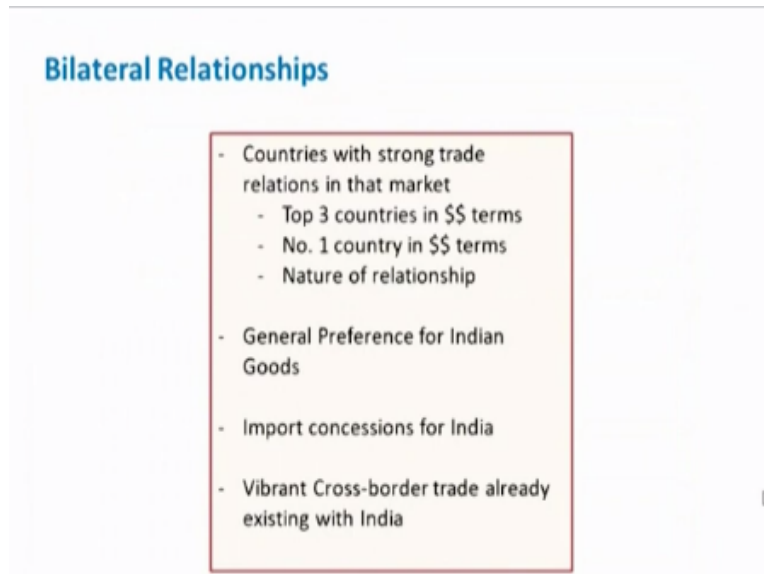


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Lecture – 37
Interaction with Practicing Manager

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So, welcome back friends. We were on the bilateral relationships part and as I spoke very passionately about; because this is very important and this can actually decide your degree of success in a particular country, especially if you're in the neighbourhood. If you are in countries which are a little far away bilateral relationship impact may be low. So, for example if you go Vietnam or Philippines, bilateral relationship will be important, but not as important as say in Sri Lanka or Bangladesh because these are neighbouring countries.

So, the influence of relationship is very important. It is typically like the sibling rivalry that you have even within your own family, so you have to be careful about that. And if there is already a vibrant cross border trade that already exists with that country, then it is an advantage for you because then there is already a trade relationship established. So, this is an important part.

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Cultural Do's & Don'ts

- How do they view Indians
- Ruthless negotiators or relationship oriented
- Underplay Indianness
- Give examples & anecdotes of other countries, rather than of India
- Local Sensitivities
- Styles of selling
 - Forthright or polished
 - People and/or process
 - Structured or Rustic
- Discounting & concessions as a culture

This is again a very soft aspect and you need to look at that aspect very carefully. I already touched upon it in the previous slide, but let us understand the various points mentioned over here. How do they view Indians? So here we are a very different race. Within the neighbourhood, fine we all look alike. We are the so called South Asian race. We all look alike, so Indians, Pakistanis, Bangladeshis, Sri Lankans we all look very similar.

As you keep going east, as you keep going west, as you keep going north people start looking different. So, within the neighbouring country, there is a certain way of looking at Indians. Some countries look at in different way as I just mentioned to you the difference between Sri Lanka and Bangladesh. Now, another thing to understand on that country is are they ruthless negotiators or are they relationship oriented when they do business?

So, this is again a very cultural thing. So, if you go to Bangladesh, they are very hospitable people or if you go to even Vietnam, they are very hospitable people. If you go to Philippines, it is very different, it is very different. So, even if you are doing business in Thailand as an Indian company, maybe you take example of a country that Thailand appreciates, and one country that Thailand appreciates is Germany for example.

You will find a craving for German products, German cars, Mercedes Benz is what they love. Of course, they buy Japanese cars, but the aspirational car is a German car, Mercedes Benz, BMW, whatever. Local sensitivities, very important to understand. So, every country will have a local sensitivity. Suppose you are going for a business meeting in Thailand or in

Bangladesh, in Bangladesh it is very much like India, you can be 5 minutes late, no hell will break loose.

But if you are in Singapore or Bangladesh or Malaysia, maybe not, you have to be very punctual because people mean business there, these are so called upper middle income countries. So, you have to be careful about when you are dealing with people in these countries. Bangladesh may be fine, Bangladesh is extremely hospitable, you cannot refuse a cup of tea or coffee whatever you drink in a meeting in Bangladesh, you have to have it.

You will also be served a snack there for example, and if you say no sorry my stomach is full it will be treated as being rude or being offensive. So, you have to understand those cultural do's and do nots, very important. Style of selling, so some countries would appreciate a polished style of selling like Singapore, like Thailand, some countries would prefer a forthright way of selling like Bangladesh or like Vietnam for example.

But Philippines you have to be polished because Philippines likes to believe that they are polished people while not entire Philippines is, but Manila for example it looks like any country, any city in Europe or US, very modern, the modern part of Manila, the so called Makati area and what is called the BCG area, which is the new town. Broad roads, fancy buildings, you will find many Indian software companies over there.

So, one thing that Philippines respects about Indians is that India is an employer of local Filipinos in the software companies there in Philippines. So you need to understand that; number one. Number two, I am just giving you examples and we can keep talking about this forever, each country presents different opportunities to connect with them. Another thing that Philippines respects about India is that Philippines and India both are world's largest supplier of nurses and health tech resources.

So, x-ray technician, OT technician all these kinds of techs, Philippines and India are the biggest suppliers to the world. And same is the case of nurses, Indian nurses, Filipino nurses. You go to Singapore you will find Filipino nurses, you go to Thailand you will find Filipino nurses and you will find some Indian nurses, but these are the cultural do's and do nots that you have to be aware of. Then do they buy from people or do they appreciate the selling process and the purchase process?

This also varies from country to country and at what level of maturity those countries are. So, you need to understand that very clearly what style of selling works, is it more people to people, relationship oriented or is it task oriented selling which is process oriented? Is it structured or rustic or raw? I mean you have the product, this is the price take it or leave it. Is that the way? No, that is also forthright or rustic or is it a structured way you give a demo of the product and so on and so forth.

So, we need to understand those cultural things. Discounting and concessions as a culture, some countries like it, some countries do not like it, and again depends on the product segment. If you are in a fast moving capital, fast moving consumer goods or fast moving consumer durables, discounting is a way of life. It only works on discounting, deals, packages, buy one get one free, buy two get one free, something like that and these are all cultural.

This has nothing to do with they have the money, they do not have the money. This works in India also because also it is a culture here. In Singapore, people do not like these kinds of open unabashed deals. In fact, you will be surprised in Singapore, so I spent a year and a half in Singapore when I was managing this cluster of 10 countries, very interesting. Indians will typically go to Mustafa to buy their products.

A Singaporean would never go to Mustafa to buy, very small percentage of local Singaporeans go to Mustafa to buy, I mean for those who have not been to Singapore which I doubt but you would have heard about the Mustafa store which is very popular in Singapore. It is in Little India, it is open 24 by 7 and you get everything on this earth there; of course all which is in the category of FMCG, FMCD, appliances, electronics, those kinds of things.

You do not get a car or capital goods there, but you get everything else that you use in your home or office and for your personal use. Now, a Singaporean will never go to Mustafa. He will go to Takashimaya mall, or he will go to Orchard mall or he will go to a fancy mall and spend more for the same product even though the brand is available at a cheaper rate in Mustafa that is their cultural reality. They like to show that they are a rich country.

They spend more for being a rich country. And I have been told by people why do you go and buy from there, come with me I will take you here. So, you need to understand those realities when you are selling something. So, if you have an aspirational product, push it in the malls in Singapore, it will sell better rather than selling in Mustafa or let us say you can also sell it in Mustafa to a certain category of customers and have a completely different price for a different set of customers.

So, these are the cultural do's and do not's that you need to remember. And discounting as I said certain deals once in a while happen in all the places, but discounting as a way of selling happens more as you see today, sales do not happen in not at normal price in India. Many countries are exactly the same way. Unless there is a deal going on, nobody buys anything. By the way even a large part of US is like that, people only buy on a Black Friday.

Americans will queue up from midnight or even before that because the store opens at 6 or 7 in the morning and they want to get the best deals, crazy deals, some of the best deals in the US come on a Black Friday. These are all cultural things which you need to remember.

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Market Leaders & Effective Counter Strategy

- Market Leaders in your segment
 - Local or Global
 - Regional leadership or nationwide
 - No. of years in the market
- What makes them successful – beat strategy
- What are the disruption opportunities
- Possibility of Business model innovation in line with cultural sensitivities
- Any Blue Ocean opportunities
- Are there any obvious gaps that you can fill

Market leaders and effective counter strategy, so once you have made up your mind in which country you are going, what product and your distribution strategy, then you need to understand who are the local market leaders in your product category or in your industry. So there will be a local leader, there will be a global leader. So for example, if you go to China, there is or let us say go to Korea for example, easier example, China also I will take an example.

If you go to Korea, Hyundai is clearly a local leader as far as cars are concerned. But do you think Mercedes Benz does not sell there or Jaguar does not sell there? Of course, they do. So, they may not be in a leadership position, but in the super premium segment there are very little choices as far as Korea is concerned. So, you either go to a German product or an American product or a French product or something like that.

So, you have global and local leadership, is there a regional leadership or nationwide leadership? So for example, there are also regional preferences. So now, typically take a country like Indonesia, it is a very widespread country, it does not behave in the same way across the board, there are different island clusters and different island clusters behave in different ways. Similarly, Philippines, Philippines is also an archipelago.

So the north behaves very differently, the south behaves very differently, the capital behaves very differently or take Vietnam for example. The north and the south are two different countries virtually because they were actually two different countries and they fought a bitter war with each other, one aided by Russia and the other aided by the US and then finally they merged and they called truce and called peace and became one country, but cultural differences still exist.

Hanoi is very different culturally from Ho Chi Minh City, very different. Hanoi is up north, Ho Chi Minh City is in the south, so you need to understand that. So leadership, you need to understand what makes them successful. Number of years in the market, how many years they have been in the market you need to understand that. Also understand what makes them successful and then come with a beat strategy.

Because now you are there, you have chosen the country, you have a product for which the market exists, but there is also a leader there. So how will you beat that leader? So you need to have a beat strategy in place. Can you beat them by disruption? Disruption could be in the technology itself of your product, disruption could be in the business model, disruption could be in anything long term service for example.

So, you can create disruption and attract the market towards you. But you need to have an effective counterstrategy, you can choose. And maybe there are multiple strategies to choose

from, maybe there are only one or two. So, you have to make those choices and it is all dependent on the product segment that you cater. How much of a possibility of business model innovation is there in line with cultural sensitivities?

Of course, you will do business model innovation, but can you do business model innovation completely unmindful of the cultural sensitivities? No, you cannot. So for example in Philippines you can use models to sell a certain product, and the models can be dressed in a very progressive in a very modern way. Can you do that in Bangladesh? Probably no. So you have to understand how you want to do that, culturally how do you want to do that.

Then are there any Blue Ocean opportunities? Very virgin opportunities that the existing leaders have overlooked. So, for example, there are regional variations, right, let us the market leader is the market leader in the country but by virtue of being the leader in let us say 40% or 50% of the country, the rest 50% of the country let us say they have not focused much for whatever reason, maybe that is your opportunity to go there and establish your foot there and get some market share there and then grow from there.

Are there gaps that exist? What is the geographical coverage gap that I spoke about? There could be other gaps. There could be sometimes people become market leaders because there is no other choice and even when the other competitor comes maybe they become very aggressive whichever way, maybe there are still gaps existing in the market that you can fill and establish your presence in the market and start crawling and eating into the market share of the others or sometimes their market share may not get affected.

But as you keep growing big because you have now increased the size of the pie, the size of the market itself by going to areas where nobody was going. So, nobody was selling anything and slowly you will realize one day that you could be the biggest player. So, it all depends on what your product is, but you need to understand, once you have understood the country, once you have understood the distribution segment.

Once you have understood pricing culture and everything, then you need to understand the leaders and you need to have a very effective counter strategy that is very important to be successful. Now, I will quickly again go through all the fundamentals. As I said study, study,

study data, data, data before you shortlist your country. Once you shortlist the country then put to this check.

And check the interrelations between two points economy versus consumption, economy versus telecom penetration, banking system, growth potential, distribution network, investment needed. These are all important variables and they need to balance out each other, do that. Then prevailing market, what are the market segments? What is the spread? What are the characteristics? What is the growth rate all are important? Is it regional?

Is there a regional parity or there is regional differentiation, understand all that, very important that will help you to start small in one area, high potential area and then grow as you understand the country more and more. Distribution landscape, we have already spoken enough about it, very important, never take this lightly. Very important if you are in a country, if you are aiming to go to a country on the long haul, very important.

Bilateral relationship, soft aspect, this is like the cherry on the cake. If you are able to respect the cultural differences, if you are able to cut down on your own, this is bilateral, so government to government what is the relationship, how they perceive Indian goods those important things? Yeah, this is the soft part. This is of course important because this will get you the right price advantage, the right competitive advantage based on the concessional input tariffs and stuff like that and existing cross border trade.

Yeah, this is the software aspect, very important, play it well. You have to be conscious of that, only then you can play it, otherwise you cannot. It is like playing on a pitch which is definitely turning and also there is a breeze. So that breeze will become the culture because then the ball will behave differently, your bat would seem more heavy because you are probably playing against the breeze. So, all those things you have to take into factor.


Market leaders and effective counter strategy, once you have understood the country, understood the market, you have decided to be there then you need to understand who are the leaders and how will you have an effective strategy. Of course, this will come into play only once you have entered into the country, you do not decide a country based on this necessarily, you have to make that decision already up to here.

In fact, you have made a decision up to here, after that this is how you play there. You need to be sensitive to culture, you need to understand who are the market leaders and have effective counter strategy. If you do not already have a market leader, great, wonderful, then just be sensitive about this and do your business.

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Sample Market - Bangladesh

Key Attribute	Facts & Status	Remarks
Population	180-200M	Middle Income
GDP per capita	US\$ 2200	-GDP Growth 7-8% -GDP PC > India
Attitude towards India	Friendly	Many structural reforms inspired by India
Market Dynamics	All sectors growing across the country	Sacrificial animals sold online
Business Drivers	Strong sustainable Entrepreneurial spirit	Country of big Business houses like Beximco, Square Transcom, Pran
Market / Industry Segments	Retail, Modern Trade, Govt, Armed Forces / Pharma, Garment Exports / \$25B remittance inflow in 2021	Army is the largest construction company in BD
Other & Miscellaneous	High Penetration of 4G & 5Gs 5-6 Private Airlines	Even a rickshaw puller carries a smart phone



Now, I have taken two examples here. One is Bangladesh and other is Vietnam. Of course, I have taken these two because I had experience there and I have spent enough time in both these countries, some of my favourite countries, both of them. Now, here I missed one important point, facts and statistics is not important here because you can get on google, you can get on the web. What is important is the first column the key attribute.

You need to look at GDP, you need to look at attitude towards India, you need to understand the market dynamics, the business drivers, market industry segments and other miscellaneous watch. These are important, add another three or four if you want. Status population of Bangladesh, you can Google and you will find, so that data is not important. The data is important, but looking at the first column GDP is an important thing.

What is the GDP number anybody can give you that and of course that will decide your strategy. So, here I would want you to focus on the left column and how it changes the country. So, Bangladesh is 180 to 200 million population, I think officially stated is 180, but typically like India the unofficial population could be 200 million or the last census must have been 180, but now it may be close to 200 million.

When I was there in Bangladesh it was moving towards middle income, but today you can say that it is a middle income country. In fact, they are growing better than India, some of their indicators are far better than India, their infant mortality rate for example, if you are in the healthcare business is better than India. Less number of new born babies die in Bangladesh per 1000 as compared to India. So, these are important aspects that will give you an idea.

So, big country, their GDP per capita is higher than India, India is 1900 that is that is 2200. Attitude towards India is friendly. All the sectors in Bangladesh are growing. But these are some of the things when you do deep research, you come to know about these things. Another very important thing in Bangladesh is the entrepreneurial spirit, very strong and sustainable entrepreneurial spirit. It is very infectious across the country you will see that.

And this country has big business houses like Beximco, Square, Transcom, Pran and they are into multiple things. So you will find people who are into pharma, who are into running diagnostic centres, running hospitals, they are also exporters of certain things. So you have these large business houses, conglomerates that is what drives the business in Bangladesh and the government of course. They have had a stable government for a very long time, no changes.

The government is very progressive, has done fantastic things in various sectors, be it digital, be it telecom, be it healthcare. They have focused on some of the fundamentals very well, Yeah, they may be lacking in let us say capital equipment manufacturing, but they will reach there, it does not matter, they will reach there and those are the areas if you have, if you dealing capital equipment whether medical equipment or farming equipment or something else you could probably find because agriculture of course is a big occupation in Bangladesh.

So, you need to understand that. It has a very vibrant retail network. It has a decently vibrant modern trade. Malls are not too many, but modern trade, big showrooms is very common. Government is a big buyer. Armed forces are a big buyer and something very interesting about the armed forces. Army is actually the largest construction company in Bangladesh. So ,if you go to Dhaka and if you see Radisson Hotel there or Westin Hotel there you will be surprised that the hotel property belongs to the armed forces.

Like in India, when you go to a five star hotel, typically the hotel building will be owned by some businessman and an international hotel chain will operate and manage that hotel and pay some kind of lease rental to the owner. In Bangladesh, most of the prime property is constructed by the armed forces, very interesting. You should also know one thing more about the Bangladesh army.

They are the biggest providers of peacekeeping forces in the world. Now, what does that mean from a business standpoint? So army generates a lot of revenue there. And if you have let us say construction equipment, army is one of your biggest buyers in Bangladesh. So, you need to be A plus army has its own hospitals and stuff like that. So, yes army is important, but unlike the Pakistan army and we all know.

And I am doing that comparison, the Bangladesh army is more business oriented. So, they are into peacekeeping, they are into construction and so they are hardly fight any war, there is no war that they fight. So, the armies kept busy in all these kinds of things. Whereas in the other countries that I mentioned on the other side on the western borders of India, they are engaged in something completely different.

So, these differences you need to understand. Another important thing about Bangladesh is that they are a very strong **pharma** country. They export a lot of **pharma**, they are like the global manufacturers for **pharmas** just like how India is. They are big in garment exports. Then there are a lot of Bangladeshis working outside who keep sending money back to the country, you will find them in Middle East, you will find them in Singapore.

You will find these are the two places where you will find the maximum. You go to the Vatican and as soon as you get out of the tourist bus, you will see a Bangladeshi selling you umbrellas over there. So, they are again very enterprising people and they have reached nooks and corners of the country. So, they sent back a lot of remittance income back to the country, which is roughly by 25 billion dollars.

By the way, India has the largest remittance inflow, but India is a large country, But Bangladesh is not small 25 billion dollars is a significant amount of remittance income. Then, high penetration of 4 G and smartphones in Bangladesh, even a rickshaw puller is going

through his Facebook account on a smartphone that is the penetration and this I am talking about 2015 when I was physically there. I am sure today it is even penetrated deeper.

There are 5 to 6 private airlines in Bangladesh, I am talking again of 2015, I am sure they have become more robust, more mature and probably increased. And some of these private airlines even operate to Kolkata, to Singapore and to some other countries, so very interesting. So Bangladesh, very vibrant market. If somebody wants to do business in Bangladesh, believe me it has a market for any product.