', *Expert Systems with Applications*, 37 (2), 1207–15.

Chang, H., Easley, R. F. and Shaw, M. J. (2009), 'Market model-based channel selection in B2B e-commerce: exploring a buyer's adoption decisions',. *Journal of Organizational Computing and Electronic Commerce*, 19(4), 237–64.

Cleveland, M. and Laroche, M. (2007), 'Acculturation to the global consumer culture: Scale development and research paradigm', *Journal of Business Research*, 60(3), 249–59.

Crouch, G. I., Devinney, T. M., Louviere, J. J. and Islam, T. (2009), 'Modelling consumer choice behaviour in space tourism', *Tourism Management*, 30(3), 441–54.

Emory, C. (1985), *Business Research Methods*, 3rd edn, The Irwin Series in Information and Decision Sciences, Homewood, Illinois.

Fornell, C. and Larcker, D. F. (1981), 'Evaluating structural equation models with unobservable variables and measurement error', *Journal of Marketing Research*, 18(1), 39–50.

Jimenez, D. J. and Cegarra-Navarro, J. G. (2007), 'The performance effect of organizational learning and market orientation', *Industrial Marketing Management*, 36(6), 694–708.

Liljander, V., Polsa, P. and van Riel, A. (2009), 'Modelling consumer responses to an apparel store brand: Store image as a risk reducer', *Journal of Retailing and Consumer Services*, 16(4), 281–90.

Rajagopal (2006), 'Measuring consumer value gaps: An empirical study in Mexican retail markets', *Economic Issues*, 11(1), 19–40.

Sorrentino, R. M., Seligman, C. and Battista, M. E. (2007), 'Optimal distinctiveness, values, and uncertainty orientation: Individual differences on perceptions of self and group identity', *Self and Identity*, 6(4), 322–39.

7
Decision Making

Most companies believe that decision making is an independent process that occurs at a particular point in time. In reality decision making is a process, fraught with power plays, politics, personal nuances, and institutional history. Companies that recognise this make far better decisions than those who persevere in the fantasy that decisions are events they alone control. Accordingly some decision-making processes are far more effective than others. Most often, managers use an advocacy process, possibly the least productive way to get things done. They view decision making as a contest, arguing passionately for their preferred solutions, presenting information selectively, withholding relevant conflicting data so they can make a convincing case, and standing firm against opposition. Much more powerful is an enquiry process, in which people consider a variety of options and work together to discover the best solution. Moving from advocacy to enquiry requires careful attention to three critical factors: fostering constructive, rather than personal, conflict; making sure everyone knows that their viewpoints are given serious consideration even if they are not ultimately accepted; and knowing when to bring deliberations to a close. This chapter discusses in detail the strategies for moving from an advocacy to an enquiry process, as well as for fostering productive conflict, true consideration, and timely closure. The discussions in the chapter intend to offer a framework for assessing the effectiveness of managerial decision making process.

Organisation design is a formal, guided process for integrating organisational values, work culture and flow of authority and control measures for sustainable management of performance of an organisation. Through the design process, organisations drive to improve the probability that the collective efforts of members will be successful. As organisations grow, the control and coordination process of activities that are required for creating organisation values, need to be determined. Organisations face the principal design challenge in managing differentiation in work culture and organisational structure towards achieving predetermined goals. Organisational design involves preferences in developing control measures that help in coordinating organisational tasks and motivate the people to improve their performance.[1] Substantively, it is argued that a mix of much differentiated coordination mechanisms is usually superior to the coherent forms of organisation. More refined forms of organisation possess combinations of coordination mechanisms and control allocations. Such organisational design is preferred by most global firms for effective governance in the fast changing systems of today.[2]

Organisational design

The design of an organisation encompasses the accountability system that defines roles, rights, and responsibilities throughout the firm, which has a direct impact on the performance of every employee. Global financial organisations view the design of an organisation as a powerful and proactive management lever rather than an inevitable outcome of corporate evolution. An integrated organisational design helps in cultivating the performance driven work culture and accountability among employees through sustainable structure that holds judiciously planned authority and control measures.[3] Organisation design is becoming more and more a cornerstone of competitive advantage in today's increasingly complex companies. Managers need to create powerful synergies among their capabilities, among market opportunities, and between the two. These synergies help in forming multidimensional organisational designs. Such organisational designs not only empower the workplace culture and control process but also define and manage the collaborative interfaces needed for effective convergence of organisational design, organisational culture and control process.[4]

Mangers in large financial organisations can maximise productivity across every level of the organisation by converging the design, culture and structure related issues. The new cultural paradigm of the financial organisations has emerged over the recent global financial meltdown, which has been built underpinning four core elements including customer definition, critical performance variables, creative learning, and commitment to mission. Building from these core areas the organisational structures and accountability systems are developed that positively influence how people do their work, where they focus their attention, and how their activities can be aligned to contribute to overall strategic goals.[5]

Organisational design encompasses a large number of factors including information management, human resources and incentives, business processes, and the scope of decision authority. A design configuration of an organisation changes according to shifts in the business and technological environment may. Business firms like marketing and investment companies are using business value and competencies based organisational architecture as a systematic basis to ensure that design decisions contribute optimal performance towards building profitability in the competitive marketplace. It is based on the notion of creating a business value model showing relationships between key performance measures and design decision variables involving information management, human resources, and incentives etc. Complementarities among the variables in the business value based organisational design provide a basis for choosing the forms of level and balance within the organisation.[6] Endorsing the design principles of multinational companies in the context of globalisation, three organisational design challenges emerge such as differentiation *vs.* integration, centralisation *vs.* decentralisation, and standardisation *vs.* mutual adjustment. The first design option envisages the ways to link and coordinate organisational activities, while the second design option is to determine the entity for making decisions in an organisation. The last design option on standardisation *vs.* mutual adjustment emphasises the types of mechanism that are best suited for establishing effective control standards to guide and monitor employee tasks and roles.[7] The attributes of various organisational design platforms and convergence are exhibited in Figure 7.1.

Most companies prefer integration design in organisation than setting differentiation across the workplace units. Integration process include defining the hierarchical flow of authority, direct contact to coordinate organisational activities, determining liaison role among employees, constituting task force and teams, and entrusting the organisational design process activities to a specific department. This process has been taken up along with

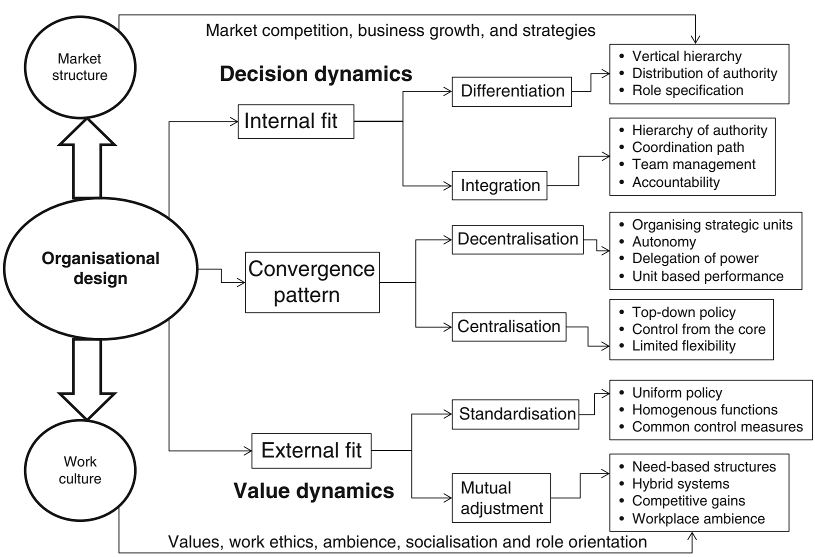

Figure 7.1 Convergences of organisational design and decision dynamics

decentralisation approach in building organisational design by some business firms that follow the principle of *think global and act local*. Integration approach suggests that organisational design considerations such as culture, structure, and power relationships play important role in building organisations stronger to sustain market competition. However, an organisational chart in business firms categorically defines the roles of employees in terms of the amount of authority that vested in each role player. Vertical differentiation refers to the manner hierarchy of authority is distributed among various functional units in the organisation. Most business firms engaged in marketing and services operations have a blend of vertical differentiation and integration to enhance organisational efficiency and gain competitive advantage by augmenting customer satisfaction.[8] Vertical differentiation establishes the distribution of authority while horizontal differentiation determines the way teams perform the organisational tasks and roles.

In the context of authority and control implementation many contemporary organisations are driving a high level of commitment from employees in order to successfully implement the organisational design and strategy. Clearly, issues of design seem to influence the way organisations function in a number of important respects.[9] These dimensions of organisational design pertain to task integration, coordination integration towards the intensity and clarity of information exchange, task integration, and knowledge integration. Ranging from integrated to fully differentiated pattern of organisational design, these dimensions can be combined to form various organisational configurations that better reflect design of organisational forms for effective performance.[10] The vulnerability of an organisation is defined in terms of the ability of the organisation to accomplish tasks when the communication link is ineffective. Understanding this risk financial organisations demonstrate the utility of this framework by developing hybrid structure that maximises flexibility in the face of a rapidly changing environment. Hybrid structure incorporates the traditional flow of authority and control system and automatic task management and control process. The ability of information technology supports this flexibility organisational form to gain a competitive advantage.[11]

The global meltdown of financial markets in 2008-09 due to credit crunch laid a major influence on the organisational strategies of business firms. Ownership structures were also changed dramatically, as home governments, sovereign wealth funds, and passive consumers from emerging economies have acquired major shareholdings in leading financial services firms. Hence, for most financial services multinationals, the mutual adjustment design strategies stimulated the key aggregation benefit and to transfer the organisational capabilities from the home base to its foreign subsidiaries. Here, the critical sources of value creation are economies to be gained from replicating superior organisational capabilities. Given that the initial development of these capabilities is usually within the firm's home market, several conclusions follow.[12]

Organisational culture

Organisational culture is the set of shared values and norms that control interactions among employees. Organisational values include general criteria, standards or guiding principles that determine the behaviour of employees, situations and outcomes. The terminal values encompass attributes of excellence, responsibility, innovativeness, profitability, and morality. The instrumental value is a desired mode of behaviour that includes ethics in working, respect towards colleagues, traditions and authority. Most business firms have leaned towards evidence-based practice (EBP) that seeks to integrate the employee skills with the best available evidence within the context of the values and expectations of the organisations.[13]

The organisational culture comprising the task, thrust, time, target and territory of work are also considered as vital decision variables for the prospects to choose jobs. Another behavioural dimension that appears to be critical in determining the employer and employee relationship is the opportunity of unlearning knowledge and skills of the employees. Often firms succeed in convincing highly talented candidates to accept lower positions assuring that they will be promoted to the position that has a close match with their qualification and experience, but employees under such situations succumb to frustration as they do not find an appropriate platform to share their knowledge and implement skills. There are four factors that make higher impact on the recruits including intangible job context, employee development and skill utilisation, remuneration packages and workplace, culture and rewards.[14] Work ethics plays major role in developing organisational culture to strategically fit into the organisational design and structure. Ethical slips by employees can put organisations at substantial risk. Although improved compliance procedures can help limit this risk, successful efforts must extend beyond compliance to build a culture of organisational integrity. Recent changes in regulatory requirements in financial institutions and more guidelines on monitoring and performance evaluation demand an integrated approach to cultural awareness through the four organisational practices of controls, clearly defined principles and purpose, core values, and ethics. Inevitably, the most difficult of these is building a culture of high ethical standards that are reflected in day-to-day practice.[15]

Socialisation and role orientation are the principal factors involved in building organisational culture. Role orientation is used to induce new employees into the organisational culture and motivate their positive response to the organisational design. The attributes of role orientations drive socialisation in the long run.[16] The collective, formal, sequential and fixed tactics are used by the organisations to develop socialisation process in the business firms, which drive a triadic relationship among the organisation, employees and customers. Culture may be described as a mechanism for social control in an organisation. As such, culture is important for both the implementation of strategy and as a mechanism for generating commitment among organisational members. It is argued that culture and commitment result from the following sources.[17]

- Strong and consistent cues from fellow workers that focus attention and shape attitudes and behaviour, and
- Comprehensive reward systems that use recognition and approval.

These techniques characterise strong culture in organisations.

Financial organisations leaned towards creating a culture that encourages ethical conduct and a commitment to comply with the law to sustain any market uncertainty and economic recession. It was observed that procedural fairness and consistency of organisational procedures reflect organisational values that form an essential component of such a culture. In organisations with strong organisational values, employees tend to believe that the procedurally just organisations are legitimate. This belief in legitimacy, in turn, encourages them to act ethically and to comply with rules. Such value perspectives may be defined as *market approach* to compliance because employees *buy in* to the organisation, its values, and rules. Command-and-control approaches based on reward-and-punishment programmes are revised by the business firms to overcome the economic recess though many were significantly less effective, suggesting that rigid, rules-based approaches are counter-productive.[18] It is observed that organisational culture influences the effectiveness of an organisation. The organisational culture thus builds values and employee attitudes as a potential mediator of the relationship between organisational culture and diverse measures of organisational effectiveness.[19] A key characteristic of functional excellence in organisations is to ensure the competencies and provide adequate platform the managers to enact the strategic role. It is only when the organisational communication is processed for dissemination of strategic management knowledge and engages in managerial work with support from colleagues. Such activities are can be considered towards organisational value-generation.[20]

The context-specific practices of knowledge management followed in financial organisations influence organisational design and its effectiveness. There is a possible mediating role of knowledge management in the relationship between organisational culture, structure, strategy, and organisational effectiveness. An appropriate convergence of these factors has made the business firms stronger and sustainable during the economic recessions. It is observed that knowledge management fully mediates the impact of organisational culture on organisational effectiveness, and partially mediates the impact of organisational structure and strategy on organisational effectiveness.[21] Organisational culture has proved to be a powerful force in many multinational business firms like Morgan Stanley, American Express and others in this category, towards coordinating and prioritising the work of employees without the costs and inefficiencies of close supervision. Culture also identifies an organisation's distinctive competence to external constituencies. To employ culture effectively as a leadership tool, organisations need to recruit and select employees who fit the firm's culture, socialise and train employees to share the firm's values, and reward employees whose efforts reflect and reinforce the firm's culture.[22]

Some studies observed that leadership competency and organisational culture have positive relationships with responsiveness. In addition, responsiveness has a positive relationship with organisational development. Such interrelationship between cultural values and responsiveness drives the leadership competency towards sustainable growth absorbing the market uncertainties and risk. Hence, organisational culture needs to be viewed in the context of operations practices such as attentive listening to staff, giving reward and recognition for their performance, and taking care of their welfare. This would lead to a positive effect on the ability of a business firm to be responsive towards their customer needs.[23]

Structural paradigms

Administering control measures to field sales force has become major performance guiding tool in many financial firms. Multinational business firms largely implement direct management control and influence the activities of employees towards improving their efficiency. The extent monitoring of employees, directing, evaluating, and rewarding activities in an organisation intend to guide the behaviour of employees through management control processes to achieve results favourable to the organisation and the employees. Management control is thus recognised as an important performance indicator of the task performed by the employees in an organisation.[24] Different organisational structures lead information to be processed in different ways by the individual decision makers, potentially creating an informational cascade within the organisation.

Organisational performance is affected by internal and external factors. Internal factors of the organisation include, work culture, guidance by the managers, and administrative support. Coaching is defined as extending guidance towards using skills, experience, and direction to help someone improve their performance. Coaching consists primarily of giving people feedback to reinforce what they do well while suggesting ways and means to improve. Coaching implies that everybody can improve and hopefully everybody wants to get better at what they do. Many sales managers erroneously believe that they have to be better than the person they are coaching at the skill set they are discussing in order to be a useful coaching resource to that person. To be a good coach requires an understanding of the skills being discussed and a desire to help someone improve one's performance. Organisations which know how to provide that feedback will have more productive, effective, satisfied, and motivated employees. Effective Sales Management Coaching can provide sales managers with the skills to help salespeople grow and develop professionally.[25]

Result oriented performance control and market volatility are positively related to all business institutions. It has been observed that employees who simultaneously exhibit commitment and effort achieve higher levels of performance. An organisation should choose a minimum number of hierarchical levels consistent with its goals and work ambience.[26] In view of the growing competition among business firms, the measurement of employee performance has become critical to sustain competitive advantage. Customer and the competitive environment in a sales organisation are the external factors that affect the work process and the type of operating skills required. The central focus of external factors affecting performance is to push management to increase the skills and knowledge of employee or to encourage the use of a more rigid and less autonomous form of work organisation regulations.[27]

Numerous empirical studies demonstrate that the quality of manager-employee relationship is positively related to the attitudes of the subordinates and respective organisational outcomes. It is proposed that the quality of possible relationships between the organisational decision makers and the followers is generally affected by the number of employees directly brought under control to monitor their performance. Therefore, following a recognised assumption to strive for as many as possible leadership relations in an organisation it is necessary to examine how individual- and group-level work pattern can be based on different dimensions to augment performance in an organisation.[28]

Consumer confidence and measures

The global marketing system is facing a severe liquidity crisis as revealed by the liquidation of major business firms of the USA and Europe in the last quarter of 2008 causing firms around the world to initiate emergency measures. Consequently, confidence of consumers has drained from the marketing system and the fear has mounted among public as firms may not sustain to the low market shares. Firms need to workout strong insurance plans for the investment which should reach beyond the convention deposit and credit guarantee risk leverage plans.

Financial measures

There are proactive and reactive measures which may be employed in responding to the current financial crisis. Among many proactive roll-on strategies, firms need to urge government to provide a guarantee that bonds and securities created out of mortgages or out of loans to companies do not become irrecoverable and seize yielding. Firms need to lean their lending towards the services sector including both on-shore and off-shore operations as such economic activities attract foreign currency. Contract manufacturing in the developing countries like Mexico can be one of the economic activities that may prove worth investing for multinational companies in view of comparative advantages in terms of labour, capital and technology factors. As a proactive financing measure firms may limit the foreign currency exchanges to public and utilise the same to recapitalise for lending to productive sectors.

As the economic recession forecasts become stronger and plausible, business institutions need to examine the market share in different sectors and diversify to the productive and recoverable activities like consumer goods and pharmaceutical products manufacturing services operations and narrow down lending operations in the capital goods sector such as real estate. Firms need to streamline the requirement to strengthen capital adequacy and strengthen the legal measures with immediate effect. Further, firms can very efficiently employ the proactive managerial strategies which include quantitative professionals, strong oversight, partnership investment, and a clear statement of business principles, with emphasis on preserving the corporate reputation of business firm.[29] Alternatively reactive measure in the instance of current financial crunch may include categorising the public outstanding of the business firm in two ways – default driven by slow growth, and high costs. It would be a wise strategy to pool up the wilful defaults and proceed for credit insurance claims than adding cost to the recoveries by means of rushing more manpower and litigations.

Manpower management

During this period of economic recession it is necessary for the business firms to make broad and striking changes in the organisational structure to reduce the economic outlay of manpower. As financial recovery and economic growth slowdown prevails, human resources productivity should aim at a higher level of market-oriented flexibility. Despite the connection between the seniority-based salary system (SSS) and the permanent employment regime, more effective results can be expected in the former than the latter. The SSS measure of human resources would encourage existing staff of the organisation to absorb additional responsibilities. Consequently, the career path of employees during the crisis period turns sluggish. Under such staffing conditions organisational and individual benefits on professional development and growth need to be established in reference to lifestyle, mental capacity and emotional growth.[30] In addition, such organisational streamlining would also suspend the hiring of new staff. These measures can be considered as proactive strategies to combat with the anticipated slump in the financial organisation.

Alternatively the financial organisations may strategically implement the downsizing of human resources in anticipation of projected recession in the business. Human resources division may plan the manpower downsizing process in the following stages:

- Downsizing should be considered as the need of the hour and should never be made a practice to curtail the expenditure. Also downsizing should be part of a clearly defined, long-term vision that fits into the company's overall strategic plan.
- Before implementing the downsizing plan the business firm should form a cross-functional team to represent all stakeholders' interests. At the announcement stage, senior managers should explain the necessity of the downsizing and how it helps the firm in the long term. Management should communicate frequently and be open and honest.

When looking for ways to cut costs, most human resources managers reach for the head-count hatchet, and usually get approval of the top management. Human resource managers should manage costs relentlessly during the period of economic recession. They need to keep a long-term view and strive to maintain the loyalty of employees and customers.

Another approach to manage the human resource during the period of economic crisis in a business firm is to pursue *defensive downsizing* rather than strategic restructuring, as a result of both internal and external constraints on restructuring strategies. Defensive focus advocates short-term efficiency with increased emphasis on training and restructuring job descriptions of existing staff in order to augment productivity.[31] The process of defensive downsizing envisages two complementary core values that include personal initiative and the capacity for collaboration that are essential for organisational survival. In addition four additional skill sets need to be planned in reference to prevent mental despair, reinforce personal visibility, team facilitation and boundary spanning in reference to 3Ts – task, thrust and time.[32] The concept of defensive downsizing emphasises that organisational downsizing process should not be governed by retrenching employees in abundance, but should be guided by retaining those most valuable to the organisation.

The 3-T determinants lay the groundwork for success inside the new organisation. The typical work culture of 3-T power-grid may be described as synergy of task (commitment), thrust (driving force) and time (punctuality). These attributes of the Japanese distinguish them from most of the existing work cultures across the countries in the world. This has reflected into the material culture (technology and economy) of Japan towards continues improvement (Kaizen). In fact, Kaizen is a social culture, which has been later, adopted by the Japanese organisations. However, downsizing strategy aimed towards organisational survival has both merits and demerits. It is perceived by the employees of some downsised organisations that retrenching excess employees and offering outplacement to those who lost their jobs went some way to improving the financial performance of downsised firms. This may suggest that if downsizing is necessary then attention needs to be given to how the process is implemented in order to maximise the financial return.[33]

Organisations should implement large-scale change initiatives in scheduled time frames with fewer resources for gaining cost effectiveness. A combined assessment of culture and informal structure can help identify barriers to change and facilitate change initiatives. Multinational organisations may drive changes in organisational design, work culture and structures through people and values in certain network positions, identifying dominant beliefs or paradigms impeding cultural change, and intervention with a balanced emphasis on behavioural relationships among employees.[34] The initiatives for improving the performance in business institutions are exhibited in Figure 7.2.

Global organisations have reviewed various perspectives of values-based decision making, as the underlying organisational values are good values that possess high moral base. The values that are exhibited in an organisation are not always easily to apparent and play direct role in driving the performance. Moving systematically to higher-ordered values organisations should employ a decision-mapping technique, which helps the decision maker think through what is gained and what is given up as a result of a decision. It also encourages an expansion of choice options, motivates a more balanced view of positive and negative consequences, and provides insight into the dynamics of decision making.[35]

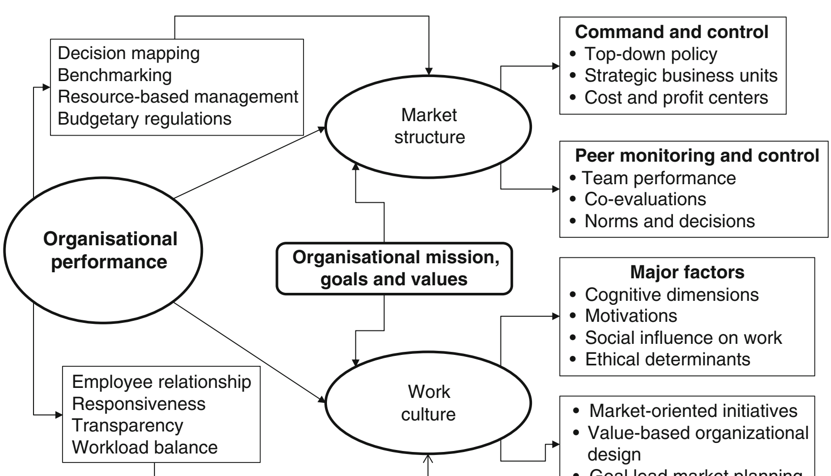

Figure 7.2 Performance initiatives for business firms in global competition

In a global marketplace most competing firms are customer centred companies and should engage in outsourcing people to promote consumer oriented products during the situation of financial siege. Though there are some perceived risks, managers in a widening range of business firms are exploring the scope of sales outsourcing. This strategy of promoting sales has helped also manufacturing and marketing institutions which have undergone downsizing process to cut costs on salaries and other overheads. Outsourcing for promoting bankable products and services sharpens the corporate core competencies.

Systems thinking as a decision tool

Systems consist of people, structures, technologies, and processes that work together to make organisations viable. Systems thinking, a part of operations and management research essentially looks at the whole as a basis for understanding, designing, and managing its components. Systems thinking is applied in organisational management for decades in the field of operations but has been conceptualised also in the functional areas of marketing. Systems thinking offers a powerful new perspective, a synchronised flow of thoughts, and a set of tools that can be used to address the most complex problems in everyday business operations. Systems thinking may be considered as a way of understanding reality that emphasises the relationships among various components in a process, rather than the independent constituents of the process. Based on a field of study known as system dynamics, systems thinking have a practical value that rests on a solid theoretical foundation.

Key elements

In marketing operations, systems thinking can be described as a tool in tracing and linking various activities in a particular function. To be competitive, companies must grow innovative new businesses though on competitive market platforms, firms may face several operational barriers and seldom mesh smoothly with well-established systems, processes, and cultures. Nonetheless, success requires a balance of conventional and new marketing strategies to keep the competitive forces in equilibrium.[36] Emerging companies face various challenges when they pursue new businesses, as well as the usual problematic responses to those challenges. Such companies, they say, must perform three balancing acts that include:

- Developing strategy on trial and error basis narrowing potential choices, learning from small samples, using prototypes to test business models, tracking progress through financial and non-financial measures, and knowing how and when to pull the plug on an appropriate competitive strategy

- Searching for the best combination of integrating conventional and new operational processes by using systems thinking to know which capabilities to develop and which to acquire
- To strike the right balance of integration establishing criteria for using creative marketing strategies.

Systems thinking as an idea can be applied in various scientific fields including: planning and evaluation, education, business and management, public health, sociology and psychology, cognitive science, human development, agriculture, sustainability, environmental sciences, ecology and biology, earth sciences, and other physical sciences. Systems thinking can influence many of the existing concepts, theories and knowledge in each of these fields.[37] In marketing and related business strategies, managers need to think ahead of competitors to keep moving from niche to market leader status. Changing the way we think does not automatically solve problems, issues, or crises in the business. However, systems thinking does reframe how we think about what we view as a problem in the first place, and what the solutions might look like. The reasons for the scientific utility and promise of systems thinking are extensive. The Table 7.1 illustrates the rationale for systems thinking and the required strategies for implementing 'systems thinking' approach through the creation of a 'learning environment' in a given marketing place. The steps that author adopted in developing change – in the direction of systems thinking – has been reported in a previous work.[38] In a learning environment where simulations to be used in the evaluation of the strategies developed to prevent any wrong doing and support either aggressive or defensive moves in the marketplace. The need to check the authenticity of the work is obvious.

Systems thinking in developing marketing strategy is considered as a disciplined approach to promote competitive behaviour of firms in a marketplace. Systems thinking is an approach that can provide a rational view of the situation, as well as the identification of approaches that are intended to produce the desired result. In order to develop systems thinking approach in a business organisation, it requires a substantial change in the organisational culture.[39] This approach would be helpful in resolving the various business conflicts, of which some including:

- Multiple perspectives on a situation causing dilemma over its management
- Consumer behaviour oscillate endlessly
- A previously applied strategies seems to overshoot the goal and affect related areas of operation
- Over time there is a tendency to stay weak in negotiations
- Problems in establishing procedural standards in the business operations
- Decline in business growth over time

Table 7.1 Systems thinking approach in marketing strategy development

Thinking blocs	Determinants
Why	Internal growth, business expansion
What	Right policy development, performance measurement, governance, and values
Who	Competitors, and customers
Where	Niche market, international marketplace, business-to-business, virtual shops
How	Product, place, price, promotion, packaging, pace, people (sales), performance, psychodynamics, posture of the firm, and proliferation
When	Existing demand, latent demand, matching competitor's moves, and during peak consumption season
Which	Sensitive variables, image portrayers, loyalty building strategies, and value generation

- Lack of efforts in developing core competencies, and
- Optimise resources and their business application for augmenting growth in vital business indicators in the firm.

The systems thinking is usually driven by many smaller systems, or subsystems. For example, an organisation is made up of many administrative and management functions, products, services, groups and individuals. If one part of the system is changed, the nature of the overall system is often changed as well by definition. Systems theory has brought a new perspective for managers to interpret patterns and events in their organisations. Effective systems methodology lies at the intersection of the following four foundations of systems thinking:[40]

- Holistic thinking focuses on the systems logic and process orientation in general. Reviewing the system in totality requires understanding structure, function, process and context at the same time. The systems approach enables a firm to connect objects of various types to a single platform of thinking and to organise different forms of activity within the given time and space of the situation in business. One of the principal requirements of each successful system is an effective communication among different actions. The effective development of the organisation can be achieved when various strategies, strategic planning, team work and principles of organisational changes are applied. Technical aspects are combined with the aspects of behaviour, personal (personal mastery and intellectual models) with conceptual ones.

- Operational thinking, which also signifies dynamic thinking, refers to the conception of the principles of systems dynamics, that is, evaluation of the multi-loop feedback systems, identification of the delay effect and barriers of growth, mapping stock and flow, etc. The conception of these principles creates an additional value for managing organisation in reference to business systems that emerge as interdependent factor in decision making.[41]
- Interactivity is a design of the desirable future and a search for ways of its implementation. Interactive design is both the art of finding differences among things that seem similar and the science of finding similarities among things that seem different. The distinct outputs of interactive design may lead to defining problems, identifying the leverage point and designing solutions – ideation process.
- Interactive design is a part of critical thinking that is determined by defining a problem, gathering of information for problem solution, formulation of hypotheses, checking presumptions and correctness of findings, making a solution. Interactive design offers a constant critical assessment, continuous learning and understanding of mental models. This dimension of systems thinking is based on intuitive thinking that stimulates creativity and provides an organisation with a conceptual foundation to create a unique competitive advantage.

In view of fast growing market competition, more and more companies are recognising the business opportunities that a focus on sustainability creates. Such a shift in thinking in many companies and industries where learning-organisation principles are being applied to create sustainable business models has evidenced change in organisational culture and improvement in the core competencies. Simultaneously, they become inspirational, energetic places to work, where even relationships with customers and suppliers improve. However, a more integrated view will enable companies to innovate for long-term profitability and sustainability. There are three core competencies that the learning organisations must master to profit from sustainability – encourage systemic thinking, convene strategic market players and customers towards changing conventional thinking, and take the lead in reshaping economic, political, and societal forces that baffle change.[42]

Strategic directions

Firms entering into the market competition need to develop competence in building strategic integration, which involves the task of exploring and creating new business opportunities. Such task can be performed by combining resources from multiple units within the firm each with its distinctive attributes and market focus to extend the corporate strategy in new directions. Only a few multinational firms have developed the competence of strategic integration, however, the challenges and imperatives for all companies are the same. Firms need to manage the emerging tension between reinforcing the core business strategies, redirecting them in new directions, and sharing and transferring of resources to meet new competitive challenges in the marketplace. Above all, company leaders have to create a corporate context that facilitates strategic integration process as an ongoing institutionalised process emphasizing the development of appropriate organisational structures, control systems, and performance linked incentives.[43]

In the growing competitive markets the large and reputed firms are developing strategies to move into the provision of innovative combinations of products and services as 'high-value integrated solutions' tailored to each customer's needs than simply 'moving downstream' into services. Such firms are developing innovative combinations of service capabilities such as operations, business consultancy and finance required to provide complete solutions to each customer's needs in order to augment the customer value.[44] Global strategies are most frequently analysed using the global integration local responsiveness (I-R) paradigm. A number of studies have extended various aspects of this framework including structural determinants and operational flexibility.[45] Market-driving behaviour is different from a firm's market orientation, which emphasises the competitive dynamics among firms conducting identical business *viz.* automobile sales. It is argued that the firm's market orientation interacts with other strategic orientations, in the process determining how they are manifested and implemented. Furthermore, market orientation plays a critical role in determining transitions among various strategic orientations over time among the firms engaged in identical business of products and services.[46] A strong market oriented strategy of the firm alleviates the possibility of using coercive influence strategies by the competitors and offers advantage to the customers over competitive market forces.[47]

Customer-centric strategy

Organisations seeking to adopt a more customer-focused strategy will learn from the approach of DuPont. The company began grappling with this challenge, based on an extensive program of qualitative and quantitative research with customers across countries in the world. The customer touchpoint analysis of the organisation facilitated alignment of functional groups within the organisation (product, sales, customer service, etc.) and equipped them to deliver on newly developed, segment-specific value propositions. This major initiative has enabled DuPont to reprioritise internal efforts and business practices and been a catalyst for broader organisational changes, notably the dissolution of many functional silos that previously had hindered its ability to deliver against its brand promise.[48]

Many companies develop product positioning strategies in association with customers, which leads to a customer-centric business strategy. Co-design activities are performed at dedicated interfaces and allow for the joint development of products and solutions between individual customers and manufacturers.[49] Knowledge sharing through face-to-face communication is positively related to both product and financial performance, while technological knowledge sharing has a positive impact on product performance under conditions of high technological dynamism. Supplier involvement in the buying process is related to product and services performance, while use of knowledge management tools is related to financial performance.[50] Customer centric research aims at developing pro-customer strategies to focus on better ways of communicating value propositions and delivering the complete experience to real customers. Learning about customers and experimentation with different segmentations, value propositions, and effective delivery of services associate customer in business and help frontline employees acquire and retain customers with increasing satisfaction in sales and services of the firm.[51]

Value-chain management

Firms need to clearly understand the term 'value chain' that suggests an orderly progression of activities allowing managers to formulate profitable strategies and coordinate operations with suppliers and customers. The value-chain should be integrated within a 'value grid'. The grid approach allows firms to identify opportunities and threats in the competitive marketplace. It drives managers to understand the power balance between suppliers and manufacturers. The new pathways to value can be vertical as firms explore opportunities upstream or downstream from the adjacent tiers in their value chain while horizontal pathways can be determined by identifying opportunities from spanning similar tiers in multiple value chains among all functionaries and customers.[52]

Marketing firms should develop strategic value chain for enhancing organisational capability for getting fast response to rapidly evolving market dynamics. In order to implement efficiently the value chain, firms should strive at finding response to some of critical questions that include:

- Where is value being created?
- How to expand business?
- Does the firm need outsourcing?
- Which areas need investment?
- How to optimise the value chain? and
- Does the firm need to establish strategic alliance?

Firms are required to employ economic value-added analysis and strategic value assessment such as customer preferences, the rate of change of underlying technology and competitive position in the marketplace.[53]

Casual flows and loops in strategy development

Strategy development in a competitive dynamics should be based on continuous learning and shared vision among the functionaries in a business organisation. As competitive pressures drive firms to operate on a gear principle to be faster, better, cheaper and sustain their value chains, tasks on strategy development and implementation are becoming increasingly more integrated. In an increasingly integrated environment, the strategic models on which management decisions are based need to be more holistic than ever due to the tighter coupling among different components of the environment. The process dynamics of strategic thinking in business organisations to sustain market competition is exhibited in Figure 7.3.

Business firms may lean on sharing behavioural models across the organisation in order to develop sustainable market oriented strategies and implement effectively the business decisions. Managers should be aware that business strategies that have shown significant impact during pilot

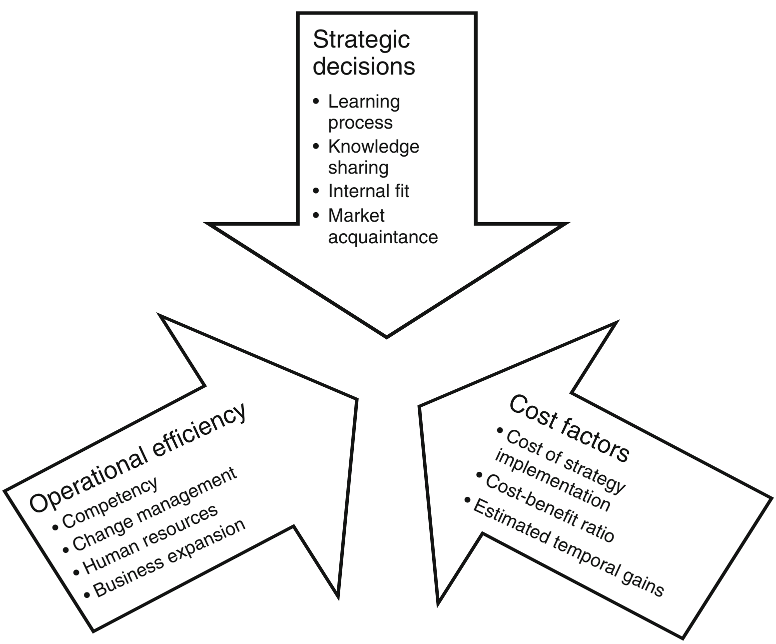

Figure 7.3 Strategic thinking dynamics in developing marketing strategy

tests may sometimes show unanticipated effects in the marketplace. System dynamics provides a set of tools and techniques to develop shared mental models of organisational systems, to represent them rigorously, to test their validity through simulation, and to measure the impact of strategy alternatives. Systems dynamics can help business firms gain insights into underlying mechanics that determine the behavioural dynamics of organisational systems, which could help improve decision-making through an integrated value chain. For example IBM has undergone significant transformation from a struggling seller of hardware to a successful broad range solutions provider over recent decade (2001–2010) by adapting the systems thinking in business operations. Underlying this change is a story of foresighted strategy, knowledge sharing, and disciplined implementation of market oriented strategies. In strategic terms, the IBM transformation illustrates the ideas behind dynamic capabilities, showing how the company has been able to sense changes in the marketplace and to seize these opportunities by reconfiguring existing assets and competencies.[54]

The random business decision may cause complexity and turn the implementation of strategies risk averse. In a marketplace, where competition is dynamic, the strategies need to be developed in a learning curve with loops that crate opportunity for previewing the strategies and developing alternatives. Implicitly, such decision loops help managers in reviewing swift feedbacks and convergence to an equilibrium or optimal outcome. The real business scenario is not as simple as management concepts. From the beginning, system dynamics in a business firm should be emphasised as multiloop, multistate, non-linear character of the feedback systems. These loops react to the decision maker's actions in both anticipated and unanticipated ways resulting into positive and negative feedback loops, and these loops will contain many stocks (state variables) and many non-linearities.

Dynamic complexity in business may arise in oligopolistic market systems with high risk in investment, brand development, and generative customer loyalty. In many cases companies are not able to carry controlled experiments on implementing business strategies due to cost related and ethical reasons. Hence, dynamic complexity not only slows the learning loop; it also reduces the learning gained on each cycle. Developing right business strategies in a right market situation is a growing challenge among the systems thinkers and business strategists. Delays in developing appropriate strategy creates instability in market dynamic systems. Adding time delays to risk and negative feedback loops increases the tendency for the system to be non-sustainable. Marketing systems from driving a car (luxury), to drinking alcohol (mood setting), to restaurant services, to selling real estate, all involve time factor in developing right business strategies and their implementation. As a result, decision makers often continue to intervene to correct the discrepancies between the desired and actual state of the system to restore equilibrium in a business system in the given marketplace.

Business strategies in competitive marketplace need to be played safely and camouflaged to avoid any predetermination of strategic moves by the competitors. This refers to dynamic decisions management to maximise competitive advantage with minimal risk in a given marketplace at a given time. For example in a famous experiment, Bruner and Postman[55] showed playing cards to people using a tachistoscope[56] to control exposure time to the stimuli. Most could identify the cards rapidly and accurately. Competing firms should make dynamic moves in their strategies by narrowing down the counter action scope for rival firms on strategic effects of first movers. In this game many firms may misidentify the strategic moves and others may wait for very long exposure times to observe the effects of strategic moves and react upon them. Such expectation over elapsed time may turn competitors anxious and confused. Only a small minority correctly identified the moves and those firms can be manipulated.

Process dynamics and strategy refinement process

Complications often arise among the market players as unintended consequences of past decisions taken by the company to gain competitive advantage in the market. Business and public policy settings suffer from policy resistance and the tendency for well-intentioned interventions to be defeated by the response of the system to the intervention itself. Just as car manufacturers use simulators to help distributors learn about the company's sales and services policies, system dynamics enables the manufacturers to create management simulators to avoid policy resistance and design more effective policies. System dynamics is also a process for working with high-level teams designed to improve the chances for implemented results. Managers should understand as how system dynamics can be used effectively to design high-leverage policies for sustainable improvement and the application of system dynamics to a variety of critical issues facing business leaders today.[57]

Process dynamics in developing and implementing business strategies demonstrates a conceptual framework that decomposes the overall acquisition integration process into four sequential and co-evolving processes that include formulating the integration logic and performance goals, establishing the integration planning approach, executing operational integration, and executing strategic integration. Large companies in competitive marketplace mange the strategic dynamics of acquisition integration in fast-changing competitive environments by focusing attention to all four processes and the feedback loops between them.[58]

As the competition among firms manufacturing identical and similar products is increasing, customers are expecting better service. Such consumer behaviour has also resulted in brand switching tendencies in view of dissatisfaction of services and low customer value. The firms with predetermined business process tend to offer better customer services than those which do not follow a systems approach towards customer relations management. The process dynamics in developing and implementing strategies is a continuous process that should not be taken as an *ad hoc* requirement. The completeness of the process and proper strategy alignment would results into success of the firms in a given marketplace. Hence, firms need guidelines and frameworks for addressing these expanding requirements. The concept of process dynamics and completeness helps to consider service from the customer's viewpoint, arguably, the major perspective to consider for market leadership in a competitive business environment. Process completeness is achieved when a firm's service delivery system matches the typical customer's breadth of expectations.[59] There are four basic stages of process dynamics and strategy development systems in a competitive marketplace, which include:

- Transaction – to execute a basic request of customers through various routes to market
- Process-handling all firm related marketing and services requests through hierarchical or one-stop delivery point
- Alliance-handling the process requests through a single touch point via stitching together a predetermined firm-selected alliance of service partners, and
- Agility-handling process requests through a single touch point via stitching together a dynamic customer-selected alliance of business partners.

Developing a right marketing strategic and its implementation involve making choices meticulously about whom to target as customers, what products to offer, and how to undertake related activities efficiently. The most common cause of strategic failure is the inability to make clear, explicit choices in these areas. It is very common for aggressive competitors to imitate attractive strategies but, perhaps more importantly, new strategic positions emerge continually.

Successful penetration into established markets is based on strategic innovation, proactively establishing distinctive competitive approaches that are critical to shifting market share or creating new markets.[60] The Figure 7.4 exhibits the strategy cycle in business.

In formulating marketing strategies it is necessary to involve all role players (such as manufacturers, quality and packaging managers, distributors, logistics and inventory managers, retailers, franchisees etc.) and fully acquaint with the marketplace environment. The low involvement role players might lead to poor strategy implementation, however intensive feedback and business analysis would be helpful in shaping the next round of strategy formulation cycle filtering the weak ones. Strategists tend to use powerful drivers when referring to implementation efforts. Descriptors

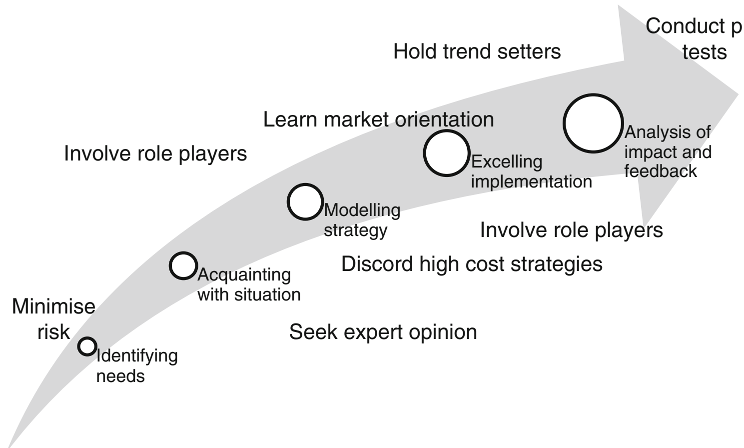

Figure 7.4 Strategy development cycle and process dynamics

such as killers, confrontation, and engagement are linked with actions like conquering, blocking, tackling, and honing when discussing strategy implementation. Managers of firms should know that implementation is a critical ally in the building of a capable organisation, and the use of the appropriate levers of implementation is the pivotal hinge in the development of the organisation.[61]

Strategy can be defined as a rational set of time-sequenced actions aimed at gaining a sustainable advantage over competition and improving position with customers. Strategy answers *what and where* questions concerning business. It is a shared vision describing what the organisation should be in the future and where it is going, not how it will get there. Strategy is the framework managing the 'how' choices which determine the future nature and direction of the organisation. It focuses on accomplishing maximum and enduring positive differentiation as opposed to the competition in meeting customer values. The choices guided by strategy relate to the entire range of the organisation's products or services, market, principal capabilities, growth rate, return from and allocation of resources. Perhaps most importantly, strategies identify critical issues that are the changes, modifications and additions to the organisation's structure and systems, to its capabilities and resources, to its information needs and management that result from setting strategy.

Strategic marketing is a bridge between the marketing management and the marketing and interplays with three forces in the markets-customer, competition and corporate entities. The marketing strategy synchronises the functional activities among the 3Cs and helps in building the distinctive

Table 7.2 Role of marketing in different levels of organisations

Level of organisation	Basic roles	Identification
Product/market	Formulate, implement, control and evaluate specific marketing programs	Marketing management
Corporate	Provide interplay between customer and competitive perspective for developing an effective blend of strategy	Corporate marketing
Business unit	Develop need-based approaches to direct the present and future course of marketing activity for the unit	Strategic marketing

strengths in the corporate houses to deliver better customer values. An effective marketing strategy should include a clear definition of market, an appropriate match between the corporate strengths and market needs and competitive performance. A good balance of these attributes would build a successful marketing strategy and justify the role of marketing in an organisation. The Table 7.2 exhibits the marketing interplays at various levels in the business environment.

The marketing strategy in terms of the three Cs is an endeavour to satisfy the customer needs in a given business environment by building the corporate strengths and competitive advantages. The strategy is oriented towards long term goals and is perceived as a tool to develop relationship between the corporate and customer ends. Marketing strategy is to achieve maximum positive competitive differentiation that is other than the rival activities to satisfy the customer needs.

A large number of the rapid growth firms present written business plans[62] for strategy implementation. The written plans enable CEOs to manage more critical business functions, grow faster and achieve a higher proportion of revenue from new products and services than those whose plans are unwritten. Additionally, written business plan helps growing firms to increase their revenues faster over their competitors than those without a written plan. The major advantages and issues associated with strategic marketing planning are as under:

- Strategy is a major focus for higher revenue and profit and to hatch new products, expand existing business, and create new markets.
- Business strategy is the single most important management issue and will remain so for the next five years.
- The strategy process should be democratised by handing it over to teams of line and staff managers from different disciplines.

- Create networks of relationships with customers, suppliers to gain greater competitive advantage.

A company may use strategic marketing planning to identify long-term opportunities and manage day-to-day operations. Strategic marketing planning is an essential instrument to grow present markets, spot growth markets, recognise new product innovation, and stay alert to new opportunities.

Multi-business corporations need to develop a capability for strategic planning and integration (SPI), which involves the expansion of new business opportunities by combining resources from multiple units within the firm. There are limited multi-business companies trying to develop SPI capabilities and competencies in organisations. Corporate leaders and top management executives of a company need to manage the evolving tension between reinforcing the company's core business and redirecting strategy in new directions, as well as the sharing and transferring of resources. They must also ensure that senior executives develop the political and entrepreneurial skills necessary to pursue SPI initiatives effectively, along with the ability to conceive these new strategies.[63]

Process aggregation in developing marketing strategies

Firms can benefit from opening up the new idea development process to make competitive and effective decisions by integrating the principles of continuous innovation with the *stage gate* process. This process examines the potential opportunities of employing the principles of both inbound and outbound continuous innovation within competitive decision development at a firm in the upstream and downstream marketplaces. The stage gate model can exploit the advantages of openness, spot rationale, and sustainable effect of decisions that are required in the marketplace. This model would allow explicit consideration of import and export of know-how and technology through gate evaluations and also enable firms to continuously assess their core capabilities and business model. The application of this model can assist firms in capturing value from both internal and external technology exploitation in increasingly open innovation processes.

A stage gate model is a conceptual and operational roadmap for moving a new-product project from idea to launch. This model divides the effort into distinct stages separated by management decision gates. Cross-functional teams must successfully complete a prescribed set of related cross-functional tasks in each stage prior to obtaining management approval to proceed to the next stage of product development. Stage gate processes have a great deal of appeal to management, because basically, they restrict investment in the next stage until management is comfortable with the outcome of the current stage. The gate can be effective in controlling product quality and development expense. Stages-and-gates in the model function as sequential phases and may run into some overlapping activities, especially when they cross the decision points. The stage grate processes may not lead towards completing tasks in earlier phases to keep them off the critical path but they foster a mindset in which the work proceeds sequentially step by step. A newer alternative to stage gate process is the bounding box approach, which is essentially a management by exceptions technique in which certain critical parameters of the project, such as profit margin, project budget, product performance level, and launch date, are negotiated as the bounding box. Firms need to conduct regular checks so that the process managers remain within bounds. The criteria used in the gate review involve aspects such as:

- Strategic fit
- Market attractiveness,
- Competitive advantage
- Patent/legal issues
- Technical feasibility
- Regulatory aspect of health, safety and environment
- Supply and market entrance
- Financial attractiveness.

The stage gate process begins with the identification and documentation of a new idea in improving business. Tasks associated with the development of the product are then divided into a sequence of logical steps called *stages*, each of which is preceded by a *gate* where the attractiveness of the project is assessed. During each Stage, a cross-functional project team carries out tasks that result in the completion of defined deliverables including those related to technical (manufacturing, R&D, quality, regulatory) and business (sales, marketing, business development) functions. The advantages of using the stage gate Process:

- Improved customer satisfaction
- Shorter time to market
- Improved new product success rates
- Improved new product launches
- Earlier detection of failures
- Increased innovation and productivity
- Less recycling and rework

Competitive decisions are strategic business initiatives that involve significant financial resources and managerial attention. Most new business decisions fail because existing methods are unable to forecast their commercial success accurately. Prediction markets seek information aggregation from a large group of diverse individuals by encouraging active participation.[64]

The stage gate process demonstrates the power of the decision manger to perform strategically in the competitive markets.

The systems thinking concept has been laid on the premise that human activities are nurtured in a workplace ambience and are woven around the relational context of tasks, goal, and performance (TGP). Systems thinking is a way of living with the reality that emphasises the relationships among various factors associated with the relational cube comprising TGP. Systems thinking drive analytical insights that aim at categorically understanding the cause-effect relations of key variables in a management process. The concept of systems thinking in the functional management stream like marketing considers the global behaviour and performance as an integrated effect of all its economic, social, political, legal, functional, technological, and cognitive variables and their mutual relations. Analytical thinking has been one of the key determinants in the development of management science and still remains one of its cornerstones. The managerial focus on marketing variables leads to specialisation within the systems thinking process. The general systems theory holds that all functional systems in business management are similar in certain ways. Therefore, managers must be capable of deriving the synergy of a system through the integration of sub-systems in a given market situation.

The role of marketing strategies in fostering controlled consumer empowerment is reflected in the development of information-based consumer-centric marketing strategies that seek to enable and control delegation. In designing such strategies, systems thinking would be able to develop convergence with the cognitive analysis of consumers with the applications of information and communication technologies in order to improve the business performance of firms. Systems thinking enriches the process of developing marketing strategy. Convergence of technology with customer value provides higher competitive advantage to the business that has frequent interactions among the market players and customers that are complex and important in achieving success in business. Systems thinking can be woven around the five Cs driving the 'fusion' concepts in the corporate marketing strategies.[65] These 'C' factors include

- **Customisation** – Convergence of customised and standardised offerings and messages
- **Community** – Convergence of virtual and physical communities
- **Channels** – Seamless convergence of call, click, and visit
- **Competitive value** – Convergence of new and traditional competitive value equations and pricing models
- **Choice tools** – Convergence of new search engines and decision tools for consumers and company-provided advice

These are the areas in which new technologies and systems create opportunities for customers to do things. These factors also provide new strategic areas in which customers could creatively combine the old with the new to create a fusion. The task of a manager changes over the course of the strategy administration process. Systems thinking prompts different abilities in the managers at each stage of management including analysis of strengths, weaknesses, opportunities and threats (SWOT), creating solutions, and taking the lead. Success of the managers depends on the integration of knowledge, attitude and practice (KAP) to develop SMART managerial attributes comprising strategic, measurable, aggressive, responsiveness, and time driven.[66]

Systems thinking can be applied also in developing concept maps to develop marketing strategies, each perspective, word or phrase is connected to another and linked back to the original idea, word or phrase. Concept maps are a way to develop logical thinking and study skills, by revealing connections and helping students see how individual ideas form a larger whole. Concept maps were developed to enhance meaningful learning in the sciences. A well-made concept map grows within a *context frame* defined by an explicit 'focus question', while a mind map often has only branches radiating out from a central picture. There is research evidence that knowledge is stored in the brain in the form of productions (situation-response conditionals) that act on declarative memory content which is also referred to as chunks or propositions. Because concept maps are constructed to reflect organisation of the declarative memory system, they facilitate sense-making and meaningful learning on the part of individuals who make concept maps and those who use them.

Application of systems thinking principles can make a valuable contribution towards managing competitive marketing strategies. The opportunities provided by systems thinking could provide opportunities on identifying interrelations, understanding marketing forces that shift their focus from market orientation to customer orientation, identify sources of resistance, and influence the strategic changes. The systems theory in marketing provides the possibility of taking a holistic view of markets from a wider perspective to help in developing appropriate marketing strategies. Such an attitude would support generating, integrated performance results and overcome the gaps of traditional management system.

Competitor learning

There are many ways of competitor learning process. Comparative learning occurs when two or more competitors are compared and contrasted. It especially entails analysis of outputs which is necessary frequently to compare and contrast the projections of two or more competitors' future strategies as a means of anticipating which competitors are likely to do what and when. It is also often necessary to compare and contrast how competitors are responding to the focal firm's own initiatives. The process of descriptive learning of competitors involves learning about the individual competitors at the basic level in reference to capturing the processing data and information about the competitor to identify the facts and features. This learning tool supports the inputs to comparative learning. Many of the concepts and analysis tools such as marketplace strategic activity, value chain, assumptions, resources, and competency facilitate comparisons across two or more competitors. The comparative learning process generates insights and inferences that cannot be derived by examining individual competitors in isolation. Learning is a cognitive process as customer decisions make sense of the world around them. They select and array the information, permeate data with meaning, draw inferences from incomplete data and portray the results. Thus, the wide variety of analysis tools and techniques presented throughout the remaining chapters are intended as aids to interpretation. Learning also is a collective process though transforming individual learning into organisational learning is a difficult task. Learning truly occurs when individuals share their knowledge, challenge each other, and reflect on each other's judgments and assessments.

Understanding and analysing each move of the competitor and using the output to developing counter strategy may be defined as the process of the competitor learning. The company must make assessment of the existing needs, historical perspectives and develop the knowledge bank accordingly to help in decision making and scheduling the actions. Actions need to be taken by the company as required for the situation in view of projecting the facts and beliefs more effectively among the customers. The learning exercises may take place with individuals and groups who are engaged in decision-making. It is necessary to build-up strong, comprehensive and reliable database for capturing the activities of any business rival or competitor. Data is thus the basic input for competitor learning. In the process of capturing the competitor's moves the first task is to determine the data requirement and issue clear instructions to the data base managers (DBM). The DBMs have to first identify the data sources, prepare checklist of information, collect data and submit it for analysis to the competent department or agency. The information collection is a very vulnerable issue and there may be many companies looking for the similar sets of information. Hence taking the opportunity first is always advantageous in the business. The major task in processing the data is the proper interpretation of results. There should be no biases and the results of the analysis should be able to detect some signals. The crafting of the information outputs is one of the important tasks which should give a shape to the output. The outputs are crafted to inform the decision makers and influence decision-making in the interest of the business.

The two core concepts of the competitor learning process are *efficient and effective* learning. The former refers to the learning input-output ratio. The input for the learning process is the competitor data and the output includes the change in knowledge level. The effective competitor learning addresses the output-decision relationship. In the process of competitor learning both efficiency and effectiveness need attention and require data, information and intelligence. Data constitute the basic input in the process of competitor learning. The data about any competitor may be put into three broad categories – behavioural pattern of the competitor, statements pertaining to the competitor, and organisation change. The individual actions of competitors or the patterns displayed thereof are referred as the competitor behaviour. The actions may be analysed in reference to the market place strategy, customer relationship, brand management, sales and promotion of the products and services in the region. The statements of the competitors may be of various types such as the performance data, announcements, annual reports and the like. These constitute formal business communications made in the public periodically. The informal communications on the other hand are largely oral comments delivered by the channels, competitors' personnel and high profile rivals, though these statements are not authentic. However, such informal information may be very useful to build strategies down to reality for outwitting the competitors in the market. The changes in the business strategies, financial status, business credentials and production and sales data represent the data on organisational change. Such information plays significant role in understanding the latest moves of the competitor in the market and allows the new entrants to build shield for their business as well as develop strategies to overcome the competitive blockades. It is essential that the data on the competitor's strategies should have following attributes for efficient and effective analysis:

- Quantification
- Temporal values i.e., time series data
- Precision, and
- Description and opinion.

It is necessary to look into some of the information errors that may occur during the data collection process. The fallacy of misplaced facts is the most common among various problems in data collection. The information on the projections of the cash flows, sales and production levels are more vulnerable for the competitors as well as the customers and consumers in business. The information error also constitutes the misconstrue pattern or underlying structure in a set of information or data. Such information errors are based on the assumptions drawn by the information collectors and disseminators. However, the exaggerated information provided to the strategy builder or decision-makers is also one of the common information errors that occur often in the process of outwitting the competitor from the market. Evidence for the success of relationship marketing remains contradictory, with practitioners reporting that most relationship marketing efforts fail, and academic researchers suggesting that further exploration of the boundary conditions of relationship marketing are needed. A number of researchers have identified changes in the competitive environment as the basis for the adoption of relationship marketing, although recent research suggests a more complex, contingent view.[67]

A common mistake many firms make is to start by collecting information without thinking how the information will be used such junk data has no value and it will be just shelved. The information needs to be comprehensive and adequate to help analysis of the strategic or tactical decisions on the role of competitors and vita indicators. If a firm is planning a new product, information on the status of the competitors in the area will help in the decision processes and plans for this new product. Alternatively, the firm may review how the industry will develop in future towards the market leadership, potential merger, and acquisition or business partnership. The information requirements for each of these business decisions will be completely different and so the information that should be sought will also be different. Thus before starting to search for information, the competitor analyst needs to sit back and define what the firm is looking for and why. It is important to identify the key areas of concern for the business decision makers requesting the information, and aim to satisfy these. The supplementary information may be interesting, but unless it helps the decision process it should be viewed as superfluous, and should be stored for use at another time or even ignored if it is unlikely to ever have value. Hence, a firm may streamline its search needs towards better planned and focused strategies which would help in answering various intelligence requirements of the business.

Many multinational companies are now advertising their services and some specialise in offering information that can be used for competitor research. Some of them include *Dun & Bradstreet* (D&B) with a database of over 30 million companies world wide. The information on patents can be obtained from companies such as *Derwent Information* or from local patent offices. And global press information is available from databases made available by companies such as *Dialog, Lexis-Nexis and Factiva*. There are numerous other web-sources which include discussion forums, web-logs (blogs), protest groups, customer and governmental sites and so on.

Competitor learning models

It is essential that any company planning for competitive strategies should possess high learning skills in order to collect right information, analyse and interpret the results. The organisation's knowledge about competitor and his moves broadly consists of perceptions, beliefs, assumptions and projections The single loop learning may occur when the organisation detects and corrects the knowledge base without changing thrust on its strategies and actions. This is closed and confined learning method that do not allow reviewing or re-engineering the information spool. On the contrary, in the double loop learning process, the organisational knowledge, information base and strategies in addition to its action plans are open for review and re-engineering in the long-term interest of the company.

There are three levels of competitor analysis – a system, an individual competitor and specific components of the competitor. The framework of competitor analysis includes the infrastructure and culture of an organisation and value chain, networks and relationships representing the environment of the company. The entire analysis must focus on the current strategy of the competitor firm and its future steps. Besides the assumptions in business risks and prospects, it is also important to analyse the assets, capabilities, competence levels and technology usage of the competing firm. In all these exercises, the data must be reliable and comprehensive to make the competitor learning process stronger. Signals are perhaps the most important core concept in competitor learning. A signal is an inference drawn by an individual in some specific context from the data and information about a competitor pertaining to the past, current and future strategies. The core components of the signal are indicators of the data and information. The inferences on signals received from the competitors on the basis of data need to be drawn to derive strategies for implementation.

A competitor signal is difficult to interpret and assess if there is no proper database and the indicators are not relevant. The ambiguity about indicators may occur by words, actions, unclear strategies of the organisation and biased information. The signals from the competitor may be direct or indirect. The analyst needs logical aptitude and strong reasoning to use the indirect signals appropriately for building strategies. The competitors send signal in the market about all the vital indicators of business like product, services, advertisement, prices, channels etc. in a distorted fashion to weaken the business rivals. It is thus, necessary to capture the signals well in time and draw inferences. Late attention to the signal may lead to detection lag, caused due to the extended length of time between the availability of the information and its capture by the analyst. The competitors' signalling is very volatile and needs to be attended immediately to avoid any time lag or delay in drawing inferences out of the available information. Knowledge is an important component in the process of competitor learning. Knowledge in the business activities is an outcome of intellectual efforts performed by the individuals with an objective of providing vital information on the move of the rivals in the market. There are some companies who provide information services as consultancy. However, the large companies, which have narrow objective of only production, have realised the importance of building knowledge base for sustaining competition and heading towards continuous growth. The business players of product and services need to replenish their knowledge continuously on the consumer behaviour, competitor moves, technology development and future market dynamics. The linkages outside the company in the form of alliances, informal business partnership, and networking also are contemporary sources to the knowledge on the competitor learning. It may be observed on the present business platforms that the large corporations and MNCs have been acting with ever greater ingenuity by crafting linkages with rivals, channels, customers, suppliers and technology sources. The competing television channels may be one of the examples of such strategies, which develop variety of contacts for getting information from the customers and the reaction of the rivals in the market. The customer behaviour towards the products and services of any company is analysed on the basis of the perceptual dimensions on the qualitative parameters. The perceptual indicators may broadly include brand loyalty, corporate image, competitive standing and the extent of business credibility earned by the company in the market.

Analysis of the information for learning the competitor movements should be aimed at knowing who is winning and losing the business game in each arena, who is controlling the majority of business stakes in the market and which company is redefining its business strategies in a modified way convenient to its customers and suppliers on the win-win platform. Theorists have highlighted the issue of 'market driving' wherein, in contrast to focusing on being close and listening to the market/customer (market driven), the firm 'leads the customer' or reshapes the markets to their own requirements. This study aims to present an empirical study of market driving that generates insights into not only what factors lead a firm into a market driving approach but also how market driving occurs in practice. A review of existing literature reveals that while a range of contributions have considerably advanced our understanding of both market driven and more recently, of market driving organisations, few empirical studies have been presented. An exploratory discussion has been presented in the case study of De Beers in China as a potentially valuable source of insights, complemented by a propositional inventory. The case of De Beers proposes that two factors lead to the adoption of a market driving approach: customer familiarity and preconceptions of product characteristics, and the extent of market control. This study also contributes insights into the nature and dynamics of market driving. In particular, four tenets of market driving are identified which include market sensing, changing customer preferences, channel control through relationship formation, and local sensitivity.[68]

The *competitive intelligence* also contributes to the learning process of a growing firm. Competitive intelligence is the information available to the competitors for free access on the public resources, which is periodically updated to present the current contents and potential strategic information. The information acquired by the competitors through public sources serves as an important input in formulating marketing strategy. A firm must be aware of the perspectives of its competitors before deciding which competitive moves to make. The competitive intelligence includes information beyond industry statistics and trade gossip. It involves close observation of competitors to learn what they do best and why and where they are weak. There exist three types of competitive intelligence – defensive, passive, and offensive. The defensive intelligence is the information gathered, analysed and used to avoid being caught off-balance. In this process a deliberate attempt is made by the competing firm to gather information on the prevailing competition in a structured fashion and to keep track of moves of the rivals that are relevant to the firm's business. The passive intelligence is the temporary information gathered for a specific decision. A company may, for example, seek information on a competitor's sales compensation plan when devising its own compensation plan. An offensive intelligence is the information gathered by the firms to identify new opportunities and from a strategic perspective; such intelligence is most relevant for a growing firm amidst competition.

Further reading

Aldlaigan, A. and Buttle, F. (2005), 'Beyond satisfaction: Customer attachment to retail banks', *The International Journal of Bank Marketing*, 23(4), 349–59.

Bellin, J. B. and Pham, C. T. (2007), 'Global expansion: Balancing a uniform performance culture with local conditions', *Strategy and Leadership*, 35(6), 44–50.

B. Sue (2004), 'The internationalization process and the role of learning in small service firms', in M. Frank, M. Michael, and B. Trevor (Eds), *The Process of Internalization – Strategic, Cultural and Policy Perspectives*, New cork, NY, Palgrave Macmillan, 211–31.

M. Curran James and L. Meuter Matthew (2005), 'Self-service technology adoption: Comparing three technologies', *Journal of Services Marketing*, 19(2), 103–13.

A. K. Gupta and V. Govindarajan (2000), 'Managing global expansion: A conceptual framework', *Business Horizons*, 43(2), 45–54.

S. Hanninen and B. Sandberg (2006), 'Consumer learning roadmap: A necessary tool for new products', *International Journal of Knowledge and Learning*, 2(3), 298–307.

L. K. Johnson (2006), 'Successful business process outsourcing', *Sloan Management Review*, 47(2), 5–6.

K. Babita and B. Gagandeep (2007), 'Merchandise planning: An indispensable component of retailing', *The ICFAIan Journal of Management Research*, 6(11), 7–19.

I. C. MacMillan and R. G. McGrath (1997), 'Discovering new points of differentiation', *Harvard Business Review*, 75(4), 133–45.

A. G. Parsons and P. W. Ballantine (2004), 'Market dominance, promotions, and shopping mall group performance', *International Journal of Retail & Distribution Management*, 32(10), 458–63.

Rajagopal (2005), 'Pasos clave para hacer crecer nuestros negocios a través de asociaciones con empresas de países desarrollados', *Management Herald*, Argentina, February, 22–3.

R. Burke (1996), 'Virtual shopping: Breakthrough in marketing research', *Harvard Business Review*, 74(2), 120–31.

R. D. Tamilia and S. E. Reid (2007), 'Technological innovation and the rise of the department store in the 19th century', *International Journal of Technology Marketing*, 2 (2), 119–39.

H. Treiblmaier and A. Strebinger (2008), 'The effect of e-commerce on the integration of IT structure and brand architecture', *Information Systems Journal*, 18(5), 479–98.

8
Customer-Centric Business Management

This chapter discusses customer-centric management strategies by retailing firms that aims at developing pro-customer strategies through better ways of communicating value propositions and delivering the complete experience to real customers. The discussion in the chapter are woven around learning about customers and experimentation with different segmentations and value propositions that are required to acquire and retain customers in a firm. Customer-retailer relationship gets closer and stronger through the effective information management at both the ends. This chapter shares information, best practices and customer support policies of retailers and manufacturers helps to develop higher quality of customer-centric retail management in the marketplace. It is emphasised in the chapter that in a more competitive situation, the retailers and manufacturers respond more favorably to the customer information sharing initiative.

The role of marketing strategies in fostering controlled consumer empowerment is reflected in the development of information-based consumer-centric marketing strategies that seek to enable and control delegation. In designing such strategies, consumers' familiarity with the use of information and communication technologies are both strengthened and widened, emphasising the uncontrolled nature of the consumer empowerment process. There is a need to regain control over the marketing process, that is, to either manage the technological empowerment of consumers, or to devise new strategies cognizant of the possibility that such technological empowerment cannot be managed. The valuation of consumer loyalty in this environment rises significantly.[1] Organisations seeking to adopt a more customer-focused strategy will learn from the approach DuPont. It took in grappling with this challenge, based on an extensive program of qualitative and quantitative research with customers around the globe. The customer touch-point analysis of the organisation facilitated alignment of functional groups within the organisation (product, sales, customer service, etc.) and equipped them to deliver on newly developed, segment-specific value propositions. This major initiative has enabled DuPont to reprioritise internal efforts and business practices and been a catalyst for broader organisational changes notably the dissolution of many functional silos that previously had hindered its ability to deliver against its brand promise.[2]

The companies engaged in sales and services of high value-high technology goods like hybrid automobiles need to explore new modes of cooperation among customers, retailers and manufacturers resulting from co-design which leads to a customer-centric business strategy. Co-design activities are performed at dedicated interfaces and allow for the joint development of products and solutions between individual customers and manufacturers.[3] Knowledge sharing through face-to-face communication is positively related to both product and financial performance, while technological knowledge sharing has a positive impact on product performance under conditions of high technological dynamism. Supplier involvement in the buying process is related to product and services performance, while use of knowledge management tools is related to financial performance.[4] Customer-centric research aims at developing pro-customer strategies to focus on better ways of communicating value propositions and delivering the complete experience to real customers. Learning about customers and experimentation with different segmentations, value propositions, and effective delivery of services associate customer in business and help frontline employees acquire and retain customers with increasing satisfaction in sales and services of the firm.[5]

The effect of services performance on relationship quality, in situations characterised by high relative dependence of the buyers on the dealers, is governed by the efficiency in delivery of services which develop high customer satisfaction. Buyer-dealer relationship may have significant effects on the focal firms in reference to the flexibility, responsiveness and customer relationship management which would help building capability of supplier firms towards increasing competitive advantage and gaining high customer value.[6] Automobile service centers face the problems of unscheduled arrival of the vehicles that lead to demand in excess of capacity or under utilisation of the capacity. Management of the service centers are often found to be reactive to such situations which affect the level of customer satisfactions due to time and task adjustments.[7] Satisfaction plays an important role in relationships, is instrumental in increasing cooperation between channel partners, and leads to fewer terminations of relationships.[8]

Customer-supplier relationship gets closer and stronger through the information management at both the ends. Information sharing by distributors helps firms to develop higher quality supplier relationships. Interestingly, even if the initial level of trust in the retailer is low, the relationship quality substantially improves. In a more competitive situation, the suppliers respond more favorably to the retailer's information-sharing initiative.[9] In addition, the evidence indicates that profitability and market share growth also suffer.[10] Measuring customer satisfaction leads to identifying ways to improve product and services quality of the firm, which in turn leads to increasing the company's competitive advantage. One of the best practices adopted by multinational companies is applying various listening tools to obtain information about customers' needs, preferences, and perceptions of their performance while another is to identify salient activities for managing customer perception and satisfaction.[11]

Customer services efficiency

Many firms are developing sustainable competitive strategies based on customer-services relationship. Vertical integration, physical facilities, even a seemingly superior product no longer assures a competitive edge. Sustainable advantage is more likely to come from developing superior capabilities in a few core service skills. Services quality is increasing the leverage of sales activities in automobile industry and these changes drive managers towards structuring their organisations and define strategic focus. Most competitors know that a key factor in the success of Japanese network relationships is the practice of dedicating supplier services to the customer.[12] Successful service managers pay attention to the factors that drive profitability in this new service paradigm constituting investment in people, technology that supports frontline workers, revamped recruiting and training practices, and compensation linked to performance. The service-profit chain which is developed from analyses of successful service organisations establishes relationships between profitability, customer loyalty, employee satisfaction, customer loyalty and productivity.[13] Improvement in services quality in a firm provides competitive advantage, and scope for attracting potential and retaining prevailing customers. Quality function deployment process in prioritising services is of fundamental importance and it significantly affects the customer's satisfaction. Generally, the relationships between customer needs and services delivery by automobile firms generate intangible effects which drive the cognitive behavior of customers in long-run.[14]

An agent-based model of the online electronics market, consisting of large number of customers and sellers, reveals that customers repeatedly interact with sellers, searching for high quality and low price, but only some buyers know seller quality prior to purchase. Customers may learn seller quality directly or from information obtained from other customers or else estimate quality through market share heuristics.[15] In the growing competitive market customer value is perceived in reference to benefits received and price paid. Firms can identify any misalignment and use services that add to the benefits of customers to balance the benefit-price equation after measuring customers' perceptions of value.[16] However, in order to meet the increasingly more complex needs of customers and respond to decreasing product margins, product-oriented firms have developed a growing interest in extending their service business.

Over the last couple of years, most product-oriented companies have explored the numerous opportunities offered by traditional customer service and product-related services. It is observed that cost of customer services, risk aversion, tendency to set over-ambitious objectives, and competitive advantage factor play critical role in creating customer support services.[17] Automated services call centers are operated by many automobile dealers to provide value added advantage towards time and cost to the customers. However, users tradeoff between automated call center attributes while choosing a dealer service. Customer value maximising service designs are developed encompassing three generic strategies which include cost leadership, differentiation and focus strategy.[18]

It has been observed in a study that sales performance is a function of outlet attraction, effective distribution management, services quality, price and promotional strategies as functional factors. Besides, relational variables including personalised customer services, leisure support and customer convenience also influence the performance of dealers.[19] A study reveals that market performance relates highly to relationship orientation and service quality as two alternative but complementary strategies, whereas the effect on economic performance is basically indirect through the market performance. Firms need to focus on quality service as a principal driver of customer relationship and as a tool for measuring market performance.[20] The key elements of buyer-dealer relationships including long-term relationships, communication, cross-functional teams, and supplier integration are followed at different levels of transactional process. Besides, customer satisfaction, reliability, and product-related performance are the major drivers that play significant role in the success of such dyadic relationship. Asian companies like Toyota and Honda have built great supplier relationships by consistently following six steps – understanding functional pattern of suppliers, reducing supplier rivalry and providing better opportunity, monitoring closely customer relations, enhancing supplier capabilities, sharing information intensively but in a selective way, and help customers continuously improve their association.[21]

Quality practices initially have a direct effect on both internal quality performances such as design quality and conformance quality, which has indirect impact on external quality comprising quality-in-use, and customer satisfaction over long run.[22] The process approach to supply chain integration presents a mechanism that can be applied to any industry. It represents a systematic methodological business renovation approach involving cost cuts, quality improvements and lead-time improvements. The novel combination of business process and demand/supply simulation enables an estimation of changes in lead-times, process execution costs, quality of the process and inventory costs.[23] All these empirical studies reviewed in the pretext, support the relationship between quality practices and conformance quality.

The customer value is an intangible factor which has significant role influencing the buying decisions. The customer value includes broadly psychometric variables like brand name, loyalty, satisfaction and referral opinions. The customer lifetime value is built over time by the business firms which also contributes to the individual perceptions of the customers and augments their value. The new school of business thoughts and contemporary researchers have emphasised that, towards maximising the lifetime value of customers, a firm must manage customer relationships for the long term. In a disagreement to this notion a study demonstrates that firm profits in competitive environments are maximised when managers focus on the short term with respect to their customers.[24]

Customer lifetime value (CLV) is a key-metric within customer relationship management. Although, a large number of marketing scientists and practitioners argue in favor of this metric, there are only a few studies that consider the predictive modeling of CLV. Customer lifetime value also represents the net present value of profits, coming from the individual customer, which creates a flow of transactions over time. Firms look at their investments in terms of cost per sale, rate of customer retention, and also conversion of prospects. CLV is, then, used as a convenient yardstick of performance. The concept of the lifetime value of a customer is well established in the theory and practice of database marketing. The lifetime value of a customer, defined to be the expected present value of the net cash flows from the firm's relationship with the customer over his or her lifetime, is often used as an upper limit on spending to acquire the customer.[25] Many firms agree that their efforts should be focused on growing the lifetime value of their customers. However, few have come to terms with the implications of this idea for their marketing management with focus on decision making and accountability of customer values.[26] The customers' lifetime value is constituted by three components – customer's value over time, length of customers association and the services offered to the customer. The satisfaction is the customer's perception of the value received in a transaction or relationship and it helps in making re-patronage decisions on the basis of their predictions concerning the value of a future product. It may be thus be stated that the customer value paradigm is contemporary, which includes many elements of the customer satisfaction paradigm and is being more widely adopted and deployed by the firms.[27]

Customer lifetime value is a key-metric within customer relationship management. Although, a large number of marketing scientists and practitioners argue in favor of this metric, there are only a few studies that consider the predictive modeling of CLV. In manufacturing and marketing firms, customer behavior is rather complex, because customers can purchase more than one service, and these purchases are often not independent from each other.[28] However, it has been observed that low perceived use value, comparative advantages over physical attributes and economic gains of the product make significant impact on determining the customer value for the relatively new products. The customer value gap may be defined as the negative driver, which lowers the returns on the aggregate customer value. This is an important variable, which needs to be carefully examined by a firm and its impact on the profitability of the firm in reference to spatial (coverage of the market) and temporal (over time) market dimension need to be measured.[29]

In view of maximising the lifetime value of customers, a firm must manage customer relationships for the long term. In a disagreement to this notion a study demonstrates that profit of the firm in competitive environments is optimises when managers focus on the short term with respect to their customers.[30] Intuitively, while a long term focus yields more loyal customers, it sharpens short term competition to gain and keep customers to such an extent that the overall firm profits are lower than when managers focus on the short term. Further, a short term focus continues to deliver higher profits even when customer loyalty yields a higher share-of-wallet or reduced costs of service from the perspective of the firm. Such revenue enhancement or cost reduction effects lead to even more intense competition to gain and keep customers in the short term. The findings of this study suggest that the competitive implications of a switch to a long term customer focus must be carefully examined before such a switch is advocated or implemented. Paradoxically, customer lifetime value may be maximised when managers focus on the short term.

Improving customer value through faster response times for new products is a significant way to gain competitive advantage. In the globalisation process many approaches to new product development emerge, which exhibit an internal focus and view the new product development process as terminating with product launch. However, it is the process output that really counts, such as customer availability. Many firms with shortening product life cycles try to penetrate into the market as quickly as possible. It is observed that commercial success of new product is significantly associated with a more ambitious and speedier launch into overseas markets as the process of innovation is only complete when potential customers on a world scale are introduced effectively to the new product.[31]

The retail sales performance and the customer value approach are conceptually and methodically analogous. Both concepts calculate the value of a particular decision unit by analytical attributes forecast and the risk-adjusted value parameters. However, virtually no scholarly attention has been devoted to the question if any of these components of the shareholder value could be determined in a more market oriented way using individual customer lifetime values.[32] The value of a customer may be defined in reference to the key assumptions concerning retention rate and margin of profit of the firms over time. The value of all customers is determined by the acquisition rate and cost of acquiring new customers.[33]

Customer-centric pricing

Changes in the marketing environment may require a review of prices of the products that are already in the market. For example, an announcement by a large firm that it is going to lower its prices makes it necessary for other firms in the industry to examine their prices. A review of pricing strategy may also become necessary because of shifts in demand. An examination of existing prices may lead to one of the three following strategic alternatives:

- Maintaining the price,
- Reducing the price, or
- Increasing the price.

If the market segment from which the company derives a big portion of its sales is not affected by changes in the environment, the company may decide not to initiate any change in its pricing strategy and maintain the status quo in the prices. The strategy of maintaining price is appropriate in circumstances where a price change may be desirable, but the magnitude of change is indeterminable. If the reaction of customers and competitors to a price change cannot be predicted, maintaining the present price level may be appropriate.

There are three main reasons for lowering the prices. Firstly, the prices as defensive measure may be cut in response to competition. To successfully compete in mature industries, many companies reduce prices following a strategy that is often called value pricing. For example, in view of the slipping profit margins and lower customer counts, McDonald's cut prices under pressure from major rival companies like Burger King, Wendy's, and Taco Bell. A second reason for lowering prices is offensive in nature. There is a strong current trend towards globalisation of the sales function, driven by increasing customer power, initiatives in customer relationship management, and the design of customer-centric organisations. The recession in USA during the early 1990s caused consumers to tighten belts and to be more sensitive to prices. Sears, therefore, adopted a new pricing policy whereby prices on practically all products were permanently lowered. The company closed its 824 stores for two days to remark price tags and to implement its 'everyday low pricing' strategy. A number of other companies, such as Wal-Mart and Toys 'R' Us also pursue this strategy by keeping prices low year-round, avoiding the practice of marking them up and down. Consumers like year-round low prices because constantly changing sale prices makes it hard to recognise a fair deal. Similarly, fast-food chains have started offering 'value' menus of higher-priced items.

The third and the last reason for price-cutting may be a response to customer need. If low prices are a prerequisite for inducing the market to grow, customer needs may then become the pivot of a marketing strategy, all other aspects of the marketing mix being developed accordingly. An increase in price may be implemented for various reasons. First, in an inflationary economy, prices may need to be adjusted upward in order to maintain profitability. During inflation all types of costs go up and for adequate profits, an increase in price becomes necessary. How much the price should be increased is a matter of strategy that varies from case to case. Conceptually, the price should be increased to such a level that the profits before and after inflation are almost equal. An increase in the price should also take into account any decline in revenue caused by shifts in demand due to price increases. Strategically, the decision to minimise the effects of inflationary pressures on the company through price increases should be based on long-term implications in order to achieve a short-run advantage.

The downside of increasing price may be illustrated with reference to coffee. Let us say that there is a segment of customers who ardently drink Maxwell House coffee. In their minds, Maxwell House has something special. If the price of Maxwell House goes up (assuming that the prices of other brands remain unchanged), these coffee drinkers may continue to purchase it because the brand has a virtual monopoly over their coffee-drinking behavior. There is a limit, however, to what these Maxwell House loyalists will pay for their favorite brand of coffee. Thus, if the price of Maxwell House is increased too much, these customers may shift their preference. The extent of the increase in price, however, depends on many factors. Each competitor has a different optimum price level for a given end product for a given customer group. It is rare that such optimum prices are the same for any two competitors. Each competitor has different options based on different cost components, capacity constraints, financial structure, product mix, customer mix, logistics, culture, and growth rate. The competitor with the lowest optimum price has the option of setting the common price; all others must follow or retreat. However, the continued existence of competitors depends on each firm retreating from competition when it is at a disadvantage until each competes primarily in a 'competitive segment', a monopolistic situation where it has an advantage compared to all others. This unique combination of characteristics, matched with differentials in the competitive environment, enables each firm to coexist and prosper in its chosen area (*i.e.,* where it has monopolistic control).

Prices may also be increased to segment the market. A high priced soft drink company may launch its product for executives. This brand may be differentiated as one that provides stamina and invigoration without adding calories. To substantiate the brand's worth and make it appear different, the price may be set at double the price of existing soft drinks. Hewlett-Packard Company operates in the highly competitive pocket calculator industry, where the practice of price-cutting is quite common. Hewlett-Packard thrives by offering high-priced products to a select segment of the market. Strategic pricing is one of the most powerful sources of profits and growth. Yet, in recent years, it has been the least exploited driver of shareholder value. Few manufacturers review their pricing systematically. Most set prices reactively. Some extrapolate from history, and for others it's just a hunch. Today the need for strategic pricing is greater than ever. Pressures from price-sensitive consumers on one side, and a forceful and consolidating retail trade on the other, have resulted in significant price rollbacks on everything from cigarettes to cereal. Some claim the rollbacks have been good for business, but the net result has been considerable profit erosion. Pricing now is little more than a plug to make our plan numbers'. The implementation of strategic pricing can provide following advantages.

- Boost total profitability by pricing based on consumers' long-term demand elasticity
- Increase sales of a company's most profitable products
- Improve the profitability of noncore businesses
- Stop price leaks by monitoring price concessions
- Create competitive advantage that is hard to imitate.

Regaining control of prices, however, won't be easy. In most organisations, pricing power is diffused among many players making countless decisions across multiple functions and locations. Integrating *ad hoc pricing* strategies implemented by the retailing firms from time to time with a view to gain short run benefits has emerged as a challenge among growing firms in retailing industry. As the competition is gearing-up in emerging markets, retailing firms are driving higher investments towards product and in-store, allowing higher discounts on products and services, and price exceptions. Differences in retailer pricing strategies (everyday low prices versus high-low pricing, for instance) and the margins that retailers take on various products will significantly affect a manufacturer's negotiating power and posture.

In the high competitive market scenario many retailing firms often choose *survival* as the prime objective to cater the shifting demands and slash prices for operational overlooking profiteering opportunities. Such pricing strategy would increase the customer value and confidence when large options for buying are available in the marketplace. However, it would be difficult for the companies to get along with the survival pricing strategy in long run. On the contrary, some companies favor to push the prices upward with a view to skim the segmented markets. This strategy will help in building substantial buyers segments with reasonably high demand for the product and initial high price does not allow more number of competitors to make entry. The high price also helps the company to build-up the quality image of their product. The entry of *Kellogg's* in Indian market with their breakfast cereal product line has the same objective. It is a product positioned in the class market with high price and skimming strategy. The high price added to the brand image of the products and its company. Similarly, *Surf Excel* the detergent from Hindustan Unilever Ltd. has adopted the market skimming strategy keeping the price comparatively higher. The consumers of the high purchasing power segment largely accept the product. The price of the product backed by the promotion wizards and quality added the high brand image in the market.

Retailing firms also look into the price sensitivity factors associated with the consumers in a given market to develop appropriate pricing strategy and augment the value of buyers. In general the price sensitivity of the product would be higher provided the demand decreases in larger proportion to the increase in the price. This may happen when the product is close to the substitutes. Example may be cited of the edible oils as the brand switching is very fast and consumers are highly sensitive to the price rise. It was observed that during 2005, demand of groundnut oil of *safal* brand in Karnataka in India, decreased by 24 per cent in response to 6 per cent general increase in the oil price. On the contrary the consumers are less price sensitive in case of essential commodities like cereals, gas, petrol etc. Nagle[34] has identified some factors affecting the price sensitivity of the consumers. The consumers are less sensitive to the price of the products under the following circumstances:

- Which have rare availability and unique value,
- When they have inadequate knowledge of the substitutes,
- When it is not possible to distinguish the attributes and quality of the product with the competing products,
- When the expenditure is lower to their income,
- When the total cost incurred to the end product by the buyers will be less,
- When the cost of the product is borne by the third party,
- When the product is of high quality, status and is exclusive, and
- When the buyer cannot store the products for long run at low prices *viz.* fruits and vegetables, milk etc.

The price bundling strategy is also an important strategy being used by many companies in the competitive environment. This strategy may be defined as an inclusion of extra margin in the price to cover a variety of cascading price functions and services which are required to sell and maintain the products in the long run in the spatial and temporal markets. This pricing strategy may be implemented to generate extra revenues to cover the anticipated expenses of providing services and maintaining the product and to generate revenues for supporting after-sales service personnel. The price bundling strategy also helps to establish a contingency fund for unanticipated happenings and developing an ongoing relationship with the customer.

This strategy is ideally suited for technologically sophisticated products that are susceptible to rapid technological obsolescence because these products are generally sold in systems and usually require the following:

- Extra technical sales assistance,
- Custom design and engineering concept for the customer,
- Peripheral equipment and applications,

- Training of the customer's personnel, and
- A strong service/maintenance department offering prompt responses and solutions to customer problems.

The implementation of this strategy would yield results in keeping the asset in an acceptable condition for resale or release and generate positive cash flow. The price bundling strategy would provide instant information on changing customer needs and also helps in increasing the sales due to 'total package' concept of selling because customers feel they are getting their money's worth.

Factors other than price may be important in analysing buying situations. Buyers may be willing to pay a premium price to gain other advantages or, be willing to forego certain advantages for lower prices. Other important factors besides price are quality, uniqueness, availability, convenience, service, and warranty. In an attempt to recover from intense price competition, fast food chains are marketing value menus of higher-priced items. These value strategies include the quality of the food, user friendly service, and attractive dining facilities. For example, McDonald's advertising message, 'What you want is what you get', emphasises the concept of value. Value mapping is a useful technique for analysing how buyers perceive the offerings of different brands. One approach is to first develop the map based on managers' opinions, followed by obtaining value perceptions from a sample of consumers. Certain buying situations may reduce the importance of price in the buyer's choice process. The price of the product may be a minor factor when the amount is small compared to the importance of the use. Examples include infrequently purchased electric parts for home entertainment equipment, batteries for appliances, and health and beauty aids during a vacation. The need for important but relatively inexpensive parts for industrial equipment is another situation that reduces the role of price in the buyer's purchase decision. Maintenance personnel use quick metal, an adhesive produced by Loctite Corporation to repair production equipment. At less than $20 a tube, the price is not a major concern since one tube will keep an expensive production line operating until a new part is installed.

Managing customers

The major tasks performed by the international retailing firms in managing customer are towards acquiring and retaining customers in the potential and existing markets. Manufacturers and retailing firms extensively use concept selling strategies and knowledge management base for acquiring new customers in the potential marketplaces. With the emergence of effective knowledge management systems, firms attract customers through disseminating knowledge on the technology and use value associated with the product and web based simulation which provides a larger base for learning.

Such learning platforms contribute towards developing strategies of the firm for accelerating the process of acquiring customers.[35] Many manufacturing and distribution firms of high technology and high value products such as green cars rely on building string and effective customer relationship prior to sales to acquire customers. The key activity in building customer relationships involves provision of the requisite products and services of the firm which in turn, drives the perceived use value of customers on the products and services, in reference to their level of satisfaction with the benefits being offered by the firm.[36] Retailer-customer relationships are deemed valuable not only retailing firms but also by the manufacturing firms of consumer goods as such relationships would generate strong referrals, word-of-mouth, and reduce the acquisition costs of new customers. All elements driving customer acquisition process including the creation of customer expectations, knowledge sharing, advertising, promotions and post-sales customer service have long-term implications for the customer-retailer relationship.[37] Previous research on customer retention and customer acquisition shows that, retaining a customer is more valuable than gaining a new one. So the driving factors of customer retention should be confirmed so as to explore the policy and means to prevent customer defection. Customer satisfaction, customer value, switching cost and relationship trust are driving factors of customer retention, are the interrelated factors working dynamically in the process of customer acquisition and retention.[38] Acquiring customers for manufacturing and retailing firms is a three-step process which include firms to gain a better understanding of the needs of their customers, preferences of customers for in-store promotions and identifying the specific retail interventions to leverage customer value against competing firms. Customer management strategies followed by many multinational manufacturing and retailing firms reveal that firms make reasonably high investment in acquiring and retaining customers. Customers acquired by the firm hold high expectations and if they are properly met by the firm, customers may turn loyal over their long-run association.

Many manufacturing and retailing firms often apply consumer marketing solutions in the marketplace for short-run gains without realising that such strategies may adversely affect the acquisition and retention of profitable customers. Carefully segmented customers of a firm inevitably expect customisation and desired volume of products at the preferred prices. Hence, firms need to manage customers individually or in homogenous groups showing how products and services offer solution to each buyer's problems. In this process firms must learn to harvest benefits of customer loyalty by developing one-to-one relationships with customers. In the long-run as customers become increasingly loyal to the firm or brand, they display behaviors in a predictable sequence and help enhancing the market coverage of firm by growing inter-personal relationship with potential customers and providing word-of-mouth endorsements.[39]

Multinational firms grow in their business by acquiring new customers continuously in different market destinations. The process of acquiring customers involves searching for potential buyers who were not previously aware of firm's products and were not candidates for pre-programmed purchases such as baby diapers for new parents, or customers who in the past have bought competing brands. However some customers might have been discrete customers of products of the firm, which could be an advantage as more data might be available about them or also a disadvantage because they might have switched as a result of dissatisfaction. Thus, firms use data mining techniques to explore the lost customers and reorient retailing strategies to provide them competitive advantages'. Prior to the process of customer acquisition, it is important for the firms to match the goals of marketing campaign towards acquiring customers. In most situations, the goal of an acquisition marketing campaign is to turn a group of potential customers into actual customers of products or services of the manufacturing and retailing firms. As the results of an acquisition campaign are evaluated, there are often different kinds of responses that need to be considered.[40]

> Consequent upon opening the market for retailers in Indonesia, many global retailing firms started their retail chains in Jakarta, which is the most populated and most developed city in the country. The demand for consumer goods has sown an increasing trend since 2000 which accounted for greater scope of expansion in the major cities in Java, such as Surabaya and Bandung. Exploring the possibility of expansion many leading international retailers penetrated their business to other major cities outside Java, such as Medan, Makassar, Manado, Balikpapan, and Denpasar. This expansion was underpinned by factors including the fiercer competition among modern retailers in Jakarta, as well as in other cities in Java. However, non-store retailing has also sustained among store-retailers as it caters to the needs of the increasingly busy middle and upper income consumers in urban areas. In addition, the non-store retailing operations are largely supported by the university students in Indonesia through direct selling. This activity on one hand offers students to earn additional income, while it is boosting value sales of non-store retailing on the other. Leading non-store retailers also employed various promotional strategies, including advertising via mass media, and new product launches. As a result, consumers enjoy convenience shopping with higher levels of disposable income and are expecting rapid development of new shopping malls that will enable the chained modern retailers to expand their presence nationwide.[41]

The traditional approach to customer acquisition involves developing a combination of mass marketing including advertisements in the print and electronic media and billboards, and direct marketing using telemarketing and direct mail tools. However, firms that involve customers in design, testing, marketing, and the after-sales process, get better insights into customer needs and behavior, and may be able to cut the cost of acquiring customers, engender greater loyalty, and speed up development cycles. By leveraging and linking systems to automate processes for answering inquiries from customers, both dramatically reduced the cost of serving them while increasing their satisfaction and loyalty which helps firms to acquire more customers and also retain the existing customers. More recently, Carrefour, Metro, Wal-Mart Stores, and other large retailers have adopted digital-tagging technologies, such as radio frequency identification which helped firms in never letting their store shelves empty in order to make the products available to customers uninterruptedly.[42] This strategy has developed confidence among customers and strengthened the rate of acquiring new customer for these retailing firms.

Customers can be retained by the firm by making the customer value apparent while carrying transactions. Firm need to analyse the net benefit it can expect from a customer at the point of sales. Therefore, the firm would like to form some expectation regarding the lifetime value of that customer at various points of transactions. This expectation can then be used to make marketing activities more efficient and effective.[43] It is observed that the retribution of customer retention is customer defection, although customers offer most of the market information by signaling ineffective strategies in acquisition and retention. Learning these inefficiencies forces a firm to shift retention expenditures from low to high value customers. Customer recovery strategies are to dissuade customers who were thinking of switching. The ongoing process of customer loss means that the total group of customers who left a brand grows in number every year and can form a substantial part of the market. Moreover, given that the total number of 'good' customers or the customers with a sufficient lifetime value in the market is limited, brand managers might not be able to afford to forget and ignore their lapsed customers, in a hope of replacing them with new ones. Knowing how lapsed customers are likely to react in response to their former brand in the future is useful for targeting and re-acquisition strategies.[44]

Selling strategies in competitive marketplace

Globalisation has revisited the Darwinian concept of struggle for existence, making firms of all types to stand at the brink of competition. With worldwide sales mounting over 200 billion, the scale of selling exhibits greater understanding of its principal constituents wider SCOPE that includes Strategy, Customer, Opportunity, People, and Energy. People engaged in selling products are the firm's vanguard which encompasses sales representatives at the bottom of the sales pyramid. The sales representatives are instrumental to their firms' success and growth and stay dynamic in the sales force. The determinants for the success in sales largely constitute developing appropriate strategies for right products and right customers, selecting the right individuals, maintaining their motivation, developing the appropriate skills, and providing high perceived value and supply.[45] The job of salespeople may be described in reference to:

- Selling function
- Working with others
- Servicing the product
- Managing information
- Servicing the account
- Attending conferences and meetings
- Training and recruiting
- Entertaining
- Traveling
- Distribution

As the race of companies in global marketplace is getting tougher, many are choosing to develop customer-centric selling strategies against the market centric approaches. customer-centric selling aims at developing pro-customer strategies to improve the value propositions on buying and deliver complete experience of products or services to the customers. Learning about customers and experimentation with different segmentations, value propositions, and effective delivery of services associate customer in business and help frontline employees acquire and retain customers with increasing satisfaction in sales and services of the firm.[46] The companies engaged in sales and services of high value-high technology goods like hybrid automobiles need to explore new modes of cooperation among customers, retailers and manufacturers resulting from co-design which leads to a customer-centric business strategy. Co-design activities are performed at dedicated interfaces and allow for the joint development of products and solutions between individual customers and manufacturers.[47]

Organisations seeking to adopt a more customer-focused strategy will learn from the approach DuPont. The customer touch-point analysis of the organisation facilitated alignment of functional groups within the organisation (product, sales, customer service, etc.) and equipped them to deliver on newly developed, segment-specific value propositions. This major initiative has enabled DuPont to reprioritise internal efforts and business practices and has been a catalyst for broader organisational changes notably the dissolution of many functional silos that previously had hindered its ability to deliver against its brand promise.[48]

A strong market oriented strategy of the firm alleviates the possibility of using coercive influence strategies by the competitors and offers advantage to the customers over competitive market forces.[49] Market orientation is an organisation-wide concept that helps explain sustained competitive advantage. Since many manufacturing firms have linked their marketing strategies with services delivery attributes, the concept of market orientation is expanding as a system in global corporate settings. The process of market orientation contributes to continuous learning and knowledge accumulation by an organisation which continuously collects information about customers and competitors and uses it to create superior customer value and competitive advantage.[50]

Salesperson plays different roles in the selling process and his role changes over the course of action. He need to possess different abilities in each stage of the selling process, which include identifying prospects, gaining buy-in from potential customers, creating solutions, and closing the deal. Both the salesperson's job behavior and psychological well being can be affected if there are perceptions of role ambiguity or conflict or if these perceptions are inaccurate. There is a good deal of evidence, for example, that high levels of both perceived ambiguity and conflict are directly related to high mental anxiety and tension and low job satisfaction. In addition, the salesperson's feelings of uncertainty and conflict and the actions taken to resolve them can have a strong impact on ultimate job performance.[51] Salespeople in a firm are influenced by sales drivers to reach high outcome performance in a given region and time. Sales drivers include territory design, compensation, scope of assigned task and cultural interaction in the market. Salespeople in the more effective sales units display higher levels of intrinsic and extrinsic motivation, sales orientation, and customer orientation. Both behavior of salespersons and outcome performance were rated higher by managers in the organisations with more effective sales units.[52]

Salespeople should understand that a customer is sensitive to his demand and time. Prospecting customers is an art and value based approach towards target customers would lead towards acquiring customers successfully. On the contrary the eight words for a customer 'let me get back to you on that' may kill the sales as response time to customer was inordinately delayed and customer value for time is not respected by the salesperson. In competitive consumer markets, building and maintaining a good relationship with customers is essential to long-term business survival. In selling process relationship quality, trust, satisfaction and commitment of salespeople are instrumental in prospecting and closing the deals and such attributes help not only in acquiring customer but also retaining him delivering sustainable customer value.[53]

Selling is a dominant factor in the growth of a business organisation. As a marketing tool it has always had an important and legitimate role in creating consumer excitement and in clearing surplus or obsolete stock. However, in recent years the sales has become ubiquitous and pervasive in emerging firms as it plays significant role in contributing to business growth. Sales effectiveness is developed through cost control and customer value augmentation process. The sales effectiveness largely depends on various management practices, such as accurate demand forecasting, which the effective group uses more and aligned with the corporate objectives of the sale.[54] However, different 'sales' objectives require different marketing management practices. Major factors that affect the sales effectiveness and overall performance of sales include:

- Customer face time
- Productivity of salespeople
- Team communications
- Personal selling skills

Customer face time may be understood as the span of interaction between the salespeople and customers during the process of negotiation. It is observed that the longer the interface time with customer the higher the confidence in selling process. In a call center, agents may hang over the telephone call of a customer for reasonably long till a solution is reached and customer is satisfied. A call center can dramatically improve an organisation's ability to serve its customers. It is found that selling skills of employees in call centers show persuasive, sustained and customer driven attributes and lean towards ensuring satisfaction and spending more time in face-to-face interaction.[55]

Salespeople in a competitive marketplace are considered as human capital of the organisation who directly contributes towards the generation of revenue. Returns on the salespeople should be accounted as their per capita productivity. Companies need to develop a system that allows sales managers to monitor and evaluate the human capital periodically on the basis of cost-productivity metrics both to predict individual performance and to guide organisations' investments in people. The principal drivers for measuring the productivity of salespeople include leadership practices, employee engagement, knowledge accessibility, workforce optimisation, and customer relationship management competencies.[56] Consumer sovereignty is a growing concept which has emerged as the core driver of customer value. It is widely assumed that the customer satisfaction is a crucial variable in determining the long-run prosperity of a business. Since the sales force often has the maximum contact with the customer, it seems logical that their efforts towards satisfying the customer would be imperative. Salespeople can practice customer-oriented selling without fear of losing sales.[57] Salespeople *learn by doing* over their tenure on the job and it is observed that the more time they spend selling a particular product, the more productive the sales effort. The firms have objective to maximise profits by optimising the size of all sales force as well as their productivity. Some studies evidence that optimal sales force size increases with sales productivity and the learning rate while it decreases with sales force costs, product production costs, and consumer price sensitivity.[58]

In communicating sales related policies to field salespeople, the environment that would be challenging for a manager is towards understanding and adapting to individual behavior of the salespeople. Managers also need to know the different cultural groups and develop communication with the salespeople accordingly. Japanese people believe in implicit communication with a thumb rule of implied is better than spoken and appreciate interdependence to work in teams. As regards keeping group communication on target and schedule, with effective listening, the American and Mexican differ in terms of explicit communication style of the former and implicit communication style of the latter. The power axis for American may reflect on speaking independently while Mexicans like Japanese would reveal on interdependence with the other members of the team.[59] The American team members admire to have confidence, trust and commitment to work in a team while Mexican member rely on the facts more revealed from the antecedents and precedents than trust to carry on the team work. However, Mexicans like to achieve confidence once the project rolls-on, than measuring the confidence before beginning the team works.[60]

Emotional communication plays significant role in acquiring new consumers and retaining those who are associated with the firm. Managers of competing firms should provide training to the sales people on communication skills that generate cognitive influence among consumers. Emotions in selling can be developed through psychological and socio-cultural associations and meanings of products, company, perceived and prescribed use value, and keywords used during the negotiation process. Effective sales communication in a cross-cultural selling perspective is considered as the strongest bridge between salespeople and consumers. As cultural values, sales objectives and desired customer relationship levels influence the consumer value, it is argued that an emotional communication in selling process is imperative for acquiring and retaining consumers and develops sustainable sales strategies for competitive advantage.[61]

Most global companies are leaning towards personal selling practices to reduce the overhead costs. Personal selling is carried out by the self-employed individuals; these representatives are instrumental to their firms' success and growth. The success of direct selling practices depends on selecting the right individuals, maintaining their motivation, developing the appropriate skills, and providing high perceived value and supply. With an independent sales force framework, it is imperative for direct selling firms to implement skill development programs towards prospecting, negotiation, and customer relations, which help in finding and keeping strong individual sellers.[62] Persuasion is another important skill that needs to be acquired by the salespeople. The process of persuasion can be effectively administered by establishing credibility of salesperson, framing concepts to find common ground, providing vivid evidence, and connecting emotionally with the prospect. Credibility of salespeople grows out of expertise and relationships. The former is a function of product or process knowledge and the latter a chronological map of listening to and working in the best interest of others. But even if a salesperson's credibility is high, his position must make sense – even more, it must appeal – to the audience. Therefore, a salesperson must frame his position to illuminate its benefits to everyone who will feel its impact. Persuasion then becomes a matter of presenting evidence – but not just ordinary charts and spreadsheets.[63]

The technological changes are the main impetus behind new market opportunities. The extent of such change may be explained from super technologies to the appropriate and intermediate technologies. The strategic choices have wide ranging ripple effects through the organisation that determine the key success factors and growth performance. Some companies would be making right strategic choices by improving the implementation process of competitive advantages. These companies are guided by the shared strategic vision and are driven by the responsive attitude towards the market requirements. They emphasise the continuous strive to satisfy the consumers. A strategic vision in managing markets may be understood as the guiding theme that explains the nature of business and the future projections thereof. These projections or business intentions depend on the collective analysis of the environment that determines the need for new developments or diversifications. The vision should be commissioned on a concrete understanding of the business and the ability to foresee the impact of market forces on the growth of business. The vision will motivate the organisation for collaborative business planning and implementation. The powerful visions are also the statements of intent that create an obsession with winning the organisation. The business strategy broadly incorporates the following dimensions:

- Consumer needs
- Consumer segments
- Technology and resources
- Activities in the value added chain

Strategic thrust has a significant magnitude and direction in sailing the business though turbulent situation. The factors associated with the competitive advantage and business investments uphold the strategic thrust to achieve the business objectives though the positive channel efforts. The competitive advantage may be assessed in reference to the superior consumer value and lowest delivered cost. Such combination of the strategies may be termed as competitive superiority that explains cost effective delivery strategy to enhance the consumer value. An overall edge is gained by performing most of the activities at a lower cost than competitors. This would enable the company to optimise its cost of delivery of the new products and simultaneously enhance the consumer value to up-hold the strategic thrust of the company.

Selling is a complex process as it moves though various cognitive stages of decision making among consumers and often remains unpredictable of buying decision. There are four cognitive stages though with consumer is driven by the salespeople, which include:

- Awareness
- Comprehension
- Conviction, and
- Action

Salespeople invest a reasonably long time with consumers in generating awareness about the product its advantages and the company. Comprehension on the products, services and customer relations is delivered by the salespeople during the process of responding to the questions of prospecting consumers and clarifying their doubts hindering the decision making process. Comprehension in the selling process would generate higher level of confidence among consumers and develop their inclination towards making buying decision. This stage is defined as conviction and is often very delicate because at this juncture consumers borrow time to validate the information given by the salespeople and acquire second opinion from their nears and dears. Consumers also use their self-reference criterion to validate information and review their initial decision. One of the weak points that often strike down the efforts of salespeople is the lack of follow-up to watch the decision movements of consumers at this stage, which may cause escape of prospecting consumers without any notice. In the last stage of action consumer physically acquires the product evidencing the successful selling. Adhering to the core set of values salespeople should ensure the effective use of resources and develop a competitive advantage in selling process to generate action. By blending selling process through four different stages as discussed above, firms may develop lead in selling products and services to consumers in a competitive marketplace.[64]

Successful salespeople find ways to reach their consumers' problems, offer solutions and motivate them to buy solutions not products. They do this by identifying a thorny issue in the search of consumers for an appropriate solution and develop an original, compelling point of view about it. Smart salespeople pitch this point of view to a carefully chosen line executive in one crucial meeting and then prove its worth with a short diagnostic study. Such provocation linked solution selling leads to significant success in increasing the volume of sales as well as enhancing business opportunities.[65] Salespeople should provide information to the consumers on the products they sell and also generate awareness on alternatives of their firm's product line. Such attitude helps building consumer confidence and also opens them up towards creative thinking. Creative consumers lean to adapt, modify, or transform their decision on buying based on offering of salespeople representing new business opportunities. Central to business is the need to create and capture value, and creative consumers demand a shift in the mindsets and business models of how firms accomplish both.[66] Salespeople play multifaceted roles in business of a firm that includes:

- Solve problems
- Represent the company
- Communicate with customers
- Develop relationships, partnerships, alliances
- Discover needs
- Gather information
- Educate customers
- Catalyse change
- Help people buy
- Serve customers
- Treat people with respect

Behavior of a salesperson is an important predictor that significantly affects organisational sales results in developed countries. There were many studies conducted in the past, which evidenced that the relationships found in developed countries are also relevant in developing countries. The external and internal environment of a company and personality traits affect of salespeople together influence the buyer-seller relationships. Internal communication and the choice of a control system especially affect ethical decision making. It has been observed that informal internal communication affects the personality traits while the process of monitoring influences the ethical climate of the salespeople. Ethical climate and salespeople's personality traits also affect the ethical decision making during the prospecting, negotiation, closing the deal and post sales services process.[67] There is a significant impact of organisational culture on the values of salespeople which in turn affect the performance of their tasks.

Bottom of the Pyramid sales

Global companies are targeting business in the rural and semi-urban markets consisting of large consumer communities with small consumptions based on personal brand relationships, with local institutions retailers or distributors of global brands in the region. Urban culture and consumerism have emerged when the semi urban marketplaces near rural markets are modernised, experienced the dissolution of the conventional patterns of buying preferences among consumers within the proximity of semi-urban marketplaces. Bottom of the pyramid consumerism, which has emerged as a result of globalisation, has brought into force two separate rural or semi-urban behaviors among consumers. Such market taxonomy has influenced the core behavior of consumers.[68]

The Bottom of the Pyramid (BoP) market segment, which constitutes large number of small consumers, has become the principal target of most of the consumer brands emerging from multinational firms. It has been argued that companies penetrating at the bottom of the pyramid of market should provide constancy and agility at the same time. Constancy is required if the brand strategies of the firm is to build awareness and credibility while agility in the brand builds perceived values among consumers while agility is required if the brand is to remain relevant in a free marketplace.[69] Competing firms penetrating in the BoP market segment are largely influenced by the consumption needs, promotions, lifestyle and societal indicators that affect consumer behavior in relation to purchasing featured brands of up-stream markets. The BoP brands develop acquaintance and familiarity of consumers with the firm and buying behavior of consumers towards the acquainted brands which is referred as brand association. Consumers have only one image of a brand, created by the deployment of the brand assets at their disposal: name, tradition, packaging, advertising, promotion posture, pricing, trade acceptance, sales force discipline, customer satisfaction, repurchases patterns, etc. Clearly, some brand assets are more important to product marketers than service marketers, and vice versa. Some competitive environments put more of a premium on certain assets as well. Quality and price do not exist as isolated concepts in consumers' minds and are interrelated.[70] The Firms intending to penetrate in BoP market segment need to focus on a profit-oriented approach in order to access commercial advantage; inculcate repeat buying behavior among consumers, boost volume of buying by standardising products, measuring brand trial effects, and should run on low price strategies. Such strategies of brand penetration in the BoP market segment scale up customer loyalty, which ultimately improves the brand association of not only the clients themselves but also helps, the brand to lead in the mass market.[71]

The convergence of three forces in managing BoP brands consisting of customers, manufacturers and retailers affects mother brands of firms. These forces are put-up with dual responsibility to serve customers of premium and regular market segments as well as cater brand resources to customers in the BoP market segment and provide competitive gains to the firms at the lower market end. Buying decision of customers largely depends on the BoP brand environment wherein customers evaluate the level of satisfaction and generate customer-to-business pull, in case of satisfaction being significantly high.[72] Although the per capita response to sales may be lower in the bottom-line markets, the aggregate buying power of customers is actually quite large, representing a substantial variety of goods and services. Since these markets indicate buying potential, there exists long-run sales advantage for large number of companies. Thus, managers must shift their thinking towards the bottom-line market which holds value of high-volume but high-margin businesses in the long run.[73]

Modes of entry in competitive marketplace

A firm, which would like to involve itself in the international business, may look for its entry into international marketing in many possible ways including exporting, licensing, franchising, or as a production firm with multi-national plant locations. However, at any level of market entry the managerial trade-off lies between extent of risk and operational control. The low intensity modes of entry minimise risk e.g. contracting with a local distributor requires no investment in the destination country market as the local distributors may own offices, distribution facilities, sales personnel, or marketing campaigns. Under the normal arrangement, whereby the distributor takes title to the goods or purchases them as they leave the production facility of the international company, there is not even a credit risk, assuming that the distributor has offered a letter of credit from his bank. At the same time such arrangement to enter a destination country may minimise control along with the risk factor. In many cases, low-intensity modes of market participation cut off the international firm with information network while operational controls can only be obtained through higher-intensity modes of market participation, involving investments in local executives, distribution, and marketing programs.

Breakfast cereal, a relatively new introduction to the Bulgarian market, is the fastest growing sector in the Bulgarian bakery products market. According to a research study,[74] ready-to-eat breakfast cereals grew by 90 per cent in value terms during 2000–5 and the market grew by approximately 14 per cent just in 2005. Despite this impressive growth, cereal consumption in Bulgaria is low compared to other countries, which illustrates the immaturity of the market and its potential for the future. Besides the 'novelty' of breakfast cereals, a key reason for the success of breakfast cereals in Bulgaria is their healthy image, which manufacturers have carefully created by illustrating that their products are part of a balanced diet. Although the concept of health and wellness is growing in popularity in Bulgaria, consumers still need additional education on the subject. The foreign cereal manufacturing companies like Nestle, Kraft, Kellogg and General Mills etc. have therefore invested heavily in radio and television advertising to promote a healthy image for their products and attract health conscious consumers. These companies have also set up demonstrations in supermarkets that are designed to educate consumers on the health benefits of breakfast cereals. By using samples and other promotional materials, manufacturers have tried to inspire trials and eventually repeat purchases of their products. These campaigns mainly targeted the bigger cities, where consumers are generally more willing to try new products. The entry of foreign brands in the breakfast cereals in Bulgaria is further moved ahead by the fast expansion of supermarkets and the development of this distribution channel over the next several years will play a crucial role in making breakfast cereals more widely available.[75]

Many companies begin their internationalisation opportunistically through a variety of arrangements that may be described as 'piggybacking', because they all involve taking advantage of a channel to an international market rather than selecting the country-market in a more conventional manner. Piggybacking is an interesting development. The method means that organisations with little exporting skill may use the services of one that has. Another form is the consolidation of orders by a number of companies in order to take advantage of bulk buying. Normally these would be geographically adjacent or able to be served, say, on an air route. The fertiliser manufacturers of Zimbabwe, for example, could piggyback with the South Africans who both import potassium from outside their respective countries. Such practices may be noticed as American breakfast cereal products like Post from the owners of the leading US brand, which entered in the Mexican market via their subsidiary Kraft rather than direct from USA, thus leading to the rather bizarre situation of packs of breakfast cereals with English language packaging covered with stickers in Spanish. The most common form of piggybacking is to internationalise by serving a customer who is more international than the vendor firm. Thus, a customer requests an order, delivery, or service in more than one country, and the supplier starts selling internationally in order to retain the customer and increases its penetration of the account. This is particularly common in the case of business-to-business companies and technology-oriented start-ups.[76] The innovative concept of market entry strategy is based on moving with *consumer space* which indicates that foreign firms enter the destination market by developing adequate consumer awareness on the products and services prior to launch. This strategy is followed largely by the fast moving consumer goods manufacturing companies and such practice is termed as go-to-market strategy. Go-to-market planning enables the firm to achieve higher margins, accelerated revenue growth and increased customer satisfaction through existing sales channels. An effective go-to-market strategy aligns products & services, processes, and partners with customers and markets to deliver brand promise, the desired customer experience, and tangible value. Go-to-market strategy services help technology suppliers overcome market challenges.

Some firms who are aggressive have clearly defined plans and strategy, including product, price, promotion, and distribution and research elements. Passiveness versus aggressiveness depends on the motivation to export. In countries like Tanzania and Zambia, which have embarked on structural adjustment programs, organisations are being encouraged to export, motivated by foreign exchange earnings potential, saturated domestic markets, growth and expansion objectives, and the need to repay debts incurred by the borrowings to finance the programs. The type of export response is dependent on how the pressures are perceived by the decision maker. The degree of involvement in foreign operations depends on 'endogenous versus exogenous' motivating factors, that is, whether the motivations were a result of active or aggressive behavior based on the firm's internal situation (endogenous) or a result of reactive environmental changes (exogenous).[77] There is certainly no single strategy that fits all firms, products and markets. The competitive strategy for an established firm to start a new venture and launch a new product must be shaped by the characteristics of the firm, the market, and other environmental factors. Market entry through expansion of the company draws many challenges to firms considering new business options. Capitalising on overseas markets often opens doors to new levels of top and bottom line growth. Moreover, introducing a new product or service into a new market is an even bigger strategic challenge. A Successful Entry strategy may conceptualise and implement well structured entry processes to drive future growth, explore diversified stream of revenues and augment profit margins. It also addresses new competitors, customers, partners, suppliers and other market dynamics. However, there are five major modes which a foreign firm may apply to enter in the international markets. These modes of entry include exporting, contractual agreement, joint venture, strategic alliance and wholly owned subsidiaries.

A strategic alliance for international marketing is developed by pooling resources directly in collaboration. This strategy is more advantageous than joint venture. In this process the business partners bring together the specific skills of production, marketing and control in order to maximise their profit and have a major stake in the international business scenario. Many organisations have come to rely on alliances with key players in the marketplace as strategic ventures for maintaining a competitive advantage. These key relationships can help foster organisational learning, thus giving an edge over the competition. This serves as a primary motivation for alliance formation. A new trend of collaborative strategy in international business has gained popularity based on strategic alliance through which leading firms, particularly in high-tech industries gain mutual benefit. Strategic alliances are partial mergers, but have comprehensive impact on the performance of the firm. They involve mutual dependence and shared decision making between two or more separate firms. Strategic alliances differ from joint ventures as they encompass selected activities within time limits. Strategic goals pursued through strategic alliances are product exchange or supply alliances, learning alliances in research and development and market positioning alliances.[78] There are some important types of alliance that can be set-up for optimising the business. They are

- Technology-based alliances
- Production-based alliances
- Distribution-based alliances
- Resource-based alliances

One way for a firm to enter into a foreign market is to create a strategic alliance. A global strategic alliance is an agreement among two or more independent firms to cooperate for the purpose of achieving common goals such as a competitive advantage or customer value creation. Strategic partnerships may emerge in many forms including research and development consortium, co-production alliance, co-marketing partnerships, cross-licensing and cross-equity arrangements. Such alliances do not result in formation of a separate corporate entity but equity joint ventures form new strategic allies as legal entities to do specified business. The emergence of strategic alliances in Canada and other industrialised countries are related to economies of scale or scope, resource pooling, and risk and cost sharing among alliance partners. They include globalisation of the world economy, systemic technological change, and the growing acceptance of the view that competition, by itself, does not necessarily ensure optimum, innovation-led growth. While international alliances provide firms with strategic flexibility, enabling them to respond to changing market conditions, they can also be effective paths for achieving global scale in enterprise operations along with mergers and acquisitions and green field investment. The driving forces behind international strategic alliances include cost economising in production and research and development, strengthening market presence, and accessing intangible assets.[79] In the recent trends of globalisation, the practice of entering the international market through such alliances seems to be gearing up along with political support from developing countries. However, the companies having a larger share in the international market still reserve the right to entertain or not, any such alliances. Strategic alliances offer many advantages in business, of which some significant ones are as indicated below:

- The organisational efficiency will be improved with the flexibility and informality in strategic alliances
- Alliances developed strategically offer access to new markets and technologies
- The risk and expenses are shared among the allies reducing the impact of risk on the participating members
- The alliance would help the partners build their independent brand and manage retailing of goods and services
- Alliances can take various forms, from simple research and development deals to heavy budget projects.

Strategic alliances are especially useful for seeking entry into emerging markets. Foreign firms in emerging markets seek to optimise the market performance in global economy and strategic alliances appear to be the obvious solution for mutual benefit. Given this pattern of benefit, the strategic alliances of US and European manufacturing firms account for over half of the market entries into Latin America and Asia.

ING is one of the largest financial services companies among the prominent global firms, offering banking, insurance and asset management in over 50 countries. It has spread over its business to 60 million private, corporate and institutional clients in 60 countries with a workforce of over 115,000 people as in 2003. ING was founded in 1991 by a merger between *Nationale-Nederlanden* and *NMB Postbank Group* to become the first *bancassurer* of Netherlands. During the past 15 years ING has become multinational with very diverse international activities. The company holds insurance operations and asset-management activities in the Americas. It is well-established in the United States with retirement services, annuities and life insurances and has leading positions in non-life insurance in Canada and Mexico. Furthermore, the company is active in Chile, Brazil and Peru. The operating profits for the company in Americas have been increasing in €1310 million in 2003 to €1669 in 2004 before tax. In 2004, ING successfully repositioned itself in the wholesale banking market. The insurance business of the company in the Netherlands introduced a far-reaching plan to improve its customer service, with positive results so far. The business lines of the company further sharpened their focus on profitable top line growth, managing costs and risks and showing good bottom-line results. These four pillars are all equally important to generate above-average returns for shareholders. ING has diversified business activities in developing markets which offer a broad range of services in the fields of banking, insurance and asset management and has made its identity obvious in Asia/Pacific, Latin America and Central Europe amidst the competing local and multinational companies. In Latin America, ING is the largest insurer in Mexico and has important businesses in Chile and Brazil.[80]

The convergence of business practices of the partnering firms often emerges as a major challenge to perform the alliance task as in international business arena partnering firms belong to different socio-cultural environments. Alliance managers must make difficult decisions about when to partner and with whom, as well as how to structure and manage the partnership. Managers who can leverage information and knowledge across each stage of the alliance process will find that a knowledge-based approach is critical to the success of any partnership. In U.S.-Japanese alliances in the past, for example, Japanese companies saw these partnerships as a way to learn from their partner, while their U.S. counterparts used these alliances as a substitute for more competitive skills, ultimately resulting in an erosion of their own internal skills. Therefore, with companies that look on alliances as a way of learning from their partners, practices that enable knowledge sharing, creation, dissemination and internalisation become critical.[81] Cisco Systems and Polycom Inc. have a strategic agreement for joint development, licensing, and sales of Internet protocol (IP) telephony solutions. The objective of the alliance is to deliver enhanced IP telephones to enterprise customers; this agreement combines Polycom's leadership in audio conferencing technologies and Cisco's industry-leading expertise in IP networking and IP telephony. Based on this agreement, Polycom and Cisco have brought a Voice over IP (VoIP) conference phone to market that provides customers with industry-leading group conferencing capabilities within the Cisco IP Telephony environment.[82]

Further reading

Albrinck, J., Hornery, J., Kletter, D., and Neilson, G. (2001), 'Adventures in corporate venturing', *Strategy and Business*, 22(1), 119–29.

Biggadyke, R. (1979), 'The risky business diversification', *Harvard Business Review*, 57(3), 103–11.

Encaoua, D. and Hollander, A. (2002), 'Competition policy and innovation', *Oxford Review of Economic Policy*, 18(1), 63–79.

Gal, M. S. (2003), *Competition Policy for Small Market Economies*, Harvard University Press, Massachusetts.

Ghemawat, P. (1991), *Commitment: The Dynamics of Strategy*, Free Press, New York.

Hope, E. (2000), *Competition Policy Analysis*, Routledge, London.

Møllgaard, H. P. and Overgaard, P. B. (2001), 'Market transparency and competition policy', Copenhagen Business School, Department of Economics Working Papers, No. 06–200.

Praytor, F. D. (1989), *Small Marketer's Bible: Basic Marketing and Advertising Intelligence for Business in Non-Metro Markets*, CO: Rocky Mountain Research, Durango.

Rajagopal (2009), *Information Communication Technologies and Globalization of Retailing Applications*, IGI Global, Hershey, PA.

Rajagopal (2010), *Consumer Behavior: Global Shifts and Local Effects,* Nova Science Publishers Inc., Hauppauge, New York.

Rajagopal (2010), *Sales Dynamics: Thinking Outside the Box*, Nova Science Publishers Inc., Hauppauge, New York.

Rajagopal and Rajagopal, A. (2011), *Product Strategy and Six Sigma: Challenges, Convergence and Competence*, Nova Science Publishers Inc., Hauppauge, New York.

Roberts, S. (2004), 'The role for competition policy in economic development: The South African experience', *Development Southern Africa*, 21(1), 227–43.

Shapiro, C. (2002), 'Competition policy and innovation', OECD Science Technology and Industry Working Papers, No. 2002/11.

Tushman, M. and Nadler, D. (1986), 'Organizing for innovation', *California Management Review*, 3(1), 73–84.

9
Challenges Ahead

In this chapter, the author lays arguments on the challenges that emerging companies might be concerned with in the future. Global enterprises are increasingly concerned about the effects of international expansion on their corporate culture. The multinational companies nurture a set of enterprise-wide mindsets which can maintain a unity of purpose while at the same time successfully adopt practices to diverse local economic and cultural conditions. Author also argues that in future the growth in technology would lead to easy access of technology to the firms at a lower cost. Such situation would trigger complexities in the marketplace due to explosion of competition as firms could acquire technology at relatively low cost and augment their productivity.

In the pre-globalisation era markets in most countries were operating on conventional platforms with less focus on customer centric approaches and the market operations of the firms were viewed as simply the confluence of supply and demand. However, there were shifts in business ideologies of the firms in reference to the effects of globalisation and now they are able to attract a sufficient number of buyers and sellers, map clearly the consumer preferences, acquire new customers, and overcome market congestion by improving the infrastructure and opening more routes to market. In the recent past, industrialisation, population growth, the 'revolution of rising expectations' in the less developed countries, and international tensions have affected the political thinking to a large extent. However, the political instability generally occurs when the distribution of wealth fails to correspond with the distribution of political power. This situation may be described in reference to the classical school of political thought as the political stability in a country is largely based on a large middle class in a country. Such market-oriented strategies helped the competing firms to find solutions to the challenges of increasing market competition.[1] The emerging regionalisation of markets has opened up alternative possibilities and new challenges for tourism development, especially in the northern peripheries of Europe, which often consist of national borderlands.[2] Emerging forms of global governance have produced significant challenges to conventional conceptions of international relations. Educational multilateralism is an area that has been significantly affected by such challenges, but to date there have not been many efforts by education scholars to sum up the relative impact and total effect of the various clusters of change affecting educational multilateralism.[3]

Market orientation requires a different competitive mindset and a systematic way of looking for opportunities, instead of looking within the conventional boundaries that define how an industry competes; managers can look methodically across them. In the process of market orientation firms can find scope for real value enhancement than looking at competitors within their own industry.[4] Accordingly, firms with a customer-oriented business culture have shown to facilitate innovativeness in customer services to improve overall business system and develop a positive perception among the customers which is expected to yield long term loyalty. Customer-focused firms which also have market orientation, rely on developing strategies towards increasing customer satisfaction and loyalty through improved service quality.[5] It is commonly perceived by the marketing managers that market-oriented campaign is expensive but actually it can lower the operating costs and increase the market share yielding high sales. It is more profitable for a retailing firm to establish long-term customer relationships than to adopt a short-term transaction-oriented approach. The customer centric strategies in a firm should go beyond customer relationship and cater to cross-functional integration of processes, people, operations, and marketing capabilities that is enabled through information, technology, and applications.[6]

Cultural shifts in marketplace

Global enterprises are increasingly concerned about the effects of international expansion on their corporate culture. The multinational companies nurture a set of enterprise-wide mindsets which can maintain a unity of purpose while at the same time successfully adapt practices to diverse local economic and cultural conditions.[7] It is observed that if adequately balanced; individualism-collectivism may be a good source of intercultural fit while building shared leadership protecting mutual values. Such managerial outlook would help in reconfiguring individual and cultural orientations and styles of persons of different origin in the design of management teams to build high levels of social effectiveness in the work environment.[8] However, managing the cross-cultural challenges in the workplace may be made easy by developing a strategic fit of values in the organisation with flexibility in individual values and shared personality traits. In the low trust cultures the interpersonal relationship remains obscure and business dealings are largely bureaucratised and tagged with evidences. Such negotiation approaches slow down the process of getting the work done and also may cause retrenchment from the business scenario over time. Thus, it is necessary to identify the right and responsive people who could be relied upon as well as qualify on organisational parameters to build future relationship continuum.[9] In order to compete in an aggressively interactive competition, firms need to shift their corporate culture from the narrow focus on accelerating transactions to optimising customer lifetime value. It indicates that products and brands must be made acquiescent to customer and nurtured through the value based customer relationships. Accordingly, the corporate culture of the emerging firms facing the market competition should development stronger customer relationships rather than pushing products, adopt new performance metrics, and think of building customer-focused culture within marketing umbrella.[10]

Social institutions play significant role in nurturing the cultural heritage, which is reflected in the individual behaviour. Such institutions include family, education, political structures, and the media affects the ways in which people relate to one another, organise their activities to live in harmony with one another, teach acceptable behaviour to succeeding generations, and govern themselves. The status of gender in society, the family, social classes, group behaviour, age groups, and how societies define decency and civility are interpreted differently within every culture. Social institutions are a system of regulatory norms and rules of governing actions in pursuit of immediate ends in terms of their conformity with the ultimate common value system of a community. Urban and ethnic marketing strategies integrate consumer marketing solutions including Internet and technology aspects within the cultural environment of host country. An international marketer should evaluate the psychographic and demographic profiles that indicate the target market of urban and ethnic groups. The firm may choose to provide the marketing communication to the target segments close to their lifestyle. General Motors (GM) has made significant contributions to the cultural event on 'America on the Move' to exhibit at the Smithsonian's National Museum of American History. GM has appeared to be the largest single donor ever contributed to a cultural group. This promotional strategy has won the car company naming rights and a prominent place in all promotions.[11]

Marketplaces in urban demographic settings attract large number of buyers and sellers which can be termed as market thickness. Co-existence of many shopping malls along with traditional markets in a marketplace causes market *congestion*. This problem may be resolved by developing small kiosks for transactions and allowing consumers to indent customised products and services from the base stores.[12] The growth of market share for specialised retailers and large departmental stores depends on the size of consumer segment in a given urban population. It is observed that consumers' buying preferences become more diversified as the extent of retail stores increase within a confined area. Thus, the market size reaches a threshold and the consumers' preferences of shopping are jeopardised due to indecisiveness in shopping. However, shopping centres and hypermarkets became important elements in the urban landscape, though lack of planning and vision led to chaotic development and congestion of marketplaces affecting the growth retailers.[13] A larger shopping centre can facilitate a greater variety of shops and create a more pleasant environment for the shoppers, thus enticing shoppers to visit and stay longer. This proposition leads to one of the challenges faced by the managers of shopping malls located outside the traditional shopping belt, which is how to attract shoppers to patronise their malls.[14]

The process of suburbanisation has gone beyond purely government-initiated relocation of households and polluting industries in emerging markets like India, China, Brazil and Mexico. In order to reduce the shopping area congestion the new round of suburbanisation has been driven by the development of large suburban shopping malls and retail parks.[15] It is observed that large and recreational shopping malls attract the regular shoppers and tourists towards frequent shopping. Accordingly, most of the growing cities are patronising their suburban shopping malls and power centres, rather than downtown market places.[16] Major attributes of shopping mall attractiveness include comfort, entertainment, diversity, mall essence, convenience, and luxury from the perspective of shoppers. Such shopping mall attractiveness may be designed in reference to the three broad segments of shoppers that include stress-free shoppers, demanding shoppers, and pragmatic shoppers. This enables mall managers to develop appropriate retailing strategies to satisfy each segment.[17]

Business partnering and market competition

The business partnership strategies should be developed keeping in view the heterogeneity in economic development, culture and institutional modalities that exist in both regions, while seeking globally balanced relations. The relationship should be based on fundamental shared principles and values, which in turn can be translated into clear political messages and a general sustained process of dialogue and cooperation. Relationships can be deepened at the bi-regional, regional or bilateral levels, taking advantages of the special circumstances of country groupings. Building relationships should proceed at different levels and speeds among the countries of the region. Considering the multiplicity of forums it is necessary to focus the trade partnering negotiations at bilateral and multilateral levels and avoid overlap between distinct dialogues and similar initiatives taken at other forums. Bilateral negotiations should be strategically pursued in removing/reducing the non-tariff and investment barriers. The trade-related negotiations among the Latin America-East Asian countries should also focus on the technical norms and standards; rules of origin, anti-dumping, subsidies, countervailing measures; other liberalisation and deregulation measures (privatisation); subregional, regional, and hemispheric integration processes; and convergence and divergence between regional integration and multilateral trade regimes. The negotiations should also be dealt on simplifying the customs rules and procedures, including non-transparent and inefficient infrastructures; differing customs; improper application of rules of origin, customs valuation, pre-shipment inspection and import licensing. Customs problems can be especially difficult for small and medium enterprises that have less experience and fewer resources for handling these problems.

Regional or bilateral agreements may bring faster results than the multilateral process, may enable parties to conclude levels of liberalisation beyond the multilateral consensus, and may be able to address specific issues that do not register on the multilateral menu. The resulting achievements in trade liberalisation can be substantial complements to the WTO system, and they can be the important building blocks for future multilateral liberalisation. The most powerful economic arguments against regional and bilateral trade agreements are that they can cause trade diversion and trade distortions and ultimately undermine the multilateral system because of their discriminatory nature. In some cases, preferential rules of origin have proven to stifle technological developments, networks and joint manufacturing, and to unduly restrict third-country sourcing, leading to trade diversion. Moreover, they can create obstacles to trade facilitation by increasing administrative complexity at customs. One specific example is the proliferation of different preferential rules of origin a prominent source of trade costs and complexity in today's global marketplace in which companies depend on the rapid delivery of products and components from multiple overseas sources. Such effects are costly to business and detrimental to the regional trading areas. Harmonisation and simplification of preferential rules of origin and the accumulation of origin could alleviate some of these obstacles to trade facilitation.[18]

Niche marketing

The area of operation or the size of the market also determines the consumer responsiveness and the effectiveness of the delivery of the goods and services. Thus, alternatively a follower in the large market may be the leader in the small market or niche. Smaller firms normally avoid competing with the lager firms. However, it has been observed that there is an increasing interest of big companies to serve the small area of operation or niche by setting up small business units. The niche strategy would be profitable to the firms with low shares of the total market. The main reason is that the niche strategy provides total knowledge about the customer segment to the company to enable it to serve better through value addition. As a result the niche company can change a substantial mark-up over cost because of the value addition. The niche marketing strategy provides *high* *margin* to the company while the mass marketing strategy may provide the advantage of *high volume* to the company. The niche market should have the following strategies:

- Adequate size of the market
- Purchasing power of the segment to the tune of profitability
- Potential for growth
- Negligible interest to the competing companies
- Appropriate skills and resources to serve the niche in a superior fashion
- Well-knit defensive strategy to counter the competitors attacks.

The most important issue in the niche marketing is specialisation. There are three major tasks to be attended by the companies looking for developing he niche marketing strategy. They are creating a niche, expanding the niche and protecting the niche markets. For example with regard to organic foods, the FAO has repeatedly stressed the potential as a niche market for developing countries. In a recent publication the FAO states that 'some 100 developing countries produce organic commodities in commercial quantities, most of which are exported to industrial countries 'and that 'the tendency so far has been for the rate of demand growth to outstrip the rate of growth in available supplies' (FAO, 2003: 313). It is also highlighted that for a further expansion of supplies, developing countries are in need of assistance in complying with foreign standards and in establishing international equivalency. However, the niches are always risk averse to the attacks of the competing companies. The market niche also helps in encouraging the foreign direct investment with specific focus on the product and services. Foreign direct investment (FDI) is to some extent firm specific as each firm specialises in a particular niche of the market.

Globalisation has also induced regional growth of markets as a spring board for firms to go global. In this process, firms grow out of their niche with the support of technology and customer relation strategies. Many firms serving the niche move to regional marketplace as the Internet and related technologies vastly expand the variety of products that can be produced, promoted, and purchased. Although this revolution is based on a simple set of economic and technological drivers, the authors argue that its implications are far-reaching for managers, consumers, and the economy as a whole. In this process, customers derive value from an important characteristic of Internet markets and the ability of online merchants to help consumers locate, evaluate, and purchase a far wider range of products.[19] Developing new competencies in the niche firms requires constant experimentation. However, the innovation-imitation-equilibrium cycle suggests that industry leaders teach customers what to demand by defining the current state of the art in performance, price, service, and other dimensions;

firms learn to judge competitive offerings against these standards, and the learning effect is cumulative.[20]

A strong market-oriented strategy of the firm alleviates the possibility of using coercive influence strategies by the competitors and offers advantage to the customers over competitive market forces.[21] Market orientation is an organisation-wide concept that helps explain sustained competitive advantage. Since many manufacturing firms have linked their marketing strategies with services delivery attributes, the concept of market orientation is expanding as a system in global corporate settings. The process of market orientation contributes to continuous learning and knowledge accumulation by an organisation which continuously collects information about customers and competitors and uses it to create superior customer value and competitive advantage.[22] It is important for the company to consider how well competition satisfies the needs of potential customers in the selected markets, as well as to determine the best fit of the firm's strategies in the determined market segment or niche. Should the firm offer a better location, convenience, better price, later hours, better quality, and better service, may be the further interest of the firm to gain the competitive advantage.

Route to market is the multi-channel retailing strategy that caters to the wide preferences of shopping to the customers at varied price, delivery and services options. A company may set more than one routes for its products and services to facilitate consumer convenience in buying. It is necessary that sales people should know these routes to markets and prospect consumers at their most convenient route. In multi-channel selling strategy salespeople can prospect consumers for offering superior products, typically accompanied by superior service outputs, to be sold at higher prices for premium market segment while low price strategy is followed for mass market retail locations.[23] However, luxury goods are not commonly sold through catalogues, e-bays or call centres and differentiated products usually need relatively more intermediary support to be delivered satisfactorily to the end customer. However, urban shoppers incur higher search costs when searching for a product across retailing channels and gathering information on prices as the urban shoppers are more guided by the value for money considerations in shopping. It is observed that price-sensitive customers always intend to strike a beneficial deal over the costs they incur during searching for such bargain through various channel options.[24] A route to market is a distinct sales process followed by salespeople towards prospecting customers for a selected product or service through a specific market channel. Agents of call centres, representatives of e-bay, and personal selling representatives engaged in prospecting consumers may be assigned to manage sales in different routes to market. Globalisation and innovative selling practices have introduced multiple channel selling strategies to improve customer satisfaction and strengthen customer-retailer dyadic loyalty.[25]

Technology drivers ahead in marketing

One of the growing concerns in the global marketplace is that new firms from emerging markets are becoming significant global players boosting the market competition at regional and global levels. However, there exists the scope of large number of follower firms to catch up with emerging firms at different levels of markets. The firms from emerging markets can be best understood in terms of intensity of technology application, research and development. Broadly the emerging firms may be categorised as regional challengers, global exporters and importers, original equipment manufacturers, original design manufacturers, value-added reseller firms as technology followers, and regional exporters and importers.[26]

Technology is associated as one of the principal factors of production and economic growth of a country or development sector as an agent of growth and prosperity. However, retailing sector which is part of the distribution side of the economy has also contributed significantly to advances in technology, economic growth and the betterment of society. Technology and retailing have been inextricably linked both in terms of their development and their ability to deliver unique benefits to consumers.[27] Increasing globalisation and competitiveness in the retail environment is thrusting retail firms to reach high levels of consistent experimentation of new technology in store management, product information, and customer services. Technology management can be used to help retailers test new ideas and implement the most successful ones. However, human behaviour is particularly important in the retail setting, where projects are generally focused on testing new concepts, increasing collaboration, and implementing new technologies.[28]

In the scenario of growing competition, retailer firms can also establish how a customer relationship management and monitoring system ensures the buying decision making process through the use of joint project teams and facilitating technology. Development and innovative applications of e-commerce transactions, as well as the integration of available technology, can provide an organisation with a unique opportunity to remain competitive within today's global business environment. Although technology plays an important role in gaining a competitive advantage for organisations worldwide, information technology professionals, consumers and e-retailers ensure proper security measures to overcome harmful impact of the misuse of these same technologies.[29]

Information and internet-based technologies have fostered new supply chain initiatives in food retailing which have significantly contributed towards enhancing the efficiency of store format, membership in a chain, unionisation, and adoption of variety of information diffusion tools. The major breakthrough has emerged in supply chain management in the fields of data sharing, decision sharing, and technologies that support product assortment, pricing, and merchandising decisions.[30] Among many innovative technological processes, radio frequency identification (RFID) is gaining popularity among retail firms for managing the inventory and just-in-time supplies. RFID tag has the potential to significantly reduce costs in retailing. Although this technology is still not cost effective for all manufacturers, it may soon become mainstreamed as its advantages outweigh its initial investment. With many manufacturers and vendors becoming early adopters, the cost barrier for RFID will quickly be eliminated. It is unlikely, however, that RFID tags will replace bar codes in the near future because of the start-up cost to retailers and suppliers.[31] RFID tags enhance the operational efficiency as the retailers can store much more information about products than bar codes can, and unlike bar codes they don't have to be seen by a scanner to be recorded. In fact, RFID tags can signal their presence to scanners a few yards away even when obscured by packaging, so the contents of a closed container can be quickly scanned and recorded.

The technological changes are the main impetus behind new market opportunities. The extent of such change may be explained from super technologies to the appropriate and intermediate technologies. The strategic choices have wide ranging ripple effects through the organisation that determine the key success factors and growth performance. Some companies would be making right strategic choices by improving the implementation process of competitive advantages. These companies are guided by the shared strategic vision and are driven by the responsive attitude towards the market requirements. They emphasise the continuous strive to satisfy the consumers. A strategic vision in managing markets may be understood as the guiding theme that explains the nature of business and the future projections thereof. These projections or business intentions depend on the collective analysis of the environment that determines the need for new developments or diversifications. The vision should be commissioned on a concrete understanding of the business and the ability to foresee the impact of market forces on the growth of business. The vision will motivate the organisation for collaborative business planning and implementation. The powerful visions are also the statements of intent that create an obsession with winning the organisation. The business strategy broadly incorporates the following dimensions:

- Consumer needs
- Consumer segments
- Technology and resources
- Activities in the value-added chain

Strategic thrust has a significant magnitude and direction in sailing the business though turbulent situation. The factors associated with the competitive advantage and business investments uphold the strategic thrust to achieve the business objectives though the positive channel efforts. The competitive advantage may be assessed in reference to the superior consumer value and the lowest delivered cost. Such combination of the strategies may be termed as competitive superiority that explains cost effective delivery strategy to enhance the consumer value. An overall edge is gained by performing most of the activities at a lower cost than competitors. This would enable the company to optimise its cost of delivery of the new products and simultaneously enhance the consumer value to uphold the strategic thrust of the company.

It is observed in many research studies that logistics and information technology strategies are developed and implemented in a parallel way by both manufacturers and multiple retailers. Applying improved technology suggests that multinational firms possess greater operational efficiency at both secondary and in-store distribution operations as compared to the firms using conventional practices, which is largely attributed to their integration of logistics and information technology operations.[32] As the market competition is increasing in the global marketplace, emerging firms tend to apply technology assets in their own products and services securing them through the property rights protection. In view of the upcoming trend towards open innovation, however, many firms have begun to actively licence out technology. These firms consider technology licensing a strategic activity, which may include all technology assets and which goes far beyond the marginal activity of commercialising residual technologies. The strategic drivers strengthen the interdependencies between internally and externally commercialising technology.[33]

The role of marketing strategies in fostering controlled consumer empowerment is reflected in the development of information-based consumer-centric marketing strategies that seek to enable and control delegation. In designing such strategies, consumers' familiarity with the use of information and communication technologies are both strengthened and widened, emphasising the uncontrolled nature of the consumer empowerment process. There is a need to regain control over the marketing process, that is, to either manage the technological empowerment of consumers, or to devise new strategies cognisant of the possibility that such technological empowerment cannot be managed. The valuation of consumer loyalty in this environment rises significantly.[34]

Further reading

Curran, J. M. and Meuter, M. L. (2005), 'Self-service technology adoption: Comparing three technologies', *Journal of Services Marketing*, 19(2), 103–13.

Eisingerich, A. B. and Kretschmer, T. (2008), 'In e-commerce more is more', *Harvard Business Review*, 86(3), 20–1.

Ganesh, J. (2004), 'Managing customer preferences in a multi-channel environment using web services', *International Journal of Retail & Distribution Management*, 32(3), 140–6.

Hanninen, S. and Sandberg, B. (2006), 'Consumer learning roadmap: A necessary tool for new products', *International Journal of Knowledge and Learning*, 2(3), 298–307.
Kwong, L. (2003), 'Coupons and "every low prices": Price competition with multiple instruments', *Canadian Journal of Economics*, 36 (2), 443–62.
Pate, S. S., Blaylock, K., and Southward, L. (2007), 'RFID: An interface survey between students and retailers', *The Marketing Review*, 7(3), 273–81.
Reed, G., Story, V., and Saker, J. (2004), 'Information technology: Changing the face of automotive retailing?' *International Journal of Retail & Distribution Management*, 32 (1), 19–32.
Suarez, F. F. and Lanzolla, G. (2005), 'The half truth of first mover advantage', *Harvard Business Review*, 83(4), 121–7.
Tamilia, R. D. and Reid, S. E. (2007), 'Technological innovation and the rise of the department store in the 19th century', *International Journal of Technology Marketing*, 2 (2), 119–39.

Notes

Foreword

1. Charles Darwin (1860), *On the Origin of Species by Means of Natural Selection, or, The Preservation of Favoured Races in the Struggle for Life*. 5th thousand. London: John Murray.

1 Darwinism in Business

1. A. G. Skeeles (1932), 'Civilization and business education', *Journal of Education for Business*, 7(5), 20–1.
2. J. Dijkman (2011), *Shaping Medieval Markets*, Brill Academic Publishers, Netherland
3. L. Hedaa and T. Ritter, (2005), 'Business relationships on different waves: Paradigm shift and marketing orientation revisited', *Industrial Marketing Management*, 34(7), 714–21.
4. J. H. Goldthorpe (2000a), 'Globalisation and social class,' *West European Politics*, 25(3), 1–28.
5. M. Debruyne and D. J. Reibstein (2005), 'Competitor See, Competitor Do: Incumbent Entry in New Market Niches', *Marketing Science*, 24(1), 55–66.
6. A. Hwang (2010), 'More than 20 companies join Taiwan Blu-ray Disc Consortium', *DIGITIMES*, Taipei, 29 April.
7. L. Doz, Yves and G. Hamel (1998), *Alliance Advantage: The Art of Creating Value Through Partnerships*, Harvard Business School Press, Boston, MA
8. K. Desmet and S. L. Parente (2010), 'Bigger is better: Market size, demand elasticity, and innovation', *International Economic Review*, 51(2), 319–33
9. J. Strikwerda and J. W. Stoelhorst (2009), 'The emergence and evolution of the multidimensional organizations', *California Management Review*, 51(4), 11–31.
10. F. Erhun, P. Concalves, and J. Hopman (2007), 'Art of managing new products transition', *Sloan Management Review*, 48(3), 73–80.
11. T. Levitt (1960), 'Marketing myopia', *Harvard Business Review*, 38(4), 45–56.
12. F. Jaumotte and I. Tytell (2007), 'Labor globalization: Bane or boon', *IMF Survey Magazine*, IMF Research Department, April.
13. A. Dreher (2003) 'Does Globalization Affect Growth?' Working Paper, University of Mannheim, Germany, 1–33.
14. A. K. Duru (2008), 'Impact of Globalization on Core Engineering Education in India', *Perspectives on Global Development and Technology*, 7(1), 55–68.
15. V. Dagmar and D. Martina (2007), 'Diversity policies and practices – a new perspective for health care', *Journal of Public Health*, 15(5), 369–76.
16. T. Cowen (2002), *Creative Destruction: How Globalization is Changing the World's Cultures*. Princeton, NJ: Princeton University Press, p. 65.
17. L. Bryan, J. Fraser, J. Oppenheim, and W. Rall (1999), *Race for the World: Strategies to Build a Great Global Firm*. Boston, MA: Harvard Business School Press.
18. J. Brecher, T. Costello, B. Smith,(2000) *Globalization from Below*, Boston: MA, South-end Press.

19. WTO News: Speech excerpt of Director General, Geneva, May 18, 2006 http://www.wto.org/english/news_e/sppl_e/sppl27_e.htm. Retrieved on January 20, 2012.
20. I. C. MacMillan, A. B. van Putten, and R. G. McGrath (2003), 'Global Competition – What is the First Move,' *HBS Working Knowledge*, Harvard Business School, June 23.
21. F. Trompenaars and P. Wooliams (2003), 'A new framework for managing change across culture', *Journal of Change Management*, 3(4), May 361–75.
22. Rajagopal and A. Rajagopal (2006), 'Trust and Cross-Cultural Dissimilarities in Corporate Environment', *Team Performance Management-An International Journal*, 12(7–8), 237–52.
23. Euromonitor (2008), 'Indonesian household spending makes way for growth of non-food sector', *Euromonitor Archive*, January 08, http://www.euromonitor.com/
24. World Trade Organization (2007), World Trade Report 2007, pp. 29–58.
25. World Trade Organization (2003), World Trade Report 2003, p. 22.
26. World Trade Organization (2007), World Trade Report 2007, pp. 29–58.
27. World exports of all three major IT product groups, that is, computers (SITC 75), telecom equipment (SITC 76) and semiconductors, and transistors (SITC 776) fell at double digit rates. Exports of semiconductors and other electronic components shrank by more than one fifth.
28. World Trade Organization: Press Release # 472, 2007.
29. World Trade Organization: World Trade Report 2007.
30. UNCTAD, UNCTAD Investment Brief, No.1, 2007.
31. Institute for International Finance, Capital Flows to Emerging Market Economies, January 18, 2007.
32. World Trade Organization: World Trade Report, 2007.
33. The Vienna Institute for International Economic Studies, press release, February 2003: FDI in Central and Eastern European Countries in 2002: Record Inflow Concentrated in a Handful of Countries. http://wiiw.ac.at.
34. Estimates based on the average decrease of four major stock market indices: NYSE-Composite, FTSE 100, Frankfurt DAX and Tokyo Topix. Source: World Federation of Exchanges at http://www.world- exchanges.org.
35. The foreign exchange reserves of the five Asian developing economies increased by about $50, while Japan's international reserves increased by $30 billion in 2002.
36. Rajagopal (2000), *Marketing Management-Text and Cases*, Vikas Publishing House, New Delhi, pp. 91–113.
37. Freeman, Laurie (1999). 'Shooting for Share,' *Supermarket Business*, February, pp. 47–8.
38. M. Fletcher (1996), 'Film Fight: Fuji vs. Kodak'. *Asia Week*, 5 July.
39. World Trade Organization (2003), World Development Report, p. 5
40. K. Shelton Ruth and K. Wachter (2005), 'Effects of global sourcing on textiles and apparel', *Journal of Fashion Marketing and Management*, 9(3), 318–29.
41. World Trade Organization (2007), World Trade Report.
42. J. Ross and R. Woodham (2001), 'Chase Global Markets: Defining New Business Models in the Investment Bank Industry', MIT Sloan School of Management, Working Paper, August 2001, 1–11.
43. 'Asia's Brand Barons Go Shopping', *The Economist*, March 28, 1998, p. 60.
44. W. Li (1999), 'A tale of two reforms', *Rand Journal of Economics*, 30(1), 120–36.
45. A. Atasu, V. D. R. Guide, L. N. V. Wassenhove (2010), 'So what if remanufacturing cannibalizes my new product sales?', *California Management Review*, 52(2), 56–76.

46. L. Meredith and D. Maki (2001), 'Product cannibalization and the role of prices', *Applied Economics*, 33(14), 1785–93.
47. D. W. Cravens, N. F. Piercy, and A. Prentice (2000), 'Developing market-driven product strategies', *Journal of Product and Brand Management*, 9(6), 369–88.
48. O. González-Benito, Z. I. Loyola-Galván, and P. A. Muñoz-Gallego (2010), 'Inter-size and inter-brand competition analysis within a product category: Scope of cannibalization effects', *Journal of Brand Management*, 17(4), 254–65.
49. P. S. Desai (2001), 'Quality segmentation in spatial markets: When does cannibalization affect product line design?', *Marketing Science*, 20(3), 265–83.
50. Desai, 'Quality segmentation in spatial markets', 265–83.
51. K. S. Moorthy and I. P. L. Png (1992), 'Market segmentation, cannibalization, and the timing of product introductions', *Management Science*, 38(3), 345–59.
52. M. Debruyne and D. J. Reibstein (2005), 'Competitor see, competitor do: Incumbent entry in new market niches', *Marketing Science*, 24(1), 55–66.
53. C. Markides and C. D. Charitou (2004), 'Competing with dual business models: A contingency approach', *The Academy of Management Executive*, 18(3), 22–36.
54. Rajagopal (2009), 'Branding paradigm for bottom of the pyramid markets', *Measuring Business Excellence*, 13(4), 58–68.
55. R. Kuriyan, I. Ray, and K. Toyama (2008) 'Information and communication technologies for development: The bottom of the pyramid model in practice', *The Information Society*, 24(2), 93–104.
56. J. E. Anderson (1979), 'A theoretical foundation for the gravity equation', *American Economic Review*, 69(1), 106–16.
57. C. K. Prahalad and K. Lieberthal (2003), 'The end of corporate imperialism', *Harvard Business Review*, 81(8), 109–17.
58. C. K. Prahalad and A. Hammond (2002), 'Serving the world's poor, profitably', *Harvard Business Review*, 80(9), 48–58.
59. A. P. Sabharwal, M. E. Gorman, and P. H. Werhane (2004), 'Case study: Hindustan Lever Limited and marketing to the poorest of the poor', *International Journal of Entrepreneurship and Innovation Management*, 4(5), 495–511.
60. Rajagopal (2006), 'Brand excellence: Measuring impact of advertising and brand personality on buying decisions', *Measuring Business Excellence*, 10(3), 55–65.
61. C. K. Prahalad and A. Hammond, 'Serving the world's poor, profitably', 48–58.
62. C. K. Prahalad and D. Dearlove (2009), 'On the verge of something extraordinary', *Business Strategy Review*, 20(1), 16–20.
63. C. K. Prahalad (2002), 'Strategies for the bottom of the economic pyramid: India as a source of innovation', *Reflections: The SOL Journal*, 3(4), 6–1.
64. J. A. Cruickshank (2009), 'A play for rurality: Modernization versus local autonomy', *Journal of Rural Studies*, 25(1), 98–107.
65. J. Dubey and R. P. Patel (2004), 'Small wonders of the Indian market', *Journal of Consumer Behaviour*, 4(2), 145–51.
66. D. Blumenthal (2002), 'Beyond 'form versus content': Simmelian theory as a framework for adaptive brand strategy', *Journal of Brand Management*, 10(1), 9–18.
67. R. V. D. Silva and S. F. S. Alwi (2006), 'Cognitive, affective attributes and conative, behavioural responses in retail corporate branding', *Journal of Product and Brand Management*, 15s(5), 293–305.
68. J. B. Hayes, B. L. Alford, L. Silver, and R. P. York (2006), 'Looks matter in developing consumer-brand relationships', *Journal of Product and Brand Management*, 15(5), 306–15.

69. M. Sehrawet and S. C. Kundu (2007), 'Buying behaviour of rural and urban consumers in India: the impact of packaging', *International Journal of Consumer Studies*, 31(6), 630–8.

2 Understanding Market Competition

1. Monopsony may be described as the market dominated by a single buyer unlike the monopoly wherein there exists a single seller.
2. A. Davies (2004), 'Moving base into high-value integrated solutions: A value stream approach', *Industrial and Corporate Change*, 13(5), 727–56.
3. http://hbr.org/2005/07/turning-great-strategy-into-great-performance/ar/1. For more comprehension on the functional efficiencies of high-performing companies see C. Mankins Michael and S. Richmond, 'Turning great strategies into great performance', *Harvard Business Review*, July 2005.
4. *The Economist* (2012), 'Future is black', *The Economist*, January 21, print edition.
5. Vale and Petrobras are the Brazil's two biggest companies that have posted record profits for 2010, in the latest development of the South American nation's growing economic endeavour.
6. G. P. Zachary (1999), 'Many industries are congealing into lineup of few dominant giants', *The Wall Street Journal*, March 08.
7. D. Potter (2004), 'Confronting low-end competition', *Sloan Management Review*, 45 (4), 73–9.
8. M. Beverland and A. Lindgreen (2004), 'Relationship use and market dynamism – A model of relationship evolution', *Journal of Marketing Management*, 20 (7–8), 825–58.
9. L. C. Harris and K. Y. Cai (2002), 'Exploring market driving – a case study of DeBeers in China', *Journal of Market-Focused Management*, 5 (3), 171–96.
10. For detailed discussion on the corporate key choices to withstand competition, see P. Senge: *The Fifth Discipline*, New York, Doubleday/Currency, 1990.
11. L. Fahey (1999), *Competitors: Outwitting, Outmaneuvering and Outperforming*, John Wiley and Sons, Canada, 1999.
12. M. E. Porter (1980), *Competitive Strategy*, New York: Free Press.
13. S. Pinch, P. Sunley, and J. Macmillen (2010), 'Cognitive mapping of creative practice: A case study of three English design agencies', *Geoforum*, 41 (3), 377–87.
14. P. Ghemawat and T. M. Hout (2010), 'China vs. World: Whose technology is it?' *Harvard Business Review*, 88(12), 94–103.
15. C. J. Choi and C. Nailer (2005), 'The China market and European companies: Pricing and surviving the local competition', *European Business Review*, 17 (2), 177–90.
16. B. Schölkopf and H. A. Mallot (1995), 'View-based cognitive mapping and path planning', *Adaptive Behavior*, 3 (3), 311–48.
17. K. E. Weick (1979), *The Social Psychology of Organizing,* Reading MA: Addison & Wesley.
18. M. E. Porter (1998), 'Cluster and the new economics of competition', *Harvard Business Review*, 76 (6), 77–90.
19. K. Lieberthal and G. Lieberthal (2003), 'The great transition', *Harvard Business Review*, 81(10), 70–81.
20. G. Stalk and R. Lachenauer, R. (2004), 'Hardball-five killer strategies for trouncing the competition', *Harvard Business Review*, 82(4), 62–71.

21. D. Hussey and P. Jenster (1999), *Competitor Intelligence-Turning Analysis into Success*, John Wiley, West Sussex.
22. P. Brody, H. Wenzek, and T. Osterday (2004), *Product Styling-The New Competitive Differentiator in Electronics*, IBM Institute for Business Value, February.
23. R. Martin (1993), 'Changing the mind of the corporation', *Harvard Business Review*, 71 (6), 81–94.
24. G. M. Erickson (1993), 'Offensive and defensive marketing: Closed-loop duopoly strategies', *Marketing Letters*, 4 (4), 285–95.
25. J. R. Hauser and S. M. Shugan (2008), 'Defensive marketing strategies', *Marketing Science*, 28(1), 88–110.

3 Competitive Advantage: Analysis and Strategy

1. R. F. Mack (1965), 'The components of social conflicts', *Social Problems*, 22 (4), 388–97.
2. M. Theodore (1998), *Conquering Uncertainty*, McGraw-Hill, New York.
3. E. Porter Michael (1979), 'How competitive forces shape strategy', *Harvard Business Review*, 57(2), May, 137–45.
4. W. J. Abernathy and J. M. Utterback (1978), 'Patterns of innovation in technology', *Technology Review*, 80(7), 41–7.
5. J. M. Utterback (1994), *Mastering the Dynamics of Innovation*, Harvard Business School Press, Boston, MA.
6. R. Adner and D.C. Snow (2010), 'Bold retreat: A new strategy for old technologies', *Harvard Business Review*, 88(3), 76–81.
7. R. Thomas, W. Tillmann, and S. Fawcett, (2008), 'Project management in retailing: Integrating the behavioral dimension', *The International Review of Retail, Distribution and Consumer Research*, 18(3), 325–41.
8. M. B. Dawn and A. Romaniello (2008), 'The cost of electronic retailing: prevalent security threats and their results', *International Journal of Electronic Marketing and Retailing,* 2(1), 80–96.
9. J. Ganesh (2004), 'Managing customer preferences in a multi-channel environment using web services', *International Journal of Retail & Distribution Management*, 32(3), 140–6.
10. G. Reed, V. Story, and J. Saker (2004), 'Information technology: Changing the face of automotive retailing?' *International Journal of Retail & Distribution Management*, 32(1), 19–32.
11. M. Watkins and C. Bond (2007), 'Ways of experiencing leisure', *Leisure Sciences*, 29(3), 287–307.
12. H. Treiblmaier and A. Strebinger (2008), 'The effect of e-commerce on the integration of IT structure and brand architecture', *Information Systems Journal*, 18(5), 479–98.
13. J. J. Mohr and S. Jap (2002), 'Leveraging internet technologies in B-to-B relationships', *California Management Review*, 44(4), 24–38.
14. A. McAfee and E. Brynjolfsson (2008), 'Investing in the IT that makes a competitive difference', *Harvard Business Review*, 86(7–8), 98–107.
15. F. Saliola and A. Zanfei (2009), 'Multinational firms, global value chains and the organization of knowledge transfer', *Research Policy*, 38(2), 369–81.
16. C. B. Stabell and Ø. D. Fjeldstad (1998), 'Configuring value for competitive advantage: On chains, shops, and networks', *Strategic Management Journal*, 19(5), 413–37.

17. E. Andreas and U. Wolfgang (2002), 'Customer perceived value – A substitute for satisfaction in the business markets', *The Journal of Business and Industrial Marketing*, 17(2), 107–18.
18. O. Paul (1996), 'High tech NPD success through faster overseas launch', *European Journal of Marketing*, 30(8), 75–91.
19. Rajagopal (2005), 'Measuring variability factors in customer values for profit optimization in a firm – A framework for analysis', *Journal of Economics and Management*, 1(1), 85–103.
20. Rajagopal (2005), 'Measuring variability factors in customer values for profit optimization in a firm', 85–103.
21. E. M. Steenkamp Jan-Benedict and G. Katrijn (2003), 'Consumers and market drivers of trial probability of new consumer packaged goods', *Journal of Consumer Research*, 30(3), December, 368–84.
22. B. A. Lafferty and R. E. Goldsmith (2004), 'How influential are corporate credibility and endorser attractiveness when innovators react to advertisement for a new high technology product?' *Corporate Reputation Review*, 7(1), Spring, 24–6.
23. P. E. Pfeifer (1999), 'On the use of customer lifetime value as a limit on acquisition spending', *Journal of Database Marketing*, 7(1), 81–6.
24. T. Rust Roland, V. A. Zeithaml, and K. N. Lemon (2004), 'Customer-centered brand management', *Harvard Business Review*, 82(9), 110–18.
25. Rust Roland, Zeithaml and Lemon (2004), Customer-centered brand management.
26. B. Donkers, C. Verhoef Peter, and J. Martijn De (2003), *Predicting Customer Lifetime Value in Multi-service Industries*, ERIM Report Series, April, (Ref ETS-2003-038-MKT), Rotterdam School of Management, Erasmus University, Rotterdam.
27. C. Marjolein and V. Bart (1999), 'Spatial distance in a technology gap model', Maastricht Economic Research Institute on Innovation and Technology (MERIT), Working Paper No. 021
28. V. Julian, B. Pradeep, C. Yuxin, and B. Shridhar (2004), 'Managing customer relationships – Should managers really focus on long term', IESE Business School, Working Paper # D/560, May, 1–37
29. K. David and F. Marshall John (2000), 'Contextual marketing', *Harvard Business Review*, November–December, 119–25.
30. A. M. Doherty (2009), 'Market and partner selection processes in international retail franchising', *Journal of Business Research*, 62(5), 528–34.
31. Some of the discussion on also based on reviewing the You Tube clipping on Kodak-Winds of Change. For details see http://www.youtube.com/watch?v=GtYXGY4wB-0
32. M. B. Houston and S. A. Johnson (2000), 'Buyer–supplier contracts versus joint ventures: Determinants and consequences of transaction structure', *Journal of Marketing Research*, 37(1), 1–15.
33. B. A. Weitz and S. D. Jap (1995), 'Relationship marketing and distribution channels', *Journal of the Academy of Marketing Science*, 23(4), 305–20.
34. P. Nath, S. Nachiappan, and R. Ramanathan (2010), 'The impact of marketing capability, operations capability and diversification strategy on performance: A resource-based view', *Industrial Marketing Management*, 39(2), February, 317–29.
35. Rajagopal (2007), *International Marketing: Global Environment, Corporate Strategy and Case Studies*, Vokas Publishing House, New Delhi, vii–ix.
36. J. Elkington and P. Hartigan (2008), *Scaling Solutions: Leading Sustainable and Scalable Change*, Harvard Business School Press, Boston, MA.

37. Rajagopal (2009), *Globalization Thrust: Driving Nations Competitive*, Nova Publishers, Hauppauge , NY.
38. R. Rogowski (1989), *Commerce and Coalitions*, Princeton University Press, Princeton, NJ.
39. J. Goldstine (1998), 'International institutions and domestic politics: GATT, WTO and the liberalization of international trade', in A. Krueger (Ed.) *The WTO as an International Organization*, University of Chicago Press, Chicago, Illinois.
40. R. Kumar (1995), 'Developing country coalitions in international trade negotiations', in D. Tussie and D. Glover (Eds) *The Developing Countries in World Trade*, Lynne Rienner, Boulder Colorado.
41. T. H. Davenport (2005), 'The coming commoditization of processes', *Harvard Business Review*, 83(6), 100–8.
42. S. Abeyratne (2002), 'Economic roots of political conflicts – A case of Sri Lanka', Australian National University, Australia South Asia Research Centre, Working Paper #03.
43. C. Scanlon (2004), 'South Korea shrug's off farmers trade protest', BBC News, February 16, 2004 http://news.bbc.co.uk/go/pr/fr/-/1/hi/business/3492809.stm
44. Rajagopal (2007), 'Dynamics of growth in foreign trade in transitional economies: Analysis of European, Latin American and Asian countries', *Journal of East-West Business*, 13(4), 37–64.

4 Competition Matrix

1. J. S. Black and A. J. Morrison (2010), 'A cautionary tale for emerging market giants', *Harvard Business Review*, 88(9), 99–105.
2. J. Schumpeter (1942), *Capitalism, Socialism and Democracy*, George Allen & Unwin, London, Reprinted in 1976.
3. T. T. Raa and P. Mohnen (2008), 'Competition and performance: The different roles of capital and labor', *Journal of Economic Behavior and Organization*, 65(3–4), 573–84.
4. J. Y. Jin (2001), 'Monopolistic competition and bounded rationality', *Journal of Economic Behavior and Organization*, 45(2), 175–84.
5. A. McGahan (1999), 'Competition, strategy and business performance', *California Management Review*, 41(3), 74–101.
6. D. Potter (2004), 'Confronting low-end competition', *Sloan Management Review*, 45(3), 41–9.
7. A. Ryans (2010), 'When companies underestimate low-cost rivals', *McKinsey Quarterly*, June.
8. M. E. Porter (1998), 'Clusters and the new economics of competitions', *Harvard Business Review*, 76(6), 77–90.
9. S. Anshu and C. Guo (2005), 'Competing in the global marketplace: The case of India and China', *Business Horizons*, 48(2), 135–42.
10. www.gillette.com Home page of the company.
11. Rajagopal (2006), 'Where did trade liberalization drive Latin American economy: A cross sectional analysis', *Applied Econometrics and International Development*, 6(2), 89–108.
12. G. Khermouch (2002), 'The best global brands', *Business Week Online*, August 05.
13. Rajagopal (2008), *Globalization Thrust: Driving Nations Competitive*, Nova Science Publishers, Hauppauge, New York.
14. L. L. Berry (2001), 'The old pillars of new retailing', *Harvard Business Review*, 79(4), 131–7.

15. A. Davies (2004), 'Moving base into high-value integrated solutions: A value stream approach', *Industrial and Corporate Change*, 13(5), October, 727–56.
16. M. B. Dawn and A. Romaniello (2008), 'The cost of electronic retailing: Prevalent security threats and their results', *International Journal of Electronic Marketing and Retailing,* 2(1), 80–96.
17. G. M. Hodgson and T. Knudsen (2010), *Darwin's Conjecture: The Search for General Principles of Social and Economic Evolution*, The University of Chicago Press, IL.
18. M. E. Porter (1986), 'Changing patterns of international competition', *California Management Review*, 28(2), 9–40.
19. M. F. Guillen and E. Garcia-Canal (2010), 'How to conquer new markets with old skills', *Harvard Business Review*, 88(11), 118–22.
20. V. Kumar, E. Jones, R. Venkatesan, and R. P. Leone (2011), 'Is market orientation a source of sustainable competitive advantage or simply the cost of competing?' *Journal of Marketing*, 75(1), 16–30.
21. J. C. Narver, R. L. Jacobson, and D. L. MacLachlan (2004), 'Responsive and proactive market orientation and new-product success', *Journal of Product Innovation Management*, 21(5), 334–47.
22. A. Park (2008), 'Making diversity a business advantage', *Harvard Business Publishing Newsletter*, April 1, 5–7.
23. N. Kumar (2003), 'Kill a brand, keep a customer', *Harvard Business Review*, 81(12), 86–95.
24. G. C. Mueller, W. McKinley, M. A. Mone, and V. L. Barker (2001), Organizational decline: A stimulus for innovation', *Business Horizon*, 76(4), 25–34.
25. N. Dawar and T. Foster (1999), 'Competing with giants: Survival strategies for local companies in emerging markets', *Harvard Business Review*, 77(2), 119–32.
26. E. Cefis and O. Marsil (2006), 'Survivor: The role of innovation in firms' survival', *Research Policy*, 35(5), 626–41.
27. T. M. Stearns, N. M. Carter, P. D. Reynolds, M. L. Williams (1995), 'New firm survival: Industry, strategy, and location', *Journal of Business Venturing*, 10(1), 23–42.
28. K. Chaharbaghi and E. Nugent (1996), 'A new generation of competitors', *Management Decision*, 34(10), 5–10.
29. P. L. Yeoh (1994), 'Speed to global markets: An empirical prediction of new product success in the ethical pharmaceutical industry', *European Journal of Marketing*, 28(11), 29–49.
30. For details see M. Madigan (1980), 'Small food firms fight for survival', *International Journal of Retail & Distribution Management*, 8(5), 59–65.
31. A. Atasu, V. D. Guide, and L. Van Wassenhove (2010), 'So what if remanufacturing cannibalizes new product sales?', *California Management Review*, 52(2), 56–76.
32. F. Erhun, P. Concalves, and J. Hopman (2007), 'Art of managing new product transitions', *Sloan Management Review*, 48(3), 73–80.
33. C. K. Prahalad and K. Lieberthal (2003), 'End of corporate imperialism', *Harvard Business Review*, 81(8), 109–17.
34. E. Baraldi (2008), 'Strategy in industrial networks: Experiences from IKEA', *California Management Review*, 50(4), 99–126.
35. P. Gloor and S. M. Cooper (2007), 'New principles of swarm business', *Sloan Management Review*, 48(3), 81–4.
36. G. Ger (1999), 'Localizing in the global village: local firms competing in global markets', *California Management Review,* 41(4), 64–83.
37. J. H. Dyer, P. Kale, H. Singh, and H. Singh (2004), 'How to make strategic alliances work', *Sloan Management Review*, 42(4), 37–43.

38. R. L. Cardy and T. T. Selvaraj (2006), 'Competencies: alternative frameworks for competitive advantage', *Business Horizon*, 49(3), 235–45.
39. B. Mascarenhas, A. Baveja, and M. Jamil (1998), 'Dynamics of core competencies in leading multinational companies', *California Management Review*, 40(4), 117–32.
40. A. C. Edmondson (2008), 'The competitive imperative of learning', *Harvard Business Review*, 86(7), 60–7.
41. B. Werther William and L. Kerr Jaffrey (1995), 'The shifting sands of competitive advantage', *Business Horizons*, May.
42. N. Richard and R. Rafael (1993), 'From value chain to value constellation – designing interactive strategy', *Harvard Business Review*, July–August.
43. W. Chan Kim and A. Mauborgne Renee (1999), 'Creating new market space', *Harvard Business Review*, January.
44. A. Gompers Paul and J. Lerner (2001), 'The venture capital revolution', *Journal of Economic Perspectives*, 15(2), 145–69.
45. R. A. Burgelman (1983), 'A process model of internal corporate venturing in the diversified major firm', *Administrative Science Quarterly*, 28, 223–44.
46. B. Kogut and U. Zander (1993), 'Knowledge of the firm and the evolutionary theory of the multinational corporations', *Journal of International Business Studies*, 24(4), 625–45.
47. B. Robert Edward (1980), 'New ventures for corporate growth', *Harvard Business Review*, July, 58(4), 134–42.
48. A. Gompers Paul (2002), 'Corporations and the financing of innovation: The corporate venturing experience', *Economic Review*, 4, 1–17.
49. E. Von Hippel (1977), 'Successful and failing internal corporate ventures: An empirical analysis', *Industrial Marketing Management*, 6, 163–74.
50. Z. Block and I. C. MacMillan (1993), *Corporate Venturing: Creating New Business within the Firm*. Cambridge, MA: Harvard Business School Press.
51. J. Albrinck, J. Hornery, D. Kletter, and G. Neilson (2001), 'Adventures in corporate venturing', *Strategy and Business*, 22, 119–29.
52. General Electric Inc.: Corporate profile www.ge.com
53. K. Thomas (2004), 'Building external corporate venturing capability', *Journal of Management Studies*, 41(5), 799–205.
54. S. A. Zahra (1996), 'Governance, ownership and corporate entrepreneurship: The moderating impact of industry's technological opportunities', *Academy of Management Journal*, 39(6), 1713–35.
55. D. Dougherty (1995), 'Managing your core incompetence for corporate venturing', *Entrepreneurship-Theory and Practice*, 19(3), 113–35.
56. R. C. Schrader and M. Simon (1997), 'Corporate verses independent new ventures: Resource, strategy and performance differences', *Journal of Business Venturing*, 12(1), 47–66.
57. B. Skyes Hollister (1986), 'The anatomy of a corporate venturing program: Factors influencing success', *Journal of Business Venturing*, 1(3), Autumn, 274–93.
58. Deloitte and Touche (2006), 'Global trends in venture capital survey', Deloitte and Touche, Jericho: New York.
59. Rajagopal (2007), 'Competition vs. cooperation: Analyzing strategy dilemma in business growth under changing social paradigms', *International Journal of Business Environment*, 1(4), 476–87.
60. T. C. Finnerty (2000), *Kodak Vs. Fuji – The Battle for Global Market Share*, Institute of Global Business Strategy, Lubin School of Business, Pace University, New York, 1–23.

61. E. David and H. Abraham (2002), 'Competition policy and innovation', *Oxford Review of Economic Policy*, 18(1), Spring, 63–79.
62. Rajagopal (2005), 'Institutional reforms and trade competitiveness in Latin America', *Journal of Applied Econometrics and International Development*, 5(1), April, 45–64.
63. Rajagopal (2006), 'Innovation and business growth through corporate venturing in Latin America: Analysis of strategic fit', *Management Decision*, 44(5), 703–18.
64. Rajagopal and S. Romulo (2005), 'Analysis of customer portfolio and relationship management models: Bridging managerial gaps', *Journal of Business and Industrial Marketing*, 20(6), June, 307–16.
65. Rajagopal (2006), 'Measuring customer value gaps: An empirical study in Mexican retail markets', *Economic Issues*, 11(1), March, 19–40.
66. I. Paul, D. Marion, T. Frambach Ruud, and V. Theo (2003), 'Successful new product pricing practices: A contingency approach', *Marketing letters*, 14(4), December, 289–305.

5 Competition versus Cooperation

1. A. Ryans (2010), 'The high-stakes of low-cost competition', IESE-Insight Magazine, 4, 21–8.
2. C. M. Christenson, M. Marx, and H. H. Stevenson (2006), 'Tools of Cooperation and Change', *Harvard Business Review*, 84(10), 72–80.
3. C. Arnsperger and P. Villé (2004), 'Can Competition Ever be Fair: Challenging the Standard Prejudice', *Ethical Theory and Moral Practice*, 7(4), August, 433–51.
4. K. Alfie (1986), *No Contest: The Case Against Competition*, Boston: Houghton Mifflin.
5. M. Ruth (2000), 'Evolutionary Ecology of Human Life History', *Animal Behaviour*, 59(1), 1–10.
6. E. Porter Michael (1979), 'How Competitive Forces Shape Strategy', *Harvard Business Review*, 57(2), May, 137–45.
7. M. Sheets-Johnstone (2003), 'Child's Play: A Multi Disciplinary Perspective', *Human Studies*, 26(4), 409–30.
8. K. Alfie (1986), *No Contest: The Case Against Competition*, Boston: Houghton Mifflin 18–40.
9. P. Pharo (2005), 'Ethics of Competition', *International Social Science Journal*, 57(185), September, 445–55.
10. W. B. Bodenhafer (1930), 'Cooley's Theories of Competition and Conflict', *Publications of the American Sociological Association*, 25, 18–24.
11. F. Drucker Peter (2005), 'Managing Oneself', *Harvard Business Review*, 83(1), January, 100–9.
12. K. Alfie (1986), *No Contest: The Case Against Competition*, Boston: Houghton Mifflin, 26.
13. S. Lam, P. Yim, J. S. F. Law, and R. W. Y. Cheung (2004), 'The Effects of Competition on Achievement Motivation in Chinese Classrooms', *British Journal of Educational Psychology*, 74(2), June, 281–96.
14. K. Alfie (1986), *No Contest,* 36.
15. X. Wang Henery and Y. Bill (2003), 'Why Competition may Discourage Students from Learning? A Behavioral Economic Analysis', *Education Economics*, 11(2), August, 117–28.

16. B. Marie-Edith, C. Claudia, O. Guido, and F. Scacciati (2003), *Competition vs. Cooperation: An Experimental Enquiry*, Department of Public Policy and Public Choice, POLIS, Italy, December, pp 1–26 (Available with http://ideas.repec.org)
17. M. Lambert Douglas and A. Knemeyer Michael (2004), 'We're in this Together', *Harvard Business Review*, 82(12), December, 114–22.
18. K. Alfie (1986), *No Contest*.76.
19. C. Dilek, C. Bülent, and B. O. Serdar (2005), 'Competition through Collaboration-Insights from an Initiative in the Turkish Textile Supply Chain', *Supply Chain Management – An International Journal*, 10(4), April, 238–40.
20. B. Drayton and V. Bundinich (2010), 'A New Alliance for Global Change', *Harvard Business Review*, 88(9), 56–64.
21. D. Jayshree and P. Rajani (2004), 'Small Wonders of the Indian Market', *Journal of Consumer Behaviour*, 4(2), December, 145–51.
22. A. Daghfous (2004), 'Organizational Learning, Knowledge and Technology Transfer – A Case Study', *The Learning Organization: An International Journal*, 11(1), January, 67–83.
23. K. Alfie (1986), *No Contest*, 59.
24. N. Dempster, M. Freakley, and L. Parry (2001), 'The Ethical Climate of Public Schooling under New Public Management', *International Journal of Leadership in Education*, 4(1), January, 1–12.
25. K. Alfie (1986), *No Contest*, 50.
26. M. Landers-Potts and L. Grant (1997), 'Competitive Climates, Athletic Skill, and Children's Status in After-School Recreational Sports Programs', *Social Psychology of Education*, 2 (3–4), 297–313.
27. K. Alfie (1986), *No Contest,* 59.
28. W. R. Charlesworth (1996), 'Co-operation and Competition: Contributions to an Evolutionary and Developmental Model', *International Journal of Behavioral Development*, 19(1), March, 25–38.
29. K. Alfie (1986), *No Contest,* 66.
30. Rajagopal (2006), *International Marketing: Dynamics and Management*, New Delhi, Vikas, 133–6.
31. OECD (2006), *Competition Matters for Growth*, OECD Economic Surveys, Issue 1, 126–43.
32. K. Alfie (1986), *No Contest,* 70.
33. G. Liu, G. Shaojia, and G. Gaia (2001), 'Privatization or Competition? A Lesson Learnt from the Chinese', *Economic Change and Restructuring*, 34(1–2), 37–51
34. K. Alfie (1986), *No Contest,* 61.
35. E. David and H. Abraham (2002), 'Competition Policy and Innovation', *Oxford Review of Economic Policy*, 18(1), Spring, 63–79.
36. Rajagopal (2005), 'Institutional Reforms and Trade Competitiveness in Latin America', *Journal of Applied Econometrics and International Development*, 5(1), April, 45–64.
37. P. F. Drucker (1981), 'Behind Japan's Success', *Harvard Business Review*, 59(1), 83–90.
38. Rajagopal (2006), 'Measuring Customer Value Gaps: An Empirical Study in Mexican Retail Markets', *Economic Issues*, 11(1), March, 19–40.
39. D. Andrew (2004), 'Moving Base into High-value Integrated Solutions: A Value Stream Approach', *Industrial and Corporate Change*, 13(5), October, 727–56.
40. Rajagopal and S. Romulo (2005), 'Analysis of Customer Portfolio and Relationship Management Models: Bridging Managerial Gaps', *Journal of Business and Industrial Marketing*, 20(6), June, 307–316.

41. P. Don (2004), 'Confronting Low-end Competition', *Sloan Management Review*, 45(4), 73–8
42. J. Armstrong Scott (1988), 'Review on Alfie Kohn's Book', *Journal of Marketing*, 52, October, 131–2.
43. G. Krubasik Edward (1988), 'Customize your Product Development', *Harvard Business Review*, 66(6), 46–52.
44. U. Schaede (2004), 'Cooperating to Compete: Determinants of Sanctuary Strategy among Japanese Firms', *Asian Business and Management*, 3(4), December, 435–57.
45. M. Zineldin (2004), 'Co-opetition: The Organization of the Future', *Marketing Intelligence and Planning*, 22(7), July, 780–90.
46. Rajagopal (2006), *International Marketing: Dynamics and Management*, New Delhi, Vikas, 133–6.
47. Rajagopal and S. Romulo (2005), 'Analysis of Customer Portfolio and Relationship Management Models: Bridging Managerial Gaps', *Journal of Business and Industrial Marketing*, 20(6), June, 307–16.
48. Rajagopal (2006), 'Measuring Customer Value Gaps: An Empirical Study in Mexican Retail Markets', *Economic Issues*, 11(1), March, 19–40.
49. I. Paul, D. Marion, T. Frambach Ruud, and V. Theo (2003), 'Successful New Product Pricing Practices: A Contingency Approach', *Marketing letters*, 14(4), December, 289–305.
50. F. Kluckhohn (1951), *The Study of Culture,* Stanford: CA, Stanford University Press.
51. Ba. Heidrich (2002), 'Business as Unusual – The Role of National Cultural Background in Corporate Life', *European Integration Studies*, 1(2), 25–36.
52. F. Trompenaars and P. Wooliams (2003), 'A New Framework for Managing Change across Culture', *Journal of Change Management*, 3(4), May, 361–75.
53. F. Trompenaars (1993), *Riding the Waves of Culture*, London, Economist Books, 3–4.
54. Rajagopal (2004), 'Advertising Consumer Behavior and Brand Personality – Taxonomy of Cognitive Relationships', Working Paper # 07/2004, Business Division, ITESM, Mexico City Campus, 3–29.
55. Rajagopal (1994), *Rural Marketing in India-Policy and Approach*, Discovery, New Delhi, 116–117 (ISBN81-7141-261-0).
56. Rajagopal (2006), 'Innovation and Business Growth through Corporate Venturing in Latin America: Analysis of Strategic Fit', *Management Decision*, 44 (5), 703–18.
57. W. Dyer (1987), *Team Building*, Reading, MA, Addison-Wesley, 20–3.
58. R. Harris Philip and T. Moran Robert (1999), *Managing Cultural Difference – Leadership Strategies for a New World of Business*, Huston, TX, Gulf Publishing Company, 106–273.
59. S. Michael (2001), 'Playing around with Brainstorming', *Harvard Business Review*, March (Online access reference R0103L).
60. R. Vidal, E. Mulet, and E. Gomez-Senent (2004), 'Effectiveness of the Means of Expression Creative Problem Solving in Design Process', *Journal of Engineering Design*, Taylor & Francis, 15(3), June, 285–98.
61. Rajagopal (2005), 'Analysis of Customer Portfolio and Relationship Management Models: Bridging Managerial Gaps', *Journal of Business and Industrial Marketing,* 20(6), June, 307–16.
62. H. Yamada (1997), *Different Games Different Rules*, Oxford University Press, New Cork, 54–5.
63. Rajagopal (2003), *Effective Retail Selling of Processed Meat Products in Mexico – A Case of Donfer Alimentos*, Discussion Case, Centre for Latin American Business Studies, ITESM, Mexico City Campus, 1–16.

64. H. James Day, S. Yoshihiro, and L. Graham John (2000), *Doing Business with the New Japan*, Boulder, CO, Rowman & Littlefield (Quoted in Cateora Philip and Graham John L, *op.cit.* 580–81).
65. F. George, H. Hotaka and W. Jerry (2000), *Leveraging Japan*, San Francisco, Josey-Bass, 269–70.
66. Rajagopal (2006), *International Marketing*, Vikas Publishing House, New Delhi.
67. I. Varner Iris (2000), 'The Theoretical Foundation for Intercultural Business Communication: A Conceptual Model', *Journal of Business Communication*, January, 39–57.
68. C. Philip and L. Graham John (2003), *International Marketing*, McGraw Hill, New York.
69. H. Yamada (1997), *Different Games Different Rules*, Oxford University Press, New Cork, 54–5.
70. J. Hoover Robert, T. Green Robert, and Saegart (1978), 'A Cross-National Study of Perceived Risks', *Journal of Marketing*, July, 102–8.
71. K. Rosabeth Moss (1991), 'Transcending Business Boundaries – 12,000 World Managers View Change', *Harvard Business Review*, May–June, 153.
72. Rajagopal (2005), 'Impact of Advertising Variability on Building Customer Based Brand Personality in a Competitive Environment-Empirical Analysis with Reference to Mexico', *Latin American Business Review*, 6(3), 63–84.
73. H. Yamada (1997), *Different Games Different Rules*, Oxford University Press, New Cork, 54–5.
74. C. M. Rodríguez (2005), 'Emergence of a Third Culture – Shared Leadership in International Strategic Alliance', *International Marketing Review*, 22(1), January, 67–95.
75. P. S. Ring and Van de Ven (1992), 'Structuring Cooperative Relationship between Organizations', *Strategies Management Journal*, 3, 483–98.
76. J. K. Butler (1991), 'Towards Understanding and Measuring Conditions of Trust-Evolution of Trust Inventory', *Journal of Management*, 17, 643–63.
77. E. Weiss Stephen and S. William (1998), 'Negotiating with Foreign Business Persons', in (Eds) N. Susanne et al., *The Cultural Context in Business Communication*, Amsterdam, Netherlands, John Benjamin Publishing Company, 66–9.
78. B. Sue et al (2004), 'The Internationalization Process and the Role of Learning in Small Service Firms', in M. Frank, M. Michael and B. Trevor (Eds), *The Process of Internalization-Strategic, Cultural and Policy Perspectives*, New cork, NY, Palgrave Macmillan, 211–31.
79. M. Richard (1998), *International Management*, Oxford, UK, Blackwell Business, 236–9.
80. M. N. Rajan and J. L. Graham (1991), 'Understanding the Soviet Commercial Negotiation Process', *California Management Review*, Spring, 40–57.
81. M. Hayashi Alder (2003), 'Where to Trust Your Gut', *Harvard Management Review*, May, 1–10 (Online reference 3590).
82. J. Sharif Khurram et Al. (2005), 'Cognitive and Behavioral Determinants of Trust in SMEs', *Journal of Small Business and Enterprise Development*, 22(3), March, 409–21.
83. F. Francis (1995), *Trust – The Social Virtues and the Creation of Prosperity*, New York, NY, Free Press, 61–7.
84. Rajagopal (1995), *Organizing Rural Business – Policy, Planning and Management*, New Delhi, Sage, 96–9.
85. K. Kathy (2000), *Granny's Goodies Inc.*, Harvard Business School Case, Harvard Business School, February, 1–21 (Ref 9-500-049).

86. T. Cowen (2002), *Creative Destruction: How Globalization is Changing the World's Cultures,* Princeton, NJ: Princeton University Press. 65.
87. J. Brecher, T. Costello, B. Smith, *Globalization from Below*, Southend Press, Cambridge: MA.
88. World Bank, World Development Report-2005, News Release 2004/89/S, World Bank, Washington DC.
89. World Bank (2005), 'A better investment climate for everyone', World Development Report, Oxford University Press, New York.
90. F. Carter Michael (2004), 'Improving the Investment Climate: Challenges for India', Country Director, The World Bank Group, New Delhi, October 19, 2004 (Address delivered in the OECD Investment Conference).
91. OECD (1999), Code of Best Practices, Paris.
92. G. Broadman Harry (2000), 'Competition, Corporate Governance and Regulation in Central Asia: Uzbekistan's Structural Reform Challenges', Working Paper 2331. World Bank, Washington, D.C., May.
93. T. Levitt (2008), *Marketing Myopia*, Harvard Business School Press, Boston: MA.
94. T. C. Finnerty (2000), *Kodak Vs. Fuji – The Battle for Global Market Share*, Institute of Global Business Strategy, Lubin School of Business, Pace University, New York, 1–23.
95. Asian Development Bank (2003), 'Drivers of Change. Globalization, Technology and Competition', Section III, Competitiveness in Developing Asia, Asian Development Outlook.
96. G. S. Yip and J. K Johansson, 'Global Marketing Strategies of US and Japanese Business', *Marketing Science Institute*, Report 93-102, Cambridge, US.

6 Forecasting and Fudge Factors Modeling

1. J. D. Sterman (2001), 'System dynamics modeling: Tools for learning in a complex world', *California Management Review*, 43(4), 64–88.
2. J. Brinkmann and M. Voeth (2007), 'An analysis of buying center decisions through the sales force', *Industrial Marketing Management*, 36 (7), 998–1009.
3. L. McAlister and E. Pessemier (1982), 'Variety seeking behavior: An interdisciplinary review', *Journal of Consumer Research*, 9(3), 311–22.
4. R. A. Westbrook and W.C. Black (1985), 'A motivation-based shopper typology', *Journal of Retailing*, 61(1), 78–103.
5. P. Legohérel, B. Daucé, C. H. C. Hsu and A. Ranchhold (2009), 'Culture, time orientation, and exploratory buying behavior', *Journal of International Consumer Marketing*, 21(2), 93–107.
6. P. Legohérel, B. Daucé, C. H. C. Hsu, and A. Ranchhold (2009), 'Culture, time orientation, and exploratory buying behavior', *Journal of International Consumer Marketing*, 21(2), 93–107.
7. C. Schon (2010), 'On the product line selection problem under attraction choice models of consumer behavior', *European Journal of Operational Research*, 206(1), 260–4.
8. This construct of the model can be developed as analytical frame for the study based on two major factors – customer value and brand preference in making buying decision on organic products. Influencing variables towards customer value measurement include price, perceived use value of product, market communication including interpersonal communication and advertising, point of sales promotion, product attractiveness and services offered at retail stores. Above variables have been chosen as they are principal drivers of the customer value.

9. Rajagopal (2007), 'Buying decisions towards organic products: Analysis of customer value and brand drivers', *International Journal of Emerging Markets*, 2 (3), 236–51.
10. D. Morschett, B. Swoboda, and T. Foscht (2005), 'Perception of store attributes and overall attitude towards grocery retailers: The role of shopping motives', *International Review of Retail, Distribution and Consumer Research*, 15(4), 423–47.
11. E. Babakus, C. C. Bienstock, and J. R. van Scotter (2004), 'Linking perceived quality and customer satisfaction to store traffic and revenue growth', *Decision Sciences*, 35(4), 713–7.
12. B. Gamrowski and S. T. Rachev (1999), 'A testable version of the pareto-stable CAPM', *Mathematical and Computer Modeling*, 29 (1), 61–81. Also see C. S. Pedersen (2000), 'Sparsing risk and return in CAPM – A general utility based model', *European Journal of Operational Research*, 123(3), 628–39.
13. R. M. Perraudin William, and B. E. Sorensen (2000), 'The demand of risky assets: Sample selection and household portfolios', *Journal of Econometrics*, 97, 117–44.
14. B. Merrie, A. Zeithaml Valarie, and N. Gilian (2000), 'Price and brand name as indicators of quality dimensions of customer durables', *Journal of Academy of Marketing Science*, 28(3), 359–74.
15. Rajagopal and R. Sanchez (2004), 'Conceptual analysis of brand architecture and relations within product categories', *The Journal of Brand Management*, 11(3), 233–47.
16. Rajagopal (2005), 'Measuring variability factors in consumer values for profit optimization in a firm – A framework for analysis', *Journal of Economics and Management*, 1(1), 85–103.
17. Rajagopal (2006), 'Measuring customer value and market dynamics for new products of a firm: An analytical construct for gaining competitive advantage', *Global Business and Economics Review*, 8(3–4), 187–205.
18. B. A. Lafferty and R. E. Goldsmith (2004), 'How influential are corporate credibility and endorser attractiveness when innovators react to advertisement for a new high technology product?' *Corporate Reputation Review*, 7(1), 24–6.
19. N. Kim, R. K. Srivastava, and J. K. Han (2001), 'Consumer decision-making in a multi-generational choice set context', *Journal of Business Research*, 53(3), 123–36.
20. T. Sanguanpiyapan and C. Jasper (2010), 'Consumer insights into luxury goods: Why they shop where they do in a jewelry shopping setting', *Journal of Retailing and Consumer Services*, 17(2), 152–60.
21. V. Severin, J. J. Louviere, and A. Finn (2001), 'The stability of retail shopping choices over time and across countries', *Journal of Retailing*, 77(2), 185–202.
22. M. Johnson (2010), 'Industrial e-market adoption: An exploratory study of organisational change issues', *International Journal of Business Innovation and Research*, 4(6), 535–59.
23. Rajagopal (2009), 'Growing shopping malls and behavior of urban consumers', *Journal of Retail and Leisure Property*, 8(2), 99–118.
24. A. Yuksel (2007), 'Tourist shopping habitat: Effects on emotions, shopping value and behaviors', *Tourism Management*, 28(1), 58–69.
25. M. Bickle, R. Buccine, C. Makela and D. Mallette (2006), 'Consumers' uniqueness in home décor: Retail channel choice behaviour', *The International Review of Retail, Distribution and Consumer Research*, 16(3), 317–31.
26. G. Baltas, P. C. Argouslidis, and D. Skarmeas (2010), 'The role of customer factors in multiple store patronage: A cost-benefit approach', *Journal of Retailing*, 86(1), 37–50.

27. M. Hemlatha, V. J. Sivakumar, and A. G. V. Narayanan (2010), 'Modelling clearing sales behavior', *International Journal of Business Innovation and Research*, 4(5), 451–74.
28. T. Reutterer and C. Teller (2009), 'Store format choice and shopping trip types', *International Journal of Retail & Distribution Management*, 37(8), 695–710.
29. Rajagopal (2006), 'Measuring customer value and market dynamics for new products of a firm*:* An analytical construct for gaining competitive advantage*, Global Business and Economics Review*, 8(3–4), 187–205.
30. Rajagopal (2006b), 'Measuring customer value gaps: An empirical study in Mexican retail markets', *Economic Issues*, 11(1), 19–40.
31. R. G. Kauffman and P. T. L. Popkowski Leszczyc (2005), 'An optimization approach to business buyer choice sets: How many suppliers should be included?', *Industrial Marketing Management*, 34(1), 3–12.
32. M. Wallendorf and M. Brucks (1993), 'Introspection in consumer behavior: Implementation and implications', *Journal of Consumer Research*, 20(3), 339–59.
33. D. Morschett, B. Swoboda and T. Foscht (2005), 'Perception of store attributes and overall attitude towards grocery retailers: The role of shopping motives', *International Review of Retail, Distribution and Consumer Research*, 15(4), 423–47.
34. M. J. Eyring, M. W. Johnson, and H. Nair (2011), 'New business models in emerging markets', *Harvard Business Review*, 89(1), 88–95.
35. C. Zook and J. Allen (2011), 'The great repeatable business model', *Harvard Business Review*, 89(11), 106–15.
36. I. C. MacMilan and L. Selden (2008), 'The incumbent's advantage', *Harvard Business Review*, 86(10), 111–21.
37. M. W. Johnson, C. M. Christensen, and H. Kagermann (2008), 'Reinventing your business model', *Harvard Business Review*, 86(12), 50–9.
38. G. von Krogh and M. A. Cusumano (2001), 'Three strategies for managing fast growth', *Sloan Management Review*, 42(2), 53–61.
39. A. Davis and E. M. Olsen (2008), 'Critical competitive strategy issues every entrepreneur should consider before going into business', *Business Horizon*, 51(3), 211–21.
40. G. Tripodo and N. Dazzi (1995), 'Market attractiveness of developing countries', *Socio-Economic Planning Sciences*, 29(4), 287–303.
41. E. R. Corey (1975), 'Key options in market selection and product planning', *Harvard Business Review*, 53(5), 119–28.
42. O'Reilly, J. B. Harreld, and M. L. Tushman (2009), 'Organizational ambidexterity: IBM and emerging business opportunities', *California Management Review*, 51(4), 75–99.
43. A. Gawer and M. A. Cusumano (2008), 'How companies become platform leaders', *Sloan Management Review*, 49(2), 28–35.
44. M. Sawhney, R. C. Wolcott, and I. Arroniz (2006), '12 different ways for companies to innovate', *Sloan Management Review*, 47(3), 75–81.
45. J. S. Armstrong and R. J. Brodie (1999), Published in G. J. Hooley and M. K. Hussey (Eds), *Quantitative Methods in Marketing,* 2nd edn, London: International Thompson Business Press, 1999, 92–119.
46. R. G. McGrath and I. C. MacMillan (2009), 'How to rethink your business during uncertainty', *Sloan Management Review*, 50(3), 24–30.
47. J. S. Armstrong and R. J. Brodie (1999), Published in G. J. Hooley and M. K. Hussey (Eds), *Quantitative Methods in Marketing,* Second Edition, London: International Thompson Business Press, 1999, 92–119.

48. A. Borison and G. Hamm (2010), 'Prediction markets: A new tool for strategic decision making', *California Management Review*, 52(4), 51–7.
49. J. Wolfers and E. Zitzewit (2004), 'Prediction markets', *Journal of Economic Perspectives*, 18(2), 107–26.
50. A. Deaton (1992), *Understanding Competition*, Oxford University Press, Oxford.
51. Rajagopal (2005), 'Measuring variability factors in consumer values for profit optimization in a firm – A framework for analysis', *Journal of Economics and Management*, 1(1), 85–103.
52. M. Draganska and D. C. Jain (2005), 'Product line length as a competitive tool', *Journal of Economics and Management Strategy*, 14(1), 1–28.
53. G. Barron (2001), 'On adaptation, maximization and reinforcement learning among cognitive strategies', Working Paper, Columbia University.
54. S. Gupta, D. R. Lehmann, and J. A. Stuart (2003), *Valuing Customers*, HBS Marketing Research Paper, No. 03–08.
55. B. Gamrowski and S. T. Rachev (1999), 'A testable version of the pareto-stable CAPM', *Mathematical and Computer Modeling*, 29 (1), 61–81. Also see C. S. Pedersen (2000), 'Sparing risk and return in CAPM – A general utility based model', *European Journal of Operational Research*, 123(3), 628–39.
56. R. M. Perraudin William and B. E. Sorensen (2000), 'The demand of risky assets: Sample selection and household portfolios', *Journal of Econometrics*, 97, 117–44.
57. B. Merrie, A. Zeithaml Valarie, and N. Gilian (2000), 'Price and brand name as indicators of quality dimensions of customer durables', *Journal of Academy of Marketing Science*, 28(3), 359–74.
58. F. F. Reichheld and W. E. Sasser (1990), 'Zero defections: Quality comes to services', *Harvard Business Review*, Sep–Oct, 105–11.
59. D. Morschett, B. Swoboda and T. Foscht (2005), 'Perception of store attributes and overall attitude towards grocery retailers: The role of shopping motives', *The International Review of Retail, Distribution and Consumer Research*, 15(4), 423–47.
60. B. Emin, C. Carol, and R. Van Scotter James (2004), 'Linking perceived quality and customer satisfaction to store traffic and revenue growth', *Decision Sciences*, 35(4), 713–37.
61. C. Marjolein and V. Bart (1999), 'Spatial distance in a technology gap model', Maastricht Economic Research Institute on Innovation and Technology (MERIT), Working Paper No. 021.
62. U. Johnson, M. Martensson, and S. Matti (2001), 'Measuring to understand intangible performance drivers', *European Accounting Review*, 10(3), 407–37.
63. D. Andrew (2004), 'Moving base into high-value integrated solutions: A value stream approach', *Industrial and Corporate Change*, 13(5), October, 727–56.
64. E. Andreas and U. Wolfgang (2002), 'Customer perceived value – A substitute for satisfaction in the business markets', *The Journal of Business and Industrial Marketing*, 17(2), 107–18.
65. P. Oakley (1996), 'High tech NPD success through faster overseas launch', *European Journal of Marketing*, 30(8), 75–91.
66. Rajagopal (2005), 'Measuring variability factors in consumer values for profit optimization in a firm – A framework for analysis', *Journal of Economics and Management*, 1(1), 85–103.
67. H. Sangran, S. Gupta, and D. R. Lehmann (2001), 'Consumer price sensitivity and price thresholds', *Journal of Retailing*, 77 (4). 435–56.

7 Decision Making

1. G. R. Jones (2007), *Organizational Theory, Design and Change*, 5th edn, Prentice Hall, Upper Saddle River, NJ.
2. A. Grandori and G. Soda (2006), 'A relational approach to organization design', *Industry & Innovation*, 13(2), 151–72.
3. R. L. Simons (2005), *Levers of Organization Design: How Managers Use Accountability Systems for Greater Performance and Commitment*, Harvard Business School Press, Boston, MA
4. D. Miller (2005), 'Advantage by design: Competing with opportunity-based organizations', *Business Horizons*, 48(5), 393–407.
5. V. Ivashina and D. Scharfstein (2010), 'Bank lending during the financial crisis of 2008', *Journal of Financial Economics*, 97(3), 319–38.
6. A. Barua and A. B. Whinston (1998), 'Decision support for managing organizational design dynamics', *Decision Support Systems*, 22 (1), 45–58.
7. G. R. Jones (2007), *Organizational Theory, Design and Change*, 5th edn, Prentice Hall, Upper Saddle River, NJ.
8. R. H. Miles (1980), *Macro Organizational Behavior*, Good Year Publishing, Santa Monica, CA.
9. P. Rowland and K. Parry (2009), 'Consensual commitment: A grounded theory of the meso-level influence of organizational design on leadership and decision-making', *The Leadership Quarterly*, 20(4), 535–53.
10. F. Jaspers and J. Ende (2006), 'The organizational form of vertical relationships: Dimensions of integration', *Industrial Marketing Management*, 35(7), 819–28.
11. T. T. Moores (2010), 'Organizational performance under conditions of vulnerability: A multi-agent perspective', *Expert Systems with Applications*, 37(4), 3111–17.
12. R.M. Grant and M. Venzin (2009), 'Strategic and organizational challenges of internationalization in financial services', *Long Range Planning*, 42(5), 561–87.
13. M. J. Austin and J. Ciaassen (2008), 'Impact of organizational change on organizational culture: Implications for introducing evidence-based practice', *Journal of Evidence-Based Social Work*, 5(1), 321–59.
14. H. Qu, B. Ryan and R. Chu (2001), 'The perceived importance of job attributes among foodservice employees in hong kong hotel industry', *International Journal of Hospitality and Tourism Administration*, 2(2), 57–76.
15. D. C. Kayes, D. Stirling, and T. M. Nielsen (2007), 'Building organizational integrity', *Business Horizons*, 50(1), 61–70.
16. G. R. Jones (2007), *Organizational Theory, Design and Change*, 5th edn, Prentice Hall, Upper Saddle River, NJ.
17. S. A. O'Reilly (1989), 'Corporations, culture, and commitment: Motivation and social control in organizations', *California Management Review*, 31(4), 9–25.
18. T. Tyler, J. Dienhart, and T. Thomas (2008), 'The ethical commitment to compliance: Building value-based cultures', *California Management Review*, 50(2), 31–51.
19. B. T. Gregory, S. G. Harris, A. A. Armenakis, and C. L. Shook (2009), 'Organizational culture and effectiveness: A study of values, attitudes, and organizational outcomes', *Journal of Business Research*, 62(7), 673–9.
20. S. L. Yeo and K. Sriramesh (2009), 'Adding value to organizations: An examination of the role of senior public relations practitioners in Singapore', *Public Relations Review*, 25(4), 422–5.

21. W. Zheng, B. Yang, and G. N. McLean (2010), 'Linking organizational culture, structure, strategy, and organizational effectiveness: Mediating role of knowledge management', *Journal of Business Research*, 63(7), 763–71.
22. J. Chatman and S. E. Cha (2003), 'Leading by leveraging culture', *California Management Review*, 45(4), 20–34.
23. S. Asree, M. Zain, and M. R. Razalli (2010), 'Influence of leadership competency and organizational culture on responsiveness and performance of firms', *International Journal of Contemporary Hospitality Management,* 22(4), 500–16.
24. A. Darr (2003), 'Control and autonomy among knowledge workers in sales: An employee perspective', *Employee Relations*, 25(1), 31–41.
25. T. Carter (2006), 'Sales management coaching: A model for improved insurance company performance', *Journal of Hospital Marketing & Public Relations*, 16(1), 113–25.
26. G. R. Jones (2007), *Organizational Theory, Design and Change*, 5th edn, Prentice Hall, Upper Saddle River, NJ.
27. M. Farrell (2005), 'The effect of a market-oriented organizational culture on sales-force behavior and attitudes', *Journal of Strategic Marketing*, 13(4), 261–73.
28. B. Schyns, J. M. Maslyn, and J. Weibler (2010), 'Understanding the relationship between span of control and subordinate consensus in leader-member exchange', *European Journal of Work and Organizational Psychology,* 19(3), 388–406.
29. K. Buehler, A. Freeman, and R. Hulme (2008), 'The new arsenal of risk management', *Harvard Business Review*, 86(9), 93–100.
30. G. Franco (2006), 'Personal development and growth in a downsized banking organization: Summary of methodology and findings', *Human Resource Development International*, 9(2), 207–26
31. E. Klaus Meyer and E. Lieb- Dóczy (2003), 'Post-acquisition restructuring as evolutionary process', *Journal of Management Studies*, 40(2), 459–82.
32. Rajagopal and A. Rajagopal (2006), 'Trust and cross-cultural dissimilarities in corporate environment', *Team Performance Management-An International Journal*, 12(7–8), 237–52.
33. P. Carswell (2005), 'The financial impact of organizational downsizing practices: The New Zealand experience', *Asia Pacific Journal of Management*, 22(1), 41–63.
34. M. E. Johnson-Cramer, S. Parise, and R. L. Cross (2007), 'Managing change through networks and values', *California Management Review*, 49(3), 85–109.
35. J. E. Urbany, T. J. Reynolds, and J. M. Phillips (2008), 'How to make values count in everyday decisions', *Sloan Management Review*, 49(4), 75–80.
36. D. A. Garvin and L. C. Levesque (2006), 'Meeting challenges of the corporate entrepreneurship', *Harvard Business Review*, 84(10), 102–10.
37. D. Cabrera, L. Colosi, and C. Lobdell (2008), 'Systems thinking', *Evaluation and Program Planning*, 31(3), 299–310.
38. E. Inelmen (2006), 'Genealogy of a pursuit for education reform', in D. Evans (ed.), *Philosophy of Education: Proceedings of the Twenty- First World Congress of Philosophy,* vol. 4, Ankara, Turkey, 57–64.
39. J. O'Connor (1997), *The Art of Systems Thinking: Essential Skills for Creativity and Problem Solving*, London, Thomson Harper Collins.
40. J. Gharajedaghi (2006), *Systems Thinking: Managing Chaos and Complexity*, Elsevier, San Diego, CA.
41. A. Skaržauskiene (2010), 'Managing complexity: Systems thinking as a catalyst of the organization performance', *Measuring Business Excellence*, 14 (4), 49–64.

42. P. M. Senge and G. Carstedt (2001), 'Innovating our way to next industrial revolution', *Sloan Management Review*, 42(2), 24–38.
43. R. A. Burgelman and Y. L. Doz (2001), 'Power of strategic integration, *Sloan Management Review*, 42(3), 28–38.
44. Rajagopal (2007), 'Buying decisions towards organic products: Analysis of customer value and brand drivers', *International Journal of Emerging Markets*, 2(3), 236–51.
45. C. K. Prahalad and Y. Doz (1987), *The Multinational Mission: Balancing Local Demands and Global Vision*, Free Press, New York.
46. Rajagopal (2009), 'Effects of customer services efficiency and market effectiveness on dealer performance', *International Journal of Services and Operations Management*, 5 (5), 575–94. Also see M. Schindehutte, M. H. Morris and A. Kocak (2008), 'Understanding market-driving behavior: The role of entrepreneurship', *Journal of Small Business Management*, 46(1), 4–26.
47. J. Chung, B. Jin, and B. Sternquist (2007), 'The role of market orientation in channel relationships when channel power is imbalanced', *The International Review of Retail, Distribution and Consumer Research*, 17(2), 159–76.
48. K. Sena and M. Petromilli (2005), 'How DuPont used insights from needs-based research to redefine brand, business', *Handbook of Business Strategy*, 6(1), 73–9.
49. C. Berger, K. Möslein, F. Piller, and R. Reichwald (2005), 'Co-designing modes of cooperation at the customer interface: Learning from exploratory research', *European Management Review*, 2(1), 70–87.
50. C. Lakshman and C. R. Parente (2008), 'Supplier-focused knowledge management in the automobile industry and its implications for product performance', *Journal of Management Studies*, 45(2), 317–42.
51. L. Selden and I. C. MacMillan (2006), 'Manage customer-centric innovation systematically', *Harvard Business Review*, 84(4), 108–16.
52. F. K. Pil and M. Holweg (2006), 'Evolving from value chain to value grid', *Sloan Management Review*, 47(4), 72–80.
53. C. H. Fine, R. Vardan, R. Pethick, J. El-Hout (2002), 'Rapid-response capability in value-chain design', *Sloan Management Review*, 43(2), 69–75.
54. J. B. Harreld, C. A. O'Reilly, and M. L. Tushman (2007), 'Dynamic capabilities at IBM: Driving strategy into action', *California Management Review*, 49(4), 21–43.
55. J. M. Horner and S. K. Tung (2011), 'Playing cards with Thomas Kuhn: A critical reexamination of the Bruner and Postman (1949) experiment', *Review of General Psychology*, 15(2), 175–85.
56. A tachistoscope is a device that displays (usually by projecting) an image for a specific amount of time. It can be used to increase recognition speed, to show something too fast to be consciously recognised, or to test which elements of an image are memorable.
57. J. D. Sterman (2001), 'System dynamics modeling: Tools for learning in a complex world', *California Management Review*, 43(4), 8–25.
58. R. A. Burgleman and W. McKinney (2006), 'Managing the strategic dynamics of acquisition integration: Lessons from HP and Compaq', *California Management Review,* 48(3), 6–27.
59. G. Piccoli, K. Brohman, R. T. Watson, and A. Parasuraman (2009), 'Process completeness: Strategies for aligning service systems with customers' service needs', *Business Horizon*, 52 (4), 367–76.
60. C. C. Markides (1999), 'Dynamic view of strategy', *Sloan Management Review*, 40(3), 55–63.

61. W. F. Crittenden and V. L. Crittenden (2009), 'Building a capable organization: The eight levers of strategy implementation', *Business Horizon*, 51(4), 301–9.
62. According to Cooper and Lybrand's 1998 Trendsetters Barometer survey about two-thirds of the fast growing companies had written marketing plans.
63. R. A. Burgelman and Y. L. Doz (2001), 'Power of strategic integration', *Sloan Management Review*, 42(3), 28–38.
64. T. Ho and K. Chen (2007), 'New product blockbusters: The magic and science of prediction markets', *California Management Review*, 50 (1), 144–58.
65. Y. Wind and V. Mahajan (2002), 'Convergence marketing', *Journal of Interactive Marketing*, 16 (2), 64–79.
66. Rajagopal and A. Rajagopal (2008), 'Team performance and control process in sales organizations', *Team Performance Management – An International Journal*, 14 (1), 70–85.
67. B. Michael and L. Adam (2004), 'Relationship use and market dynamism – A model of relationship evolution', *Journal of Marketing Management*, 20(7–8), August, 825–58.
68. L. C. Harris and K. Y. Cai (2002), 'Exploring market driving – A case study of DeBeers in China', *Journal of Market-Focused Management*, 5(3), September, 171–96.

8 Customer-Centric Business Management

1. G. D. Pires, J. Stanton, and P. Rita (2006), 'The internet, consumer empowerment and marketing strategies', *European Journal of Marketing*, 40 (9–10), 936–49.
2. K. Sena and M. Petromilli (2005), 'How DuPont used insights from needs-based research to redefine brand, business', *Handbook of Business Strategy*, 6(1), 73–9.
3. C. Berger, K. Möslein, F. Piller, and R. Reichwald (2005), Co-Designing modes of cooperation at the customer interface: Learning from exploratory research', *European Management Review*, 2 (1), 70–87.
4. C. Lakshman and C. R. Parente (2008), 'Supplier-focused knowledge management in the automobile industry and its implications for product performance', *Journal of Management Studies*, 45(2), 317–42.
5. L. Selden and I. C. MacMillan (2006), 'Manage customer-centric innovation systematically', *Harvard Business Review*, 84 (4), 108–16.
6. B. Squire, P. D. Cousins, and S. Brown (2005), 'Collaborating for customization: An extended resource-based view of the firm', *International Journal of Productivity and Quality Management*, 1(1–2), 8–25.
7. V. Bagodi and B. Mahanty (2007), 'Exploring the operational strategies for two-wheeler service centres using discrete-event simulation', *International Journal of Services and Operations Management*, 3(1), 74–94.
8. S. Ganeshan (1994), 'Determinants of long-term orientation in buyer-seller relationships', *Journal of Marketing*, 58(2), 1–19.
9. W. Smith, G. H. van Bruggen, and B. Wierenga (2002), *Building Stronger Channel Relationship though Information Sharing*, Discussion Paper, 235, Erasmus Research Institute of Management, 1–62.
10. M. Swink and G. Zsidisin (2006), 'On the benefits and risks of focused commitment to suppliers', *International Journal of Production Research*, 44 (20), 4223–40.
11. S. Maguire, S. C. L. Koh, and C. Huang (2006), 'Managing customer satisfaction through efficient listening tools: An evaluation of best practice in four world-class companies', *International Journal of Services and Operations Management*, 2 (1), 22–41.

12. J. H. Dyer (1994), 'Dedicated assets: Japan's manufacturing edge', *Harvard Business Review*, 72(6), 174–8.
13. J. L. Heskett, T. O. Jones, G. W. Loveman, W. E. Jr. Sasser and L. A. Schlesinger (1994), 'Putting the service-profit chain to work', *Harvard Business Review*, 72(3), 164–74.
14. S. Coulibalyand Z. Hua (2006), 'A scientific basis for the choice of scale in QFD', *International Journal of Services and Operations Management*, 2(2), 124–45.
15. D. Lundquist and S. Bhattacharyya (2008), 'Finding seller quality and quality sellers in online markets: An agent-based analysis', *International Journal of Electronic Business*, 6 (1), 47–66.
16. V. Bala and J. Green (2007), 'Charge what your products are worth', *Harvard Business Review*, 85(9), 22–5.
17. G. Heiko, K. Regine, and F. Elgar (2008), 'Exploring the effect of cognitive biases on customer support services', *Creativity and Innovation Management*, 17(1), 58–70.
18. A. Sachan, S. Datta, and A. P. Arora (2008), 'Integrating customer preferences and organisation strategy for resource allocation', *International Journal of Services and Operations Management*, 4(3), 345–67.
19. Rajagopal (2007), 'Optimising franchisee sales and business performance', *Journal of Retail and Leisure Property*, 6(4), 341–60.
20. C. Camarero (2007), 'Relationship orientation or service quality: What is the trigger of performance in financial and insurance services?' *The International Journal of Bank Marketing*, 25(6), 406–26.
21. Rajagopal (2008), 'Buyer-supplier relationship and operations dynamics', *The Journal of Operations Research Society*, 59 (Advanced online publication http://www.palgrave-journals.com/jors/journal/vaop/ncurrent/abs/2602560a.html).
22. H. Peck (2006), 'Reconciling supply chain vulnerability, risk and supply chain management', *International Journal of Logistics*, 9(2), 127–42.
23. P. Trkman, M. I. Stemberger, J. Jaklic, and G. Ales (2007), 'Process approach to supply chain integration', *Supply Chain Management: An International Journal,* 12 (2), 116–28.
24. J. Villanueva, P. Bharadwaj, Y. Chen and S. Balasubramanian (2004), 'Managing customer relationships – should managers really focus on long term', IESE Business School, Working Paper # D/560, May, 1–37.
25. P. E. Pfeifer (1999), 'On the use of customer lifetime value as a limit on acquisition spending', *Journal of Database Marketing*, 7(1), 81–6.
26. T. Rust Roland, V. A. Zeithaml and K. N. Lemon (2004), 'Customer-centered brand management', *Harvard Business Review*, 82 (9), 110–18.
27. R. Hallowell (1996), 'The relationships of customer satisfaction, customer loyalty, and profitability: an empirical study', *International Journal of Service Industry Management*, 7(4), 27–42.
28. B. Donkers, C. Verhoef Peter, and J. Martijn De (2003), *Predicting Customer Lifetime Value in Multi-service Industries*, ERIM Report Series, April, (Ref ETS-2003-038-MKT).
29. C. Marjolein and V. Bart (1999), 'Spatial distance in a technology gap model', Maastricht Economic Research Institute on Innovation and Technology (MERIT), Working Paper No. 021.
30. J. Villanueva, P. Bharadwaj, Y. Chen, and S. Balasubramanian (2004), 'Managing customer relationships – should managers really focus on long term', IESE Business School, Working Paper # D/560, May, 1–37.

31. O. Paul (1996), 'High-tech NPD success through faster overseas launch', *European Journal of Marketing*, 30(8), 75–91.
32. Rajagopal (2005), 'Measuring variability factors in customer values for profit optimization in a firm – A framework for analysis', *Journal of Economics and Management*, 1(1), 85–103.
33. S. Gupta, D. R. Lehmann, and J. A. Stuart (2003), *Valuing Customers*, HBS Marketing Research Paper, No. 03–08.
34. T. T. Nagle (1987): *The Strategy and Tactics in Pricing*, Prentice-Hall, Englewood Cliffs, New Jersey, Chapter III, 1987.
35. E. Ofek and M. Sarvary (2001), 'Leveraging the customer base: Creating competitive advantage through knowledge management', *Management Science*, 47(11), 1441–56.
36. V. Nagar and M. V. Rajan (2005), 'Measuring customer relationships: The case of the retail banking industry', *Management Science*, 51(6), 904–19.
37. C. Blattberg Robert, G. Gary and S. Thomas Jacquelyn (2001), *Customer Equity: Building and Managing Relationships as Valuable Assets*, Harvard Business School Press, Boston, MA.
38. J. B. Shao, Z. Wang, and X. X. Long (2008), *The Driving Factor on Customer Retention: Empirical Study on Bank Card*, International Conference on Management Science and Engineering, 15th Annual Conference Proceedings, ICMSE, pp 558–564
39. D. Narayandas (2005), 'Building loyalty in business markets', *Harvard Business Review*, 83 (9), 131–9.
40. For details see A. Berson, S. Smith, and K. Thearling (1999), *Building Data Mining Applications for CRM*, McGraw Hill, New York.
41. Euromonitor International (2009), *Retailing in Indonesia*, Market Report, Euromonitor International, March.
42. J. M. Manyika, R. P. Roberts, and K. L. Sprague (2007), 'Eight business strategy trend to watch', *McKinsey Quarterly*, December.
43. S. Borle, S. S. Singh, and D. C. Jain (2008), 'Customer lifetime value measurement', *Management Science*, 54(1), 100–12.
44. J. Griffin and M. W. Lowenstein (2001), *Customer Winback: How to Recapture Lost Customers and Keep Them Loyal*, Jossey-Bass, Inc. Publishers.
45. V. L. Crittenden and W. F. Crittenden (2004), 'Developing the sales force, growing the business: The direct selling experience', *Business Horizons*, 47 (5), 39–44.
46. L. Selden and I. C. MacMillan (2006), 'Manage customer-centric innovation systematically', *Harvard Business Review*, 84(4), 108–16.
47. C. Berger, K. Möslein, F. Piller and R. Reichwald (2005), 'Co-Designing modes of cooperation at the customer interface: learning from exploratory research', *European Management Review*, 2(1), 70–87.
48. Rajagopal (2009), 'Effects of customer services efficiency and market effectiveness on dealer performance', *International Journal of Services and Operations Management*, 5 (5), 575–94.
49. J. Chung, B. Jin, and B. Sternquist (2007), 'The role of market orientation in channel relationships when channel power is imbalanced', *The International Review of Retail, Distribution and Consumer Research*, 17(2), 159–76.
50. S. Slater and J. Narver (1995), 'Market orientation and the learning organization', *Journal of Marketing,* 59(3), 63–74.
51. J. Singh (1993), 'Boundary role ambiguity: facets, determinants and impacts', *Journal of Marketing*, 57(2), 11–31.

52. A. Baldauf, D. W. Cravens, K. Grant (2002), 'Consequences of sales management control in field sales organizations: A cross-national perspective', *International Business Review*, 11(5), 577–609.
53. H. Chang (2007), 'Critical factors and benefits in the implementation of customer relationship management', *Total Quality Management & Business Excellence*, 18(5), 483–508.
54. B. Merrilees and K. Fam (1999), 'Effective methods of managing retail "sales"', *International Review of Retail, Distribution and Consumer Research*, 9(1), 81–92.
55. M. Adria and S. D. Chowdhury (2002), 'Making room for the call center', *Information Systems Management*, 19(1), 71–80.
56. L. Bassi and D. McMurrer (2007), 'Maximizing your return on people', *Harvard Business Review*, 85 (3), 115–23.
57. C. E. Pettijohn, L. S. Pettijohn, and R. Parker (1997), 'An exploratory analysis of the impact of salesperson customer-orientation on sales force productivity', *Journal of Customer Service in Marketing & Management*, 3(4), 5–24.
58. S. Misra, E. J. Pinker and R. A. Shumsky (2004), 'Salesforce design with experience-based learning', *IIE Transactions*, 36(10), 941–52.
59. H. Yamada (1997), *Different Games Different Rules*, Oxford University Press, New Cork, 54–5.
60. R. Harris Philip and T. Moran Robert (1999), '*Managing Cultural Difference – Leadership Strategies for a New World of Business*, Huston, TX, Gulf Publishing Company, 106–273.
61. M. M. Aslam (2006), 'Are You selling the right colour? A cross-cultural review of colour as a marketing cue', *Journal of Marketing Communications*, 12(1), 15–30.
62. V. L. Crittenden and W. H. Crittenden (2004), 'Developing the sales force, growing the business: The direct selling experience', *Business Horizons*, 47 (5), 39–44.
63. J. Conger (1998), 'Necessary art of persuasion', *Harvard Business Review*, 76(3), 84–95.
64. M. Beverland (2004), 'Brand value, convictions, flexibility, and New Zealand wine', *Business Horizons*, 47(5), 53–61.
65. P. Lay, T. Hewlin and G. Moore (2009), 'In a downturn, provoke your customers', *Harvard Business Review*, 87(3), 43–7.
66. P. R. Berthon, L. F. Pitt, I. McCarthy, and S. M. Kates (2007), 'When customers get clever: Managerial approaches to dealing with creative consumers', *Business Horizons*, 50(1), 39–47.
67. W. Verbeke, C. Ouwerkerk and E. Peelen (1996), 'Exploring the contextual and individual factors on ethical decision making of salespeople', *Journal of Business Ethics*, 15(11), 1175–87.
68. J. A. Cruickshank (2009), 'A play for rurality: Modernization versus local autonomy', *Journal of Rural Studies*, 25(1), 98–107.
69. D. Blumenthal (2002), 'Beyond "form versus content": Simmelian theory as a framework for adaptive brand strategy', *Journal of Brand Management*, 10(1), 9–18.
70. Rajagopal (2008), *Measuring Brand Performance through Metrics Application, Measuring Business Excellence,* 12 (1), 29–38.
71. V. Akula (2008), 'Business basics at the base of the pyramid', *Harvard Business Review*, 86(6), 53–7.
72. Rajagopal (2008), 'Conational drivers influencing brand preference among consumers', Working Paper # 2009–02-MKT, EGADE-ITESM, 1–35 (http://ssrn.com/abstract=1411300, retrieved on August 9, 2009).

73. Rajagopal (2009), 'Managing brands in bottom line markets', *Innovative Marketing*, 5 (1), 33–8.
74. Euromonitor (2006), 'Breakfast cereals boom in bulgaria', January.
75. Ibid.
76. D. Arnold (2003): *The Mirage of Global Marketing: How Globalizing Companies can Succeed as Markets Localize*, Financial Times Prentice Hall, Upper Saddle River, NJ, 24–65.
77. N. Piercy (1982), 'Company internationalization: active and reactive exporting', *European Journal of Marketing,* 15 (3), 26–40.
78. W. Schoenmakers and G. Duysters (2006), 'Learning in strategic technological alliances', *Technology Analysis and Strategic Management*, 18(2), 245–64.
79. N-H. Kang and K. Sakai (2005), 'International strategic alliances: Their role in industrial globalisation', OECD, STI Working Paper # 2000/5.
80. Rajagopal (2005), 'Virtual sales offices for insurance services in Mexico: A case of ING commercial America discussion case', ITESM, Mexico.
81. S. Parise and L. Sasson (2002), *Leveraging Knowledge Management across Strategic Alliances,* IBM Institute for Business Value Study, Cambridge, Massachusetts. USA
82. Polycom Corporate Website: Information on strategic ally partners, http://www.polycom.com

9 Challenges Ahead

1. A. E. Routh (2007), 'Art of designing markets', *Harvard Business Review*, 85(10), 118–126
2. E-K. Prokkola (2007), 'Cross-border regionalization and tourism development at the Swedish-Finnish border: "Destination arctic circle"', *Scandinavian Journal of Hospitality and Tourism*, 7(2), 120–38.
3. K. Mundy (2007), 'Global governance, educational change', *Comparative Education*, 43(3), 339–57.
4. W. C. Kim and R. Mauborgne (1999), 'Creating new market space', *Harvard Business Review*, 27(1), 83–93.
5. K. Choudhury (2007), 'Service quality dimensionality: A study of the Indian banking sector', *Journal of Asia-Pacific Business*, 8(4), 21–38.
6. A. Payne and P. Frow (2005), 'Strategic framework for customer relationship management', *Journal of Marketing,* 69(4), 167–76.
7. J. B. Bellin and C. T. Pham (2007), 'Global expansion: Balancing a uniform performance culture with local conditions', *Strategy and Leadership*, 35(6), 44–50.
8. C. M. Rodríguez (2005), 'Emergence of a third culture – shared leadership in international strategic alliance', *International Marketing Review*, 22(1), January, 67–95.
9. B. Sue et Al. (2004), 'The internationalization process and the role of learning in small service firms', in M. Frank, M. Michael, and B. Trevor (Eds), *The Process of Internalization – Strategic, Cultural and Policy Perspectives*, New cork, NY, Palgrave Macmillan, 2004, 211–31.
10. R. T. Rust, C. Moorman, and G. Bhalla (2010), 'Rethinking marketing', *Harvard Business Review*, 88(1), 94–101.
11. M. Hostetter (2003), 'The marketing of culture', *Gotham Gazette*, Internet Edition, October 2003, http://www.gothamgazette.com/article/20031023/1/580.
12. A. E. Roth (2008), 'What have we learned from market design?' *The Economic Journal*, 118 (527), 285–310.

13. H. Kok (2007), 'Restructuring retail property markets in Central Europe: Impacts on Urban Space', *Journal of Housing and the Built Environment*, 22 (1), 107–26.
14. J. T. L. Ooi and L. L. Sim (2007), 'The magnetism of suburban shopping centers: Do size and cineplex matter?' *Journal of Property Investment and Finance*, 25(2), 111–35.
15. J. Feng, Y. Zhou, and F. Wu (2008), 'New trends of suburbanization in Beijing since 1990: From government-led to market-oriented', *Regional Studies: The Journal of the Regional Studies Association,* 42 (1), 83–99.
16. T. J. Maronick (2007), 'Specialty retail center's impact on downtown shopping, dining, and entertainment', *International Journal of Retail & Distribution Management*, 35(7), 556–68.
17. M. I. El-Adly (2007), 'Shopping malls attractiveness: A segmentation approach', *International Journal of Retail & Distribution Management*, 35(11), 936–50.
18. International Chamber of commerce: Regional trade agreements and the multilateral trading system, Document # 103, 2002
19. E. Brynjolfsson, Y. J. Hu, M. Smith, and M. Smith (2006), 'From niches to riches: Anatomy of the long tail', *Sloan Management Review*, 47(4), 67–71.
20. W. B. Werther Jr and J. L. Kerr (1995), 'Shifting sands of competitive advantage', *Business Horizons*, 38(3), 11–17.
21. J. Chung, B. Jin and B. Sternquist (2007), 'The role of market orientation in channel relationships when channel power is imbalanced', *The International Review of Retail, Distribution and Consumer Research*, 17(2), 159–76.
22. S. Slaterand j. Narver (1995), 'Market orientation and the learning organization', *Journal of Marketing,* 59(3), 63–74.
23. R. P. Jindal, W. Reinartz, M. Krafft, and W. D. Hoyer (2007), 'Determinants of the variety of routes to market', *International Journal of Research in Marketing*, 24(1), 17–29.
24. Rajagopal (2008), 'Point of sales promotions and buying stimulation in retail stores', *Journal of Database Marketing and Customer Strategy Management,* 15(4), 249–66.
25. D. W. Wallace, J. L. Giese and J. L. Johnson (2004), 'Customer retailer loyalty in the context of multiple channel strategies', *Journal of Retailing*, 80(4), 249–63.
26. H. Tsai and A. B. Eisingerich (2010), 'Internationalization strategies of emerging markets firms', *California Management Review*, 53(1), 114–35.
27. R. D. Tamilia and S. E. Reid (2007), 'Technological innovation and the rise of the department store in the 19th century', *International Journal of Technology Marketing*, 2 (2), 119–39.
28. R. Thomas, W. Tillmann, and S. Fawcett (2008), 'Project management in retailing: Integrating the behavioral dimension', *The International Review of Retail, Distribution and Consumer Research*, 18(3), 325–41.
29. M. B. Dawn and A. Romaniello (2008), 'The cost of electronic retailing: Prevalent security threats and their results', *International Journal of Electronic Marketing and Retailing,* 2(1), 80–96.
30. P. Timothy and K. Robert (2007), 'Evaluating food retailing efficiency: The role of information technology', *Journal of Productivity Analysis*, 27(2), 101–113.
31. S. S. Pate, K. Blaylock, and L. Southward (2007), 'RFID: An interface survey between students and retailers', *The Marketing Review*, 7(3), 273–81.
32. M. Bourlakis and C. Bourlakis (2006), 'Integrating logistics and information technology strategies for sustainable competitive advantage', *Journal of Enterprise Information Management*, 19 (4), 389–402.
33. U. Lichtenthaler (2007), 'Drivers of technology licensing: An industry comparison', *California Management Review*, 49(4), 67–89.
34. G. D. Pires, J. Stanton, and P. Rita (2006), 'The internet, consumer empowerment and marketing strategies', *European Journal of Marketing*, 40 (9–10), 936–49.

Index