The battle to win in the Indian market: Exploring foreign companies' product offering adaptations in order to be the chosen alternative

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ABSTRACT

Companies are faced with the challenge that it is not easy to attain acceptance for their product offerings sold in developed countries in an emerging market, resulting in low market shares and difficulties achieving profits. Many companies do therefore carry out adaptations to their product offerings after entry in order to improve results. This study explores adaptations carried out by three subsidiaries in India in order to develop their business. We propose a conceptual framework extending the framework developed by Sinha and Seth (2018) on marketing strategies in emerging markets. The findings do not only give an insight into various kinds of adaptations, but also to market characteristics (i.e. unpredictable market place, tough competitive situation) impinging on their business. Two of the companies started out by targeting the premium market segment but changed after entry some of the product attributes in order to be the chosen alternative by a larger share of the consumers. One of them ended up withdrawing from the market. The third company is moving away from competing in the mass market by arranging and implementing a premium strategy. This study draws on the contingency perspective rooted in the standardization/adaptation debate and on key concepts (i.e. acceptability, affordability) developed within the emerging research field on

marketing strategies for emerging markets. The paper ends with a discussion of managerial implications and future research.

Keywords: product adaptations, India, mass market, premium market

INTRODUCTION

Many MNCs entering an emerging market struggle to succeed, and limited adaptation of their product offerings is considered to be one major reason (e.g.Bahadir et al. 2015; Dawar and Chattopadhyay 2002; Elg et al. 2015; London and Hart 2004; Sinha and Sheth 2018). When viewing the emerging market as an extension of current markets, adaptations are likely to be minimized, and managers expect that they will achieve greater returns by realizing cost savings through economies of scale (e.g.Baalbaki and Malhotra 1993; Jain 1989). Lack of adaptation could also be explained by cultural diversity and challenging market characteristics typical for emerging markets which makes it difficult to carry out appropriate product strategy decisions up front (e.g. Dawar and Chattopadhyay 2002; Sinha and Sheth 2018; Solberg 2000). Therefore, adopting a standardized product approach when entering this kind of market could be tempting, especially when a certain product offering promotes positive outcomes in the current markets (Lages et al. 2008; Lant et al. 1992). This bias towards a *status quo* approach implies that the company is exposed to the risk to under-adapt resulting in low performance (Dow 2006; Helm and Gritsch 2014; Lages et al. 2013).

Although it is challenging entering and operating in an emerging market, expanding into emerging markets is crucial for long-term survival of many companies because traditional markets are becoming saturated (e.g. Burgess and Steenkamp 2006; Sinha and Sheth 2018), and these market are expected to grow much faster than the developed countries

(Kumar et al. 2015). It is therefore an urgent need for more research on emerging markets, not only to advance marketing science, but also to contribute to managerial knowledge about the unique features that are prevalent in a specific emerging market and how they could be dealt with by management. Except for a few studies (e.g.Hult et al. 2000; Sridhar and Mishra 2011; Tasavori et al. 2016) we have limited research identifying what kinds of adaptations foreign companies carry out in emerging markets in order to make the product offering relevant for the consumers (Sinha and Sheth 2018; Zhou and Li 2008).

Cultural, political, and economic differences are persisting among nations and therefore product offerings need to be adapted to the specific market (e.g. Cavusgil et al. 1993; Kustin 2004). *Market heterogeneity* (variability in scale and consumption patterns) and *unbranded competition* (needs are fulfilled by local producers who sell unbranded products) are two distinct characteristics of the Indian market context (Bahadir et al. 2015; Sheth 2011) causing challenges to extend a product offering from a developed to an emerging market (e.g. Bahadir et al. 2015; Sinha and Sheth 2018). The importance of assessing the market characteristics is explicated by the contingency perspective rooted in the standardization/ adaptation debate proposing that characteristics of the market context is likely to be an obstacle to extend a unified product offering strategy across markets. This means that the MNC that started out with a standardized approach need to re-consider its marketing practices and make appropriate product offering adaptations after the entry to establish an economic viable business in an emerging market (e.g. Hult et al. 2000; Kumar et al. 2015; London and Hart 2004; Sheth 2011). The McDonald case shows that a foreign company may have to rethink quite radically its existing marketing practices in order to make the offerings relevant to the consumers in India. The Big Mac beef-burger which is the company's signature product across the world has been replaced with the Chicken Maharajah Mac and the vegetarian burger Aloo Tikki (Kannan 2014). In 2012 McDonald opened the first completely meatless restaurants in its history in India at pilgrim sites (Hannon 2012; Newcomb 2012). Although a few studies bring forward new theoretical concepts and knowledge which provide new insight regarding viable marketing strategies in emerging markets (Bahadir et al. 2015; Sinha and Sheth 2018), there is still a need to further develop this knowledge base (Sharma et al. 2018). Thus, one objective of this study is to extend the current knowledge base on marketing strategies in emerging markets by proposing a conceptual framework applicable to an emerging market such as India. This is done by exploring adaptations made by three subsidiaries to their product offerings after entry into an emerging market, and why.

India has been selected for the purpose of this study which is a response to a call for country studies because of immense heterogeneity among different emerging markets (e.g. Schlager and Maas 2013). India is not only substantially different from developed economies, it differs also substantially from other emerging economies (Hoskisson et al. 2000; Johnson and Tellis 2008; Schmid and Kotulla 2011), and is an emerging market considered to be of great challenge to foreign companies (Elg et al. 2015; Johnson and Tellis 2008). One of the informants stated: *"India is a very different market from the rest of the developing and emerging markets. You cannot compare India with Brazil, Russia, China or South Africa, it is very different".*

A major share of studies have considered the view of the head-quarter when investigating the product strategy pursued in a foreign market, while the perspective of the subsidiary has received less attention (Katsikeas et al. 2006; Luo and Peng 1999; Tian and Slocum 2014). This study takes the perspective of the subsidiary which is considered important because of its key role to acquire first-hand experience about what is going on in the market place (Johanson and Vahlne 2009; Özsomer and Genctürk 2003). To sum up, the objective of this study is threefold: 1. To explore and discuss product offering adaptations carried out by Western subsidiaries after their entry into India; 2. The findings provide the basis from where a conceptual framework is proposed complementing current knowledge base on marketing strategies in emerging markets, and; 3. To address the aforementioned objectives, this study draws on the contingency perspective and on the emerging research field on market strategies in emerging markets. This study includes three Western subsidiaries from different industry sectors serving consumers.

INDIA AS THE CONTEXT

India is one of the largest emerging economies which is growing quickly, and the country is expected to rank among the top economies of the world in the next two or three decades (e.g. Johnson and Tellis 2008). The country is attractive to foreign companies due to a large population of about 1.3 billion people (Budhwar 2001; Javalgi and Grossman 2016). The economy has experienced annual growth rates of 9 per cent due to a growing middle class (e.g. Quer et al. 2010). In the period 2013 to 2018 the GDP fluctuated between 5 and 8% (India 2017-18). Based on an annual income between 3.450 to 17.250 EUR, 50 million people were part of the middle class in 2005 (Pick and Müller 2011). 10 years later the number of the middle class is less than 100 million. In 2025, this number is however expected to increase to 583 million people, making up about 41% of the total population, and by 2030 India is expected to have the largest middle class consumer market in the world (Javalgi and Grossman 2016). The growth of the middle class in the urban areas is driven by among other things the success of the computer and software industry which employs scientists and engineers educated by the Indian university system (Aggarwal 2009). More than 700 million people live in the rural regions, accounting for more than 50% of India’s incomes, about 60% of the expenditures and about 30% of the savings. Purchasing power differ extremely between the urban and rural areas in India (Tasavori et al. 2016), and income flow varies from hourly or daily wages to monthly paychecks (Dawar and Chattopadhyay 2002). The income level is increasing in rural areas which can be explained among other things by the shift from the agricultural employment to employment in the service and construction industry, which means that the demand for branded products such as shampoos, packaged biscuits, TVs and refrigerators is increasing (Pick and Müller 2011).

The Indian economy was under strict control by the Government until 1991 when the deregulation process started, including the liberalization of rules regulating foreign direct investments. However, a complex and bureaucratic structure and regulations are still characterizing India, and the diversity of policies across the states are immense (e.g. Aggarwal 2009; Elg et al. 2015; Ghemawat and Khanna 1998). Many parts of the infrastructure is not well developed, like the distribution and retail system is inefficient, and banking facilities for the private sector is not fully developed (Aggarwal 2009). The Indian retail sector is primarily dominated by unorganized retailers accounting for 94 to 97% of total sales (Pick and Müller 2011). Inadequate infrastructure offers however large investment opportunities within a number of sectors such as power generation, highways, sea and airports and water management (Enderwick 2009).

There are many Indias in India. India is an extremely heterogeneous society due to a large population, diverse cultures, distinct classes/castes, huge differences between generations, and a large number of linguistic and ethnic groups. These factors as well as large variations in income and wealth between the states, and varying demands across India due great differences in cultures cause very different consumption patterns and preferences (e.g. Banerjee 2008; Budhwar 2001; Javalgi and Grossman 2016; Pick and Müller 2011). There are huge differences between federal states and regions in terms of economic development, growth rates, and income levels. Whereas metropolitan areas like Mumbai and Delhi experience economic and social development, states like Uttar Pradesh and Bihar are referred to as “poorhouses” because incomes are significantly below the Indian average (Pick and Müller 2011). Thus, a large share of the Indian population lives in poverty in remote parts of the country as well as in urban areas. This share of the population is frequently referred to as the base of the economic pyramid which is the largest and fastest-growing segment of the world's population with huge market potentials (e.g. London and Hart 2004; Sridhar and Mishra 2011). Because India is characterized by "…environmental volatility, market dynamism, pace of economic liberalization, and rapid political – economic policy changes…", predictions are difficult (Iyer et al. 2006, p. 381). India can be considered a context which facilitates a learning environment which necessitates the ability to manage rapid change (i.e. technology, regulations, competitive conditions), pervasive regulation and market failures, inconsistent policy across states, and a diverse set of demands and needs (Enderwick 2009; Johnson and Tellis 2008; Luo and Peng 1999). This kind of environment requires that the foreign company is receptive to what is going on in the market, and is prepared to perform product adaptation activities in order to match the needs of the consumers (Elg et al. 2015; Sridhar and Mishra 2011; Tasavori et al. 2016; Zollo and Winter 2002).

LITERATURE REVIEW

Standardization vs adaptation in an emerging market

There has been an ongoing debate for several decades on whether a company should standardize or adapt the product offering across different markets (e.g. Cavusgil et al. 1993; Jain 1989; Katsikeas et al. 2006). The standardization debate was triggered off in full force after the article written by Levitt (1983) was published. According to Levitt (1983), only companies that offer standardized product offering across the globe and sell them in the same way everywhere will achieve long-term success. The standardization perspective takes the view that the markets are homogenous, and companies can therefore offer identical product lines at identical prices supplied through identical distribution systems supported by identical promotion programs, a strategy expected to offer economies of scale and higher margins (e.g. Baalbaki and Malhotra 1993; Jain 1989).

Adopting a standardized approach in an emerging market implies that the MNC expects that the product offering is universal and that consumers wants and needs in emerging markets are converging with the traditional markets (Hult et al. 2000). That is, the company views the emerging market as an extension of its current markets (Enderwick 2009). Typically, the MNC starts out by targeting existing consumers that already consume the product rather than making efforts to draw non-consumers into the market (Dawar and Chattopadhyay 2002; Sinha and Sheth 2018). The targeted consumers are the "global", the top-of-the-pyramid and affluent consumers who are expected to have the same preferences as the Western consumers (Schlager and Maas 2013). Although this group of consumers is increasing in India, it makes up a minor share of the population (Pick and Müller 2011). The competition is already intense in this segment which makes it hard to achieve a profitable business based on this segment only. Besides, by focusing on the affluent consumers only, the company ignores the potential of the millions of consumers that attracted the company in the first place (Dawar and Chattopadhyay 2002).

Some MNCs may "wait" for the growing number of affluent and middle class consumers to finally accept their globally standardized product offering (Dawar and Chattopadhyay 2002). In India it is not the affluent urban population that is growing the most; it is rather the people in the rural areas that is growing in numbers and their income per capita is increasing as well (Pick and Müller 2011; Sridhar and Mishra 2011). Besides, the Western MNCs have a tendency to assume that the high income people in emerging markets are "people like us" (Kravets and Sandikci 2014). These consumers are expected to have the same preferences as us seeking to satisfy the same needs as the consumers in the developed countries (London and Hart 2004; Theodosiou and Katsikeas 2001). However, the criteria used by the middle class people to assess product offerings may differ substantially between developed and emerging markets (Hult et al. 2000; Kravets and Sandikci 2014; Kustin 2004). In fact, Schlager and Maas (2013) find that middle-class people do not share the same preferences across developed and emerging markets. One explanation could be that a product considered important in a developed country may be viewed as less important or even as a luxury product in a developing country (Hill and Still 1984). Other reasons could be that the purchasing power, standards of living, traditions and expectations of family and employment influence customer priorities in terms of the products/services they consider essential or desirable. Besides, the prices may be too high compared to what they can afford and are willing to pay (Katsikeas et al. 2006; Pick and Müller 2011).

Market heterogeneity and unbranded competition in India

The contingency perspective considers the environmental factors in the specific market to be obstacles to the deployment of a unified product strategy across markets (Cavusgil et al. 1993; Katsikeas et al. 2006; Theodosiou and Katsikeas 2001). This perspective proposes that although some commonalities exist across countries, the MNC has to be prepared to make adaptations to customer characteristics that are specific to the individual country in order to achieve high performance (Burt et al. 2011; Helm and Gritsch 2014; Katsikeas et al. 2006; Kustin 2004; Schmid and Kotulla 2011). Making the right adaptations are important because the presence of fit between the product offering, and the environmental context in the market is an essential influential force on an MNC's performance (Chung et al. 2012; Katsikeas et al. 2006). *Market heterogeneity* is one key dimension of an emerging market environment which calls for the need to carefully assess the market characteristics, and thus adapt the product offering accordingly (Bahadir et al. 2015; Douglas and Craig 2011; Morgeson et al. 2015; Sheth 2011). Market heterogeneity which refers to "…the variability in scale and consumption patterns among and across consumers in country markets" (Bahadir et al. 2015), is that environmental factor considered to cause the most extensive challenge to take market shares in an emerging market (Sinha and Sheth 2018). The presence of market heterogeneity implies a complex environment which demands tremendous efforts by a company to gather and process information in order to work out a distinct competitive strategy for the selected target segment (Alexiev et al. 2016). Defining precise segments in India is complicated, and coarse classification of the consumers such as region, rural and urban, and income are commonly used for this purpose (Pick and Müller 2011; Schlager and Maas 2013). Different features of the product offering could be necessary within the same country because of huge differences between the life styles of people living in the urban and in the rural areas, and between the poor and the wealthy (e.g. Hill and Still 1984; London and Hart 2004; Sridhar and Mishra 2011).

Consumers with relatively low purchasing power, frequently referred to as the "bottom-of-the-pyramid" consumers, are making up more than 50% of the population in India consuming primarily unbranded products and services (Dawar and Chattopadhyay 2002; Pick and Müller 2011). *Unbranded competition* is another dimension of the Indian market posing an immense challenge to foreign companies and implies to convince non-users of brands to start consuming a foreign company's brands in order to expand into the bottom-of-the-pyramid segment (Sinha and Sheth 2018). *Unbranded competition* refers to countries where "…the needs are fulfilled by local producers who sell unbranded products" (Bahadir et al. 2015). Because of low hourly wages and irregular income, households in subsistence markets make their own products for all kinds of needs such as sewing their own clothes, cooking, cleaning and building their own homes (Sheth 2011). Although the income is increasing among the population in the rural areas (Pick and Müller 2011), the "bottom-of-the-pyramid" consumers are still hindered from buying branded products and services to any large extent because of resource constraint. Many of these consumers do not have access to basic facilities such as electricity, running water, banking and advanced transportation (Sheth 2011). They are served by unbranded local producers of not only food but also electronics (Sheth 2011). This market is typically fragmented, low scale and served first of all by mom-and-pop shops (Sheth 2011). Thus, *acceptability* and *affordability* are two concepts that help explain why it is essential to make the right product adaptations in order to break through the market in India (Bahadir et al. 2015; Sinha and Sheth 2018).

<u>Acceptability: Understanding what the consumers want</u>

A company's offer, a product/service, is the key in the company's marketing strategy (Baalbaki and Malhotra 1993; Schmid and Kotulla 2011). Consumer products appeal to tastes, habits, and customs, which are often unique to each society, and accommodations are therefore expected to be required to suit the needs and preferences in the specific market (e.g. Cavusgil et al. 1993; Hult et al. 2000; Jain 1989; Kravets and Sandikci 2014). *Acceptability* of the product offering infers the need to adapt products and services to ensure the acceptance by consumers. Acceptability is defined as "…the extent to which a product meets or exceeds the needs of consumers from a cultural and functional perspective" (Sinha and Sheth 2018, p. 220). This implies a product adaptation approach "…to meet local consumers' preferences and values" (Calantone et al. 2006, p.178). While product adaptations made upon entry into a market reflect often the company's response to the legal and technical regulations, adaptations made after entry are likely to reflect management's better understanding of the market characteristics (Cavusgil et al. 1993). Product adaptations imply modifying one or more of the product attributes to comply with the market conditions and consumer preferences (Sridhar and Mishra 2011). Product adaptation can be understood as an incremental innovation and may imply product line extension to include variants adapted to local preferences (i.e. smaller sizes, lower price variants, different tastes or formulas) (Calantone et al. 2004; Douglas and Craig 2011; Iyer et al. 2006).

Consumers in emerging markets are looking for product attributes and functionalities valued in their own culture (Dawar and Chattopadhyay 2002; Hult et al. 2000; Iyer et al. 2006). Although many consumers in emerging markets search for similar goods to consumers in developed countries, the means by which they assess products may be very different (Hult et al. 2000; Kravets and Sandikci 2014). Hult et al. (2000) find that they tend to pay more attention to practical, tangible, and objective aspects of the product offerings, and less to intangible, “image” – related attributes. The focus is more on the product core attributes (Hult et al. 2000). The practical and functional scope of a product are frequently adapted in order to comply with regional usage conditions, governmental regulations, climate, economic and political conditions (Sinha and Sheth 2018). The practical and functional aspects of the product are often more important than image appeals (i.e. emotional/affective attributes) in an emerging market. This can be explained by different economic development stages, and low purchasing power accompanied with limited product availability, which leads consumers to focus more on objective product attributes (Hult et al. 2000).

The consumption behavior of the Indian people change slowly, except for consumer electronics which have demonstrated rapid sales. Traditions, religion, family expectations and caste/class still have a strong influence on consumption behaviors which are only expected to change in the long term (Pick and Müller 2011). At the same time, recent research indicates that the values and aspirations of the middle class Indians in major and average sized cities is about to change as a result of more spending power. These consumers aspire for individual rewards, which so far have been more prevalent in Western countries than in Asian countries, such as possessing expensive assets and promoting a social image which implies to be perceived attractive by others. Thus, for some Indians attributes that signify individuality in terms of social image and financial success (i.e. brand image, store/retailer image, quality features, premium price) could be considered incorporated into the product offering (Javalgi and Grossman 2016). Product attributes that appeal primarily to individual rewards are likely to attract attention from the high-income Indians in the big cities searching for luxury items, a segment that is growing but which is still minor (Douglas and Craig 2011; Pick and Müller 2011). To reach a larger number of high-income Indians, messages that refer to individual rewards could be carefully blended with collective messages because the concern for the group's welfare and in-group solidarity, which are values that contrast individual rewards, is considered a fundament across all classes of people in India (Banerjee 2008; Burgess and Steenkamp 2006).

Many attributes of a product such as labelling, packaging and constituents carry cultural meaning (Hill and Still 1984). Sinha and Sheth (2018) suggest *cultural fusion* as a strategy which implies combining attributes expressing local cultural values with attributes expressing global trends. To succeed with this kind of strategy, the company needs to acquire in-depth understanding of the selected country's "…local traditions/history, languages, faith, genetics as well as sensory preferences e.g., colors, texture and flavors" (Sinha and Sheth 2018, p. 221), and thus use this insight to create attributes that are attractive to the targeted consumers (Banerjee 2008). Succeeding in developing a brand image which signifies both the individuality expressing global trends in combination with the collective identity which dominates the Indian society, requires an in-depth understanding of the uniqueness of the Indian cultural values in various region and their respective languages (Banerjee 2008).

Sinha and Sheth (2018) also points out *functional fusion* as a strategy to create relevant products to consumers in an emerging market. The core of the product is maintained while modifications include variations in form and usage, volume/size, and the need to adapt for differences in purchasing power and climate (Calantone et al. 2004; Sinha and Sheth 2018).

Sridhar and Mishra (2011) who carried out a pilot study in the rural areas in India find that the following four categories represent the various product attribute adaptations carried out by both domestic companies and MNCs: size/amount; features and constituents; brand name; and packaging and labelling. Among these four, size/amount is adapted to a greater degree than the other three categories of attributes.

Affordability: Reaching a larger share of the market

An important influential factor of consumers satisfaction in emerging markets with the product offering, is the value the consumer gains considering the price paid (Morgeson et al. 2015). *Affordability* addresses the issue of pricing and refers to "…consumers' ability and willingness to pay" (Sinha and Sheth 2018). A large share of consumers with relatively low purchasing power who will prefer low cost and affordable products will remain in India (Iyer et al. 2006; Sridhar and Mishra 2011). Besides, Indian consumers are very budget conscious (Pick and Müller 2011; Sinha 2003). Therefore, the size/amount is not only an issue in rural areas but also prevalent among both low-income and middle-class in urban areas who prefer to buy small quantities/volumes and search for the best value at the cheapest price (Pick and Müller 2011). Sinha and Sheth (2018) advocate the need for *democratizing the offer* which implies offering low cost products for the mass market, including the people at the "bottom-of-the-pyramid". India has a large share of bottom-of-the-pyramid consumers who earn less than two dollar per day and have limited access to electricity, running water, and banking (Tasavori et al. 2016). This means that in a purchase situation, a large share of the population is not driven by needs, wants and aspirations to any large extent, but more driven by resources constraints which means that the ability to pay is limited (Sheth 2011). These potential consumers with limited income per capita, cares more about price than about differentiation (Sheth 2011). The challenge becomes how to expand the size of "…the market by bringing large numbers of non-users into the consumption fold" (Sinha and Sheth 2018, p. 217). The first step to reach these consumers is to make the product affordable. These people need basic, low cost products, without design and packaging elements (Burgess and Steenkamp 2006). The value customers attach to a product reflects their price sensitivity. Profiting from customers that are extremely price sensitive requires a low-cost business models where extensive cost reduction, and design and production of inexpensive product offerings are heavily emphasized (Iyer et al. 2006; Schmid and Kotulla 2011).

For example, to achieve low-cost mobile phones the focus could be on basic functions, and exclude features such as instant messaging and cameras (Douglas and Craig 2011). In India, the number of people in this segment getting access to mobile phones is rising rapidly because of a very competitive, cheap and fast growing telecom market (NCAER 2012). In order to penetrate the low income people in the rural areas in India, PhoneCo. which is a manufacturer of mobile devices and mobile apps, simplified the handset and product which made the product cheaper, and in cooperation with some micro-finance NGOs they could provide loans to the poor which helped them purchase the mobile phone (Tasavori et al. 2016). In addition, PhoneCo. designed a more simple mobile device in order to reduce the price (Tasavori et al. 2016).

In general, global companies want to maintain a similar price for similar product offerings across markets in order to sustain a consistent positioning (Sousa and Bradley 2008). MNCs who try to penetrate the affluent market are inclined to assume that these consumers perceive their brand to be of higher quality than the competitors' providing cheaper alternatives and therefore are prepared to pay a premium price (Curry and Riesz 1988; Dawar and Chattopadhyay 2002; Iyer et al. 2006; London and Hart 2004). However, consumers in an emerging market have in general a high saving rate due to lack of institutionalized social structures driven by cultural norms, and these savings are not easily channeled into consumption even though purchase options are increased (Dawar and

Chattopadhyay 2002; Pick and Müller 2011). Sinha and Sheth (2018) propose that *upscaling the offer* could be part of the pricing strategy, and refers to "…consumers' enhancement of consumption by adding new product categories or preferring branded over unbranded products or moving up from local to global brands" (Sinha and Sheth 2018, p. 219). For example, PhoneCo. upscaled it's offer of inexpensive mobile devices by developing many useful apps for the poor farmers in the Indian rural areas. One of these apps provides access to market prices which makes it easier to plan sales of agriculture products (Tasavori et al. 2016).

METHODS

This study applies an exploratory approach, attempting to "opening the black box" in order to better understand what foreign companies do in terms of product offering adaptations and why in an emerging country such as India (Doz 2011). This study takes the view of the subsidiary because it plays an important role in the formulation and implementation of the product offerings in this market (Katsikeas et al. 2006; Theodosiou and Katsikeas 2001). The three companies included in this study are subsidiaries in MNCs with their head-quarter in a Western country. Because of difficulties getting access to MNCs and their subsidiaries (Thite et al. 2016), we contacted a governmental organization, the New Delhi office, providing various services supporting businesses that want to establish and operate in India, for help to get in contact with the companies. An enquiry was sent by means of an e-mail to the CEOs of the subsidiaries asking for an interview with that person who holds the first-hand information about the marketing strategy carried out in India (Huber and Power 1985). The purpose of the interview and the main topics to be covered in the interview was described in the e-mail and was sent to both the CEOs and the informants selected by the CEOs. One informant was interviewed per company. To encourage greater disclosure of information and acceptance to participate, we assured the respondents that the companies would be treated anonymously, and as part of this, the nationality of the companies would not be reported.

The numbers of employees in the companies are 400 and more, and they have been operating in India as a foreign direct investment 10 years or more. The companies are considered late entrants because they entered a market characterized by intense competition consisting of both domestic companies and MNCs. Intense competition is likely to result in thin margins, and thus achieving profitability is a challenge (Johnson and Tellis 2008). This is also a situation which puts a strong pressure on the companies to develop product offerings that can help them to penetrate the market (Lages et al. 2013). The three companies started out by introducing product offerings that needed to undergo some changes after some time in the market in order to achieve an economic viable operation.

The interviews were carried out with the Marketing Directors, face-to-face interviews at the companies' offices in India in the English language. Topics and issues to be covered were determined before the interviews were carried out based on a literature review providing guidance in the development of a semi-structured questionnaire. This approach allowed the respondent to answer according to his/her thinking and experience when a specific topic was raised, and also allowed the interviewer to ask for further elaboration of answers. The interviews lasted on average 1,5 hours. The triangulation method was carried out (Eisenhardt 1989) by supplementing the interviews with information retrieved from the companies' websites, media and news articles and reports available on internet providing information about the subsidiaries' operations in India. In addition, promotion material was made available and visits were carried out to retailers' stores. The interviews were recorded and then transcribed by the authors (going through the interviews 3 to 4 times), before the transcripts were sent to the respondents for confirmation of the accuracy (Chetty and Agndal

2007). The authors included questions in the transcripts when necessary to ask the respondent to clarify the meaning which they also did.

The companies represent different industries - telecom, decorative painting and brewery - which allows variation with regard to what kinds of adaptations the companies have carried out and why. Each case can be viewed as an experiment providing an insight to different companies and the adaptations they carry out (Yin 2014). Although this study is exploratory including only three companies, the findings widen our insight with regard to possible adaptations foreign companies carry out in an emerging market such as India.

Coding the data

This study is exploratory searching for knowledge that can complement and extend current theoretical concepts to be used to study emerging markets. This field of research is still in its early stage, and therefore an exploratory and inductive approach is necessary in order to provide us with extended insights with regard to how managers could prepare their product offerings to be the chosen alternative by Indian consumers (Gioia et al. 2013). The data was categorized according to first-order categories and themes. The data was coded using NVivo version 12+. We started out by applying an open-coded approach which creates an opportunity to discover new concepts. In this first stage, "1st-order" analysis we used informant-centric code (Gioia et al. 2013). This approach allows us to capture, what the sources say, and we identified 42 1st order categories (Gioia et al. 2013). The 1st order categories were assessed in a 2nd order analysis where a research centric approach was applied. First we applied axial coding which implies searching for similarities and relationships between these categories. 1st order categories that were related to a similar theme were grouped together resulting in 8 higher-order themes. The following four themes represent *Market characteristics*: Unpredictable market place, Tough competitive situation, Changing consumer behaviors, and Demanding consumers. Four themes represent *Firms efforts to develop the business* as follows: Changing course, Commitment and bottom-up approach, Adaptation efforts, and Market positioning. Thus, the set of 1st order categories, and 2nd order themes formed the basis for a data structure, see appendix A (Gioia et al. 2013). The steps described above to analyze the data were not followed in a linear manner. The analysis was a result of a dialogue between the data, conceptualizations emerging from notes and relevant literature which improved our insights and ultimately resulted in a data structure (Gioia et al. 2013; Margolis and Molinsky 2008).

DISCUSSIONS

Market characteristics both promote and make it hard to develop the business in the Indian market. Due to *Changing consumer behavior* the demand for the three companies' product offerings is growing because of increasing purchasing power and change of life style. However, the experience of the companies is that it is not easy to position itself in the market and achieve profitability. Reasons for this could be related to challenges expressed by the following market characteristics: *Unpredictable market place*, *Tough competitive situation*, and *Demanding consumers*. The first one refers to rapid changes in the market place where strong pressure on price is predominant, and sudden introduction of new regulations and taxes that may cause some impediments to develop and expand the business. One of the informants stated that they try to be profitable in an industry where the consumers have benefitted from a strong pressure on price and where investment costs are considered high and restrictive: *None of the companies are profitable after investments and taxes".* The second challenge refers to a very tough competitive situation where both domestic and international companies provide similar product offerings, and because price predominates as a key selection criterion by demanding consumers, differentiating from the competitors is a major challenge.

The three companies have carried out several *efforts to develop the business* after entry. In-depth understanding of their potential customers have been essential to *develop product offerings that are relevant* for them. To succeed the companies showed a genuine *commitment* to the market, and *a bottom-up approach* was used by the companies which implies interaction with potential customers in their own context (Dawar and Chattopadhyay 2002; London and Hart 2004). To succeed with *Adaptation efforts* time and actual presence in the market is required. One of them stated that you need *"…the know-how of the local customs and the culture which helps make the offering more relevant".* Key people need to be out there in the field to identify gaps in the product range and to ensure that product offerings are relevant. One informant stated that although the offering could be considered generic, the incremental innovations take place in India. It was pointed out that marketing surveys give you some answers, but they are not sufficient to understand the market. To get an understanding of the consumers, you need to walk in the streets together with some locals that can help you along, spending time observing and interacting with the end-consumers, which facilitate experience and thus knowledge about the consumers. The employees have to be prepared to get their hands "dirty and feet wet" because market studies are far from sufficient to get an adequate understanding of the potential consumers' needs (London and Hart 2004; Özsomer and Genctürk 2003).

One informant stressed the importance to have a good relation with the sales people and other staff interacting with the customers because they function both as a source of information that could be used as an input to develop relevant product attributes, and as influencers promoting the product to the end-consumers. Thus, product offering adaptation does not only involve developing relevant products but also to *develop the market which requires time and resources*. The consumers do not know your brand, and therefore creating brand awareness is essential and takes place by interacting with the consumers explaining to them why they should choose your alternative rather than the competitors' products. The point of sales is a critical touchpoint, not only does it provide an important arena where first-hand information is acquired about the consumers. Interacting and communicating with the dealers, sales staff and the customers at the point of sale is the key promotion tool used by the companies. A lot of efforts are put into training staff that deal directly with the end-consumers at the point of sale.

One of the informants stated that two weeks are not enough to acquire sufficient know-how before you launch your first product offerings. You need people who are willing to spend time in the country in order to learn how the market works: *"…at least one person has to spend three to six months to understand the market, reading history, understand the culture"*. One way of classifying Indians is according to which region or state they come from. One informant stated: *"…there are many Indias in India. So what works in the North of India, or a particular state in northern India, need not work in South India, it varies".* The differences between the states are large due to different cultures, languages and so on which influence the design of the offerings. Because of great variations across the states in India new launchings need to be carefully planned. One informant explained that in some states the customers may adopt a new version of an offering very fast, while in other states they are slow to adopt something new. Because of large differences between the states, it takes time to understand these differences. India is a country where a company needs to commit itself if it decides to enter the market. It is by living in the country that you, *"…find out how to develop the product"*.

The informants emphasized that you need personnel spending time talking to the consumers in order to acquire knowledge about local needs and behaviors. Dealing directly with consumers and those that are close to the consumers is a premise to learn about the functionalities that need to be incorporated into the product offerings to gain acceptance by the targeted segments (London and Hart 2004). You need to sit down with the consumer, explain the product, and test it on a small scale before it is finalized and rolled out on a larger scale.

<u>Changing the product offering strategy</u>

From serving the high-income global consumers to serving the mass market

The company C1 operates in an industry providing a product offering which has experienced rapid increase in demands. This company started out by launching a premium strategy serving the high-income people, the top-of-the-pyramid segment which was basically the strategy adopted in other markets. The brand focused on the young aspiring consumers using emotional messages to promote consumption of the product. However, the company experienced that the targeted customers were too narrow and was faced with difficulties in differentiating from the competitors. When several companies offer competing products price becomes the most important criterion used by customers (Levitt 1983). Besides, the company ignored or was not aware that the selling point needs to include less emotional criteria or criteria that do not appeal to the personal image, but rather to the practical and functional aspects of the product offering (Calantone et al. 2004; Sinha and Sheth 2018). This could be explained by tough competition in the segment already, many suppliers competing on price, and therefore consumers do not see a good reason to pay a premium price. Besides, when the competition in the top-of-the-pyramid is intense, the price elasticity of the demand for the specific product offering is likely to be high putting strong pressure on price and costs (Schmid and Kotulla 2011). In situations with high price elasticity of the demand for a specific product, the company needs to offer its products at relatively lower prices to reach a larger share of the market, in order to achieve acceptable sales (Sheth 2011). As a result, the company changed to a cost-focused strategy promoting offerings to the lowest prices. It changed it’s focus to the masses, the low income markets and their needs, and had to learn how to develop value propositions that were appropriate (Dawar and Chattopadhyay 2002).

Implementing an effective distribution system is significantly important to reach the mass market and thus improve sales in an emerging market (Bahadir et al. 2015). The company designed and implemented a cost effective distribution system to make its new product offerings available to a large share of the population in its markets as the objective was to increase the market share, and thus had to reach the mass market (including the bottom-of-the-pyramid). The company made adaptations to match the local competition (Hill and Still 1984). The company developed an extremely efficient distribution system which was continuously being improved with the purpose to give the company a competitive edge; serving the multi-brand outlets to lower costs than the competitors. The informant pointed out: *“…we are training the whole system, including the mom and pops, the IT, the payment, the product, the daily visits. This is where we win. … It is an extremely efficient system where IT, systems, processes and people are coordinated in a highly efficient way. And this is where we spend all our hours”*. Maintaining the quality of the product is essential to be attractive to consumers, but that has not been easy in the Indian market where this needs constant follow up. Succeeding in penetrating the middle- and low income consumer segments requires prices that are far less the premium price (Enderwick 2009). The informant stated: *“…we are among the cheapest but we try not to be, we try to be close to the others. We are trying to be profitable”*.

The company started to offer low-cost basic offerings in order to reach the mass market not only in the cities but also in the rural areas, including those consumers with low purchasing power (bottom-of-the-pyramid). This implied launching small unit offerings in order to reduce the price per purchase. In order to match the pricing with the purchasing power of the consumers, the company offered a range of small unit sizes in the low-end. The customers buy small volumes and very frequently. People with a low purchasing power pay a much higher price per liter because they buy many milliliter size sachets. India is a cash-based economy where a large share of the people have low and irregular income paid by hour or day (Dawar and Chattopadhyay 2002), and therefore buy more frequently rather than buying a big volume which gives a discount.

The company did not have any other option than to reduce the prices to match the competitive situation and the income level of the mass market in order to increase their market shares. India has a large population that is price sensitive due to limited income, leading to lower spending on branded products (Bahadir et al. 2015). This implied developing a product range at lower price points. A similar strategy was adopted by Kellogg which realized that in India it needs to target the mass market to generate large sales volumes, in order to be profitable. It had to replace its initial strategy trying to sell an expensive brand to a low-cost business model which implied launching small units product offerings at affordable prices, distributed through an extensive distribution network including roadside mom and pop shops (Shah 2012).

In India, it is the large volumes and not the margins, which drive profitability (Bahadir et al. 2015; Dawar and Chattopadhyay 2002). Developing and selling products that are affordable to the low income people in India require a long-term perspective with respect to profits (Tasavori et al. 2016). Intense competition and pressure on price made it hard for the company to be profitable as well as to take sufficient market shares. However, taking a long-term perspective can be challenging for a company that has improved its market share only to a limited extent, and is struggling to be profitable even after 10 years in the market.

Because Indians are extremely price conscious and easily shift to another provider, which require *Adaptation efforts* on a continuous basis to improve customer retention. Prices are constantly changing, and upgraded product offerings are introduced frequently to the market, and competitors have often been ahead of this company in terms of introducing new upgrades of the product. The informant pointed out that things move very fast in India. The time it takes to come up with new ideas to the launching of new offerings takes only a few days, while in Western countries it may take weeks. However, the substance behind the changes may not be the same as the substance of the changes made in Western countries. The company engaged a large number of sales people, both their own and by hiring through agencies. These people were trained and were responsible to communicate the latest updates about the offerings to the staff at the outlets and mom and pop shops.

High investment costs has placed a limitation on the company's market expansion in India, and the company has only served the mass market in limited parts of the country limiting the possibility to increase market share substantially. When a new Indian entrant introduced extremely low prices across India, downsizing activities were initiated by the company which ended up with an exit. This suggests among other things that competitive advantage based on low price only is not sustainable over time because most likely some competitor will, at some point in time, turn out to be more price competitive (Sousa and Bradley 2008). Developing alternative strategies to a cost based approach becomes essential as the price advantage erodes such as developing non-price attributes by focusing on brand image and quality (Sousa and Bradley 2008).

From selling international brands to selling brands preferred by Indians

Company C2 is operating in an industry where Indians do not have a tradition to consume the company's products, and increasing market shares depends to a large extent on Indians changing their consumer habits towards global trends. The company has been serving both the premium and the mainstream segments (not the economy segment) since it entered India. However, the company started out by charging prices that were higher compared to similar offerings sold by the market leader in both segments. The company reduced the prices to the similar level as the market leader in order to achieve acceptance by a larger share of the consumers. The managers may have expected that consumers' purchasing power would increase rapidly and that the number of consumers accepting not only their flavor but also adopting global preferences and trends, would increase rapidly (Dawar and Chattopadhyay 2002). The informant pointed out *"To do well in India you need to get your pricing absolutely right. If you do not get your pricing right you will never get to win. The Indians are very very value conscious. If you get the right value for the money it will definitely sell in India".* The informant argued that because India is a large market, you can get big volumes if you get your marketing mix right. The focus should not be on the margins per unit, but rather on the gross margins. The important thing is to get the volumes right; the focus should be on winning volumes rather than on margins. Access to a large number of consumers is of great importance for these companies to be profitable, the distribution system needs to be extremely effective to cover vast geographic areas (Iyer et al. 2006; Sheth 2011). To succeed with this kind of strategy in terms of profits, you need a strong focus on cost control: *"...you have to be very conscious about the costs, you have to drive efficiency…"*.

When the company first entered India it was faced with the fact that the Indians' preferences deviate from consumers' preferences in other markets; the standard offerings sold in other markets did not sell well in India. After two years of entry a new brand was launched; a new formula was developed specifically for the Indian consumers' taste. Since then new brands have been launched, developed specifically to match the preference of the Indians. By promoting new brands matching the preferences of the Indians, reducing the prices to the level of the market leaders' prices and by expanding into an increasing number of states, the market share has increased. The company targets the young people in the big cities who are prepared to change habits similar to international trends. The company is selling through multi-brand outlets, which means that attracting the attention of the customers for its specific brands becomes a challenge. The company has also introduced packaging that is unique to India, in order to differentiate the offering from the competitors. Although the differentiator, which is an incremental innovation, is easy to imitate and there is a limited potential to generate economic rents (Sorescu and Spanjol 2008), adding a differentiator to your product is important even though it does not imply charging a premium price because it helps enhance penetration in the market (Brouthers et al. 2013). The Indian consumers are very conscious about price, and they consider carefully the value they get for what they pay. Product differentiation is of great importance in a very competitive environment because it helps distinguish from the competitors resulting in improved performance, both in terms of growth and profitability (Wirtz et al. 2007). The informant in this company stated: *"India is a market where you have to win, you have to get your mix, the product, price, packaging customized to the Indian requirements".* The company combines a product offering differentiation and a cost efficient business model which is essential to attract consumers in an emerging market context (Tian and Slocum 2014).

To increase market shares more substantially by not only taking consumers from the competitors, the company needs to convert non-users to users, an activity which requires people at the point of sales informing and educating these consumers so that they become convinced to start using their product offerings (Sheth 2011). To interact with these consumers requires a large and dedicated sales force and large amounts of working capital (Dawar and Chattopadhyay 2002). The point of sale is considered the critical touchpoint where you can talk about the pricing and the packaging with your customers, and that is the place where the consumers can experience the quality of the offering by means of demonstrations and consumption. The company engages a large number of sales people, both their own and by hiring through agencies. The companies make use of their own people and hired people. The informant stated: *"...you cannot employ all those people so you outsource to people who talk to the consumers and tell them about the product, about the packaging etc."* Having people that are dedicated to your company's brands are important, because the company needs to succeed convincing the first ones, the innovators, to try the product offerings. Converting a few consumers to use your brand is necessary to influence a larger share to start using your brand. Indians rely heavily on other people's views, their own social community, to start using a product offerings which they have no experience with (Choo et al. 2004).

From multi-brand to single brand strategy

Company C3 operates in an industry where mass distribution predominates as well as a strong pressure on price and very narrow margins. If one player drops the price, competitors give a counteroffer. The company which is selling to limited geographic areas, is withdrawing from certain markets that are not giving much sales. The company is positioning itself in selected segments, and in some of them they have moderate market shares and in some of them the company is a minor player. The company is in the process to change from selling through multi-brand outlets to single-brand outlets in order to stay away from competing with those selling low end offerings and to gain more control of the business. In a multi-brand outlet the dealer will focus on that brand which gives him highest margins, which is changing all the time. The company has experienced that margins of premium offerings have been sacrificed because it ended up competing against competitors' lower-end products where the margins are very thin.

The company has taken a different direction than the other two in terms of pricing; the company has started the process to differentiate itself from competitors by charging a premium price, and in order to do so it is switching from selling through multi-brand to single-brand outlets. The company's approach is in accordance with the conventional view of differentiation strategy which implies providing superior value to the customers in terms of product quality, and thus charging a higher price (Porter 1990). By being different to the competitors, as well as accommodating the targeted customers' demands in a satisfactory way, a premium price could be charged (Wirtz et al. 2007). The R&D lab in India helps develop and maintain the quality of the brand. It is used to keep an eye on the competing brands, to ensure that the quality of its own brands are maintained, as well as coming up with new brands and upgrading current brands when necessary. Thus, the company's R&D lab makes the subsidiary able to take the right measures quickly in response to competitors' moves, correcting misfits in the product range, and follow up market demand changes (Katsikeas et al. 2006; Özsomer and Simonin 2004).

The company wants to charge prices that reflect the quality of its brands, and selling through multi-brand outlets where low-end brands are sold makes this difficult and hinders capturing the potential margins. A key challenge is to "sell" the prices to the customers because they need to be convinced whether it is worth paying a premium price (Dutta et al. 2003). In general, profit maximization could be achieved through premium pricing when demand is strong and competition is weak. In India, where the competition is intense for the lower-end products, and less intense for the premium products, it becomes essential reaching those customers that are more concerned about quality and performance of the product and less concerned about the price (Theodosiou and Katsikeas 2001). The company expects that it will be in a better position to differentiate itself from the competitors by using single brand outlets which allows focusing on the premium segment which is expected to give higher margins per unit. This new strategy implies, among other things, keeping the prices flat throughout the year which makes planning more easy, and efforts are not spent on figuring out all the time what would be the right price in order to achieve some profits. The company wants to keep the prices higher than the competitors which will give the dealers a better margin if they succeed to convince their customers that the company's brands have a better quality than the competitors.

The business is expected to be more profitable when a premium strategy based on exclusive dealer contracts is fully implemented. The company is entering into a close partnership with selected dealers that are offered very good margins, and is teaching them how to grow the business. The dealers have gradually accepted this strategy, and many dealers see the benefit of converting customers to the company's premium brands because they achieve better margins. Dealers that are big in the market have an advantage in terms of being more profitable. The company aims to increase its margins by strengthening its differentiation based on quality selling to the premium segment where the competition is less. The informant states: *"Because you see world-wide the company has a single brand strategy. In India we took the multi-brand to begin with. What we are realizing is that the multi-brand route is not working very well for us."* It is only in South East Asia that the MNC pursues a multi-brand business strategy. The experience is that in India it is a challenge proving the quality of a new offering which is superior to your competitors' offerings: *"…everyone will ask us the question which product of the competitors will you benchmark this against, which one do we compete with?"* The informant stated that when you compete in the mass market your premium offering is at risk of being pulled down.

The Indian consumers are very conscious about what value he/she gets for the price paid. The informant gave the following example to illustrate this: *"If you are giving this bottle of water to quench your thirst. In India you have to say that it is not only going to quench your thirst, but it is also going to ….hydrating your muscles….some extra minerals or extra vitamins or something like that".* Indians are not only concerned about the price but also about the brand and quality. The informant stated *"So that is what we are trying to do with* *our products, we try to show them the value, sometimes rationally, sometimes emotionally…once the customer sees the value he will pay the premium".* The informant explained that Indians want to upgrade constantly *"…from a small car, to a medium car, to a big car. So brand wise they also want to upgrade".* Over time, consumers are likely to be converted from low-end products to premium priced and higher margin products (Dawar and Chattopadhyay 2002). However, because the company has competed with low-end brands, the launching of a premium price strategy may cause some confusion among consumers in established market (Curry and Riesz 1988). To succeed with a premium brand strategy requires that the company invests resources in market communication which puts heavy emphasis on informing consumers about the brand's quality features in order to create a consistent brand image (Curry and Riesz 1988). The consumers need to be convinced that the company's brands are distinct from the competitors' brands (Schilke et al. 2009). A key strategy to succeed with a differentiation strategy is "influencing consumers' assessment of the product's performance on a given attribute" (Dickson and Ginter 1987, p. 9).

Foreign products are frequently perceived as high quality products, but this may not be the case if the image of the product and its origin is weak in the consumers' mind (Jain 1989). So far the brand does not have a strong position in the Indian market, but efforts are carried out in close cooperation with selected dealers and other influencers interacting with the consumers, to promote the premium brand strategy. The important thing is to give the customers the right experience in the outlets which makes them upgrade to brands with better quality. There are people who appreciate high quality: *"And they are prepared to pay the price".*

To stay competitive, the company launches new offerings every year including totally new offerings, improvements in existing offerings, and re-marketing of existing offerings. The company also makes efforts to introduce some of the trends across the world to the Indian consumers that may challenge the established perceptions of many Indians regarding which properties of an offering provide the best quality. The company has a local R&D lab which helps to develop the right adaptations to existing formulas. One important reason for making adaptations is to ensure that the quality holds in the different climatic conditions across the country. The company has launched a brand developed specifically for India with properties suitable for the climatic conditions. A key standard property of the offerings used in other markets was also adopted in India, but it had to be changed to match with the standards applied by the competitors in India. The informant stated *"…changing habits and educating people is too much effort without much result, you know"*. If we do not succeed in differentiating from the competitors *"…we are just matching the standards, completely matching the standards"*.

Because consumers are very conscious about price and because they lack awareness of your brand, it is important to create awareness of your offering by talking to them; educating them about the use and how your brands differentiate from the competitors. The company puts lots of efforts into communicating the qualities of the offerings to the influencers, those who are dealing with and selling to end-consumers: *"…if they are on our side then we can get the end-consumers"*. The company demonstrates its brands on the actual sites where they are used and at the dealers' shops. The informant states that Indians' awareness of their brand is non-existent. Therefore, the company makes use of metaphors and big projects that are known world-wide to create positive associations with the company's brands which helps prove that the quality of the company's brands is high.

CONCLUSIONS AND MANAGERIAL IMPLICATIONS

The findings show, similar to previous research, that a foreign company introducing a product offering into an emerging market without the appropriate product attributes, is likely to experience that the assimilation of the product will be slow and limited (Bahadir et al. 2015; Hult et al. 2000; Wei et al. 2014). Research also shows that developing a product offering that can be accepted by a sufficient number of consumers in order to achieve profitability is particularly challenging in an emerging market context (Dawar and Chattopadhyay 2002; Hult et al. 2000). Many companies are not prepared to respond to competitive pressure and to consumer preferences that are specific to a new market before after entry (Cavusgil et al. 1993). However, we do not have much knowledge about what kinds of adaptations foreign companies carry out after entry in order to develop an economic viable operation in an emerging market context. The purpose of this study was to develop our knowledge base further on marketing strategies in emerging markets by exploring adaptations carried out by foreign firms after entry.

The three companies included in this study started out with a strategy that did not result in sufficient market shares and margins in the first few years. The companies either targeted the “wrong” segment, the high-income/global consumers, or launched product offerings that were not accepted by a sufficient number of consumers, and/or they priced the product too high without being able to convince the consumers that it is worth paying a premium price. These are common mistakes when entering an emerging market (Enderwick 2009; Johnson and Tellis 2008), and can be explained by a lack of an awareness of the actual needs of the customers and insufficient understanding of the distinctive characteristics of the market, due to a top-down and transnational approach (e.g. Chung et al. 2012; London and Hart 2004).

The *competitive situation is tough* and *consumers are demanding* in terms of price putting pressure on foreign firms to carry out adaptations after entry if appropriate adaptions have not been implemented prior to entry. Two of the companies experienced that a premium strategy was not viable. This shows that it cannot be assumed that increasing income makes the middle class and affluent people more responsive to foreign products and brands. Rising income may give them a new “voice” in the market, and as demanding consumers look for values that are different to those in a developed market (Iyer et al. 2006). Moreover, the competition from the domestic companies is getting tougher, indicated by the rapid growth sales of local brands in India such as Wills clothing and Amul dairy products. This trend can be explained by increasing pride in their own culture and improvement in the quality of domestic and the design of products meeting local preferences in terms of styles, aesthetics and so on (Douglas and Craig 2011)

One of the advantages foreign companies may achieve by operating in the Indian market is how to develop a profitable product offering based on very low prices, a model that could be applicable in other emerging market. Some of the attributes developed for the emerging market may even be attractive to the low price/value-focused segment in the developed markets (Burgess and Steenkamp 2006). *Adaptation efforts* (i.e. reducing price, multi-brand, localization) carried out by two of the companies (C1, C2) in order to take market shares on a larger scale, complies with the view promoted by Sinha and Sheth (2018). They state that real growth in an emerging market requires market expansion and implies achieving acceptability of the products not only among users but also non-users.

Starting out with the wrong strategy may come at a cost, especially for late entrants. As late entrants these companies established themselves when the market was characterized by intense competition and the industry was faced with thin margins (Johnson and Tellis 2008).

As late entrants they have to fight a battle to gain a market position (Pan and Chi 1999), and there is no guarantee that large companies that have succeeded in other countries and have ample resources will succeed in an emerging market that is diverse and changes rapidly (Johnson and Tellis 2008; Zeng et al. 2013). In this kind of context, the ability to learn fast is of critical importance to stay in business (Santos-Vijande et al. 2012; Özsomer and Genctürk 2003). Individuals at the subsidiary are exposed to the local market and can therefore, through involvement with different key actors, identify opportunities that can be exploited and threats that need to be dealt with (Özsomer and Genctürk 2003). Besides, as late entrants, these companies lacked market specific knowledge when they entered the Indian market. They were therefore in a disadvantageous position compared to the local companies and the global players that had been in the market for some time. These three companies are competing against early entrants that may have some advantages in terms of knowledge and skills that exceed those of late entrant companies. Therefore, as late entrants they may only succeed to some extent in taking market shares, because they are likely to take market shares only from the market laggards rather than the market leaders (Iyer et al. 2006). Besides, as late entrants starting out with the wrong strategies, these companies were faced with the risk to lose out of the opportunity to attain leadership because competitors may carry out measures to prevent the companies from recovering lost ground (Johnson and Tellis 2008). The problem of recovering market shares could be one explanation why company C1 withdrew from the market.

The need for localization is more pronounced in an emerging market (Dawar and Chattopadhyay 2002; Hult et al. 2000), because of cultural difference that form consumer attitudes, needs and expectations (Özsomer and Simonin 2004). It is by operating in the emerging market that the company becomes aware of a very different environment to the environment experienced in developed markets, and therefore learns which adaptations are required to achieve expected results (Bahadir et al. 2015; London and Hart 2004; Sheth 2011). All three companies were faced with the situation that the consumer behaviors were different to what they first anticipated due to habits, culture and purchasing power. Therefore, they had to develop value properties that would gain acceptance by the targeted customers. The experience of the companies clearly shows that *Commitment and Bottom-up approach* is crucial to position the business. Making the right adaptations require high levels of market knowledge and investments in time and resources to support a variety of activities such as market research, analysis, design and testing (Brouthers et al. 2013; Keegan 1969; Tasavori et al. 2016). Moreover, close interactions became essential to learn about potential customers' needs (Tasavori et al. 2016). An in-depth investigation is required of the market to fully understand which product attributes that would be valued by the consumers (Hult et al. 2000; Tasavori et al. 2016). Evidence shows that a "bottom-up learning approach" using a more anthropologically oriented approach to explore the unique business context is necessary in order to develop relevant product offerings. This kind of approach is important to reach a full understanding not only of customers in rural areas and in the bottom-of-the-pyramid-markets (London and Hart 2004; Tasavori et al. 2016), but also among the middle class and affluent people (Iyer et al. 2006). Interacting with customers in their own local community facilitates the experience and thus knowledge required to develop product offerings that are accepted by them (Dawar and Chattopadhyay 2002; London and Hart 2004; Tasavori et al. 2016). Thus, close interactions with the targeted customers facilitate the collection of information (i.e. distribution channels, habits, interaction with the device, purchasing power) required to develop a context-specific solution (Tasavori et al. 2016).

The point of sales and the point of consumption are the critical arenas where the companies acquired information and experience about the customers. Having their own people out there in the field is considered essential to stay updated about the demand trends and gaps in the product range. This implies a strong involvement and a participatory approach. In this way, the employees at the subsidiary get access to first-hand information through involvement with various actors in the market (Chetty et al. 2006; Johanson and Vahlne 1990). They learn what is going on in the market, not only about consumer and customer needs and preferences, but also about environmental factors and their impact on these needs and preferences. Thus, market specific knowledge developed through interactions with key people in the host market is essential to complement objective knowledge such as market research (Johanson and Vahlne 2009; London and Hart 2004; Schmid and Schurig 2003).

Managerial implications

This study shows that it is “easy” to launch the wrong strategy in India. Introducing a standardized approach into a market rather than investing in efforts necessary to identify the unique attributes required for that market are likely to result in high opportunity costs (Hult et al. 2000). Thus, entering India with the wrong strategy involves costs because of efforts required to change current strategy to a viable one in this context, and the prolonged time it takes to become profitable create a lot of uncertainty. To really understand your potential consumers takes time and the company should be prepared for some costly mistakes on the way (Özsomer and Genctürk 2003). A key issue is to be clear about which consumer segments does the company want to target, because that is decisive for what kinds of product offering attributes to adopt. Because it is demanding and costly to gather and process information and work out a distinctive strategy for a specific segment, the barrier to access a new segment can be high. Therefore, the company could engage in collaboration with others rather than try to understand and access an unfamiliar market segment alone. Collaborating with an organization that is familiar with the targeted segment or geographical region helps transcend potential legitimacy barriers which is necessary to succeed (Alexiev et al. 2016).

Moreover, it is through experience in the actual market that the company learns what consumers want and how to respond to a very competitive situation (Sousa and Bradley 2008; Özsomer and Simonin 2004). Thus, the role of the subsidiaries as a learning center becomes prevalent in order to make the product offerings right (Cavusgil et al. 1993; Dawar and Chattopadhyay 2002). An MNC planning to enter the Indian market must be prepared to take into account the unique requirements of that market and adapt accordingly if it wants to establish a viable business (e.g. Hult et al. 2000; London and Hart 2004; Tasavori et al. 2016). In order to do so, the management needs in-depth understanding of the market which requires that sufficient resources are deployed to investigate the market to fully understand which product attributes to develop in order to attain competitive advantage (Hult et al. 2000). The company needs to recruit people to be out in the field, interacting with consumers and potential consumers, and it also needs to cooperate closely with end-users in order to incorporate desired functionalities to the product offering (London and Hart 2004). Getting close to the consumers is a key issue to compete, and implementing a system which facilitates a close relation with the sales outlets, to get them on your side, is therefore of outmost importance. In order to succeed, the employees at the subsidiary need to have the motivation and be willing to learn (Magnusson et al. 2013), and the company must be prepared to put acquired experience into use; to change routines and practices that do not work (Huber 1991; Levitt and March 1988).

Learning which takes place locally in the subsidiary is considered the key resource that is required to make adequate adaptations (Schmid and Schurig 2003; Theodosiou and Katsikeas 2001; Özsomer and Genctürk 2003). The people at the subsidiary are those who have the best knowledge of the market, and are better prepared to see the opportunities in the host market than people in the head-office, as well as interpret the competitive situation (Özsomer and Simonin 2004). Moreover, MNCs could either integrate its head-quarter operations with the foreign market or decentralize decision-making to the specific market in order to ensure appropriate adaptations (Chung et al. 2012). The subsidiary could be considered an important learning center by the head-quarter which has a key role to acquire information from the market, and should be allowed to replace established practices with new ones when necessary. This suggest that the main authority for marketing decisions should be delegated to host country managers (e.g. Jain 1989; Picard et al. 1998). The subsidiary has a better understanding of the local conditions than the head-quarter (Theodosiou and Katsikeas 2001), and evidence shows that subsidiaries with a higher level of autonomy in the day-to-day decision making are more successful (Shaw 2000). The subsidiary managers should be responsible to take strategic initiatives in response to host country environment demands (Tian and Slocum 2014). Maintaining the responsibility at the subsidiary level facilitates a quick response to competitors' moves, market changes and new demands which is essential in a competitive market (Özsomer and Simonin 2004).

Limitations and future research

This study shows that it takes time to make the right adaptations in an emerging market, and a key question is how can companies prepare to limit the time before an acceptable product offering can be launched? This study provides some insights, based on three companies, with regard to what kind of product offering adaptations foreign companies may carry out in the Indian market, and some managerial implications have been put forward. To further develop our knowledge base, multiple cases would make it possible to compare and thus clarify whether "…an emergent finding is simply idiosyncratic to a single case or consistently replicated by several cases" (Eisenhardt and Graebner 2007, p. 27).

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