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Case Study NJBRM

A Case Study on Country Simulation: Asia's Emerging Economy Has Overlapped a Major Part by Chinese, Indian, and Philippines Market Strategies

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Abstract

Reemergence of Asia's economic was driven by a system that gradually embraced open trade and investment. The rapid rise of developing Asia's commerce, foreign direct investment, gross domestic product, and gross national product, among other economic indicators, helped close the development gap with developed nations and reduced poverty. Market strategies depends on finance investment in scalable and sustainable innovations by enterprises in areas including health, education, agriculture, handloom work, garments, handicrafts and other small business activities.

Keywords: Global, FDI, GDP, GNP, BEI

INTRODUCTION

Globalization conceives cultural values, terrorism, investment opportunities, job insecurity, currency fluctuation, price instability, capital flows, and environmental impacts (i.e., global warming, pollution, etc.). It has cut-throat competition, removal of protection, launching difficulties of small and cottage industries, limited field of domestic expansions, competitive exports–imports, takeover of wide aspects in business, arousal of monopoly, ownership, and place of operations of institutions [1]. Culture has great impacts on social values and ethics, clothes and cuisines, and so on; and environment leads the global climate, natural forests, ocean pollutions, and so forth. With cross-border commerce in commodities and services, technology, and flows of investment, people, capital, and information, the world's economies, cultures, and demographics are becoming increasingly intertwined. This phenomenon is known as globalization [2]. It offers definite advantages for developing nations, both in terms of overall growth and the decrease of poverty as well as in terms of mobility and opportunity for those with low incomes. However, new opportunities have brought up hand-in-hand with new vulnerabilities. It has controversial impacts of utilization of labor forces with right wages, women securities and working place conditions, family specifically kids' health insurances, and so on. Globalization has a challenge for competition of economic development, financial stability, economic growth, and higher living standards [3]. This unequal level playing field has preponderantly distorted third world economic development; that is, lack of infrastructure in every sector of the economy, poverty, and immature agricultural sector accompanied with its consummate terminal deceases has been affected drastically. In the positive sense, it develops apprenticeships, performance of working place, career training, and less rigid labor markets; economist and policy makers in developed economies can modify their societies to adapt to the pressures of globalization and technological advance.

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WHAT IS THE INSPIRATION FOR ENTERING THE ASIAN MARKET?

It has been identified that the Asia region is the best possible source of future growth as the domestic market has matured with a wide array of competition and an aging population. With approximately 4.6 billion inhabitants, the region is home to more than 60% of the world's population, the bulk of whom live in China and India. Throughout the past generation, Asia has experienced rapid economic growth, and the Pacific Rim now houses a large portion of the world's manufacturing base. Asia's economy goes through three phases: Several Asian economies shifted toward an external focus, many countries adopted a post-independence import substitution strategy, they deepened integration into global value chains, and they supported regional trade agreements [4].

Due to the large population base and improving economic conditions, toothpaste sales in the region have been growing over the years. There are five major producers of toothpaste for the world market: Allstar brands, B&B healthcare, CareMore Company, Driscol corporation, and Evers Consumer; however, the Asian market has traditionally been served by local and regional brands. The company recognized that the growing toothpaste sales in the region were largely led by China. Within the company's decision to move into this region, it recognized the benefits of using different formulations and sizes to grasp a larger consumer audience, hence a larger market share.

Key consumer demographics such as the percentage of the population living below the poverty line, played an essential role in developing its costing strategy that would be attractive to this region. An appealing factor for the entry into China was the lack of any competition in this area. To address China's rapidly ageing population and economic needs, the Chinese government announced in October 2015 that it would change the law to allow all couples to have two children, relaxing a 1979 restriction that limited many couples to one child. The new policy went into effect on January 1, 2016. The lack of competition in this area provided the opportunity for growth in an underserved market.

Country Analysis

Usually, country selection strategies are accelerated with company capacities, forecasted marketing plan and execution of this plan. The following are the key elements to take into account when choosing a country:

- Economic (GDP, GNP, FDI, etc.) and environmental issues
- Social and cultural factors
- Political and legal factors
- Market attractiveness
- Capability of the company
- Quality and training opportunities of local contacts and/or employees
- Business cases with respect to experience of the partnership [5].

China and India are both developing nations with large labor markets and highly varied export compositions. While India places greater emphasis on exporting services, China is more connected into the global production sharing for manufactured goods. Although they started off with similar starting locations, China and India's patterns of integration into the global commerce differ in practically every significant way [6].

The beginning of a significant effect and contribution on Filipino culture came via trade with China. China is the Philippines' biggest economic partner, and bilateral investment cooperation is flourishing, with significant projects being implemented successfully [7]. China promotes the export of agricultural goods from the Philippines and has stepped up its collaboration with the country on matters relating to regional economic integration, industrial supply chains, green trade, e-commerce, vaccinations, and anti-epidemic cooperation.

Entry Strategy

A planned technique of distributing and delivering goods or services to a new target market is known as a market entry strategy. It has three key perspectives: standardization, configuration, coordination & integration. It refers to the formation, establishment, and administration of contracts in another nation when discussing the import and export of services.

The company followed the country similarity theory that countries will trade most intensely with countries with similar levels of per capita income and less intensely with countries with dissimilar levels of per capita income [5]. Country selection strategies are accelerated with company capacities, forecasted marketing plan and the proper execution of this plan. Economic and environmental concerns, social and cultural considerations, political and legal considerations, market attractiveness, and firm competency are the most crucial aspects to take into account when choosing a country. It also includes quality training opportunities of local contacts and/or employees and business cases with respect to transactional experience in said country.

The justification for the entry into the Chinese and Indian markets were that China (second largest global economy) and India (third largest global economy) are rapidly growing, labor-abundant economies with very different export mixes. While India is more well-known for its service exports, China is more integrated into the global production sharing for manufactured goods. The company decided to enter the Filipino market since China is the Philippines' top trading partner and because bilateral investment cooperation between the two countries is flourishing with significant projects being carried out successfully. The following Figure 1 describes changes of volumes of units in a manufacturing market.

Plant Location and Capacity Analysis

The site of the facility must be carefully chosen in order for it to be profitable in the long run. There are a number of things to consider while choosing the site of the facility, including but not limited to shipping costs, production costs, and tariff pricing. Management may be under a lot of pressure to make the right choice since doing otherwise might put the business at risk of enduring heavy losses. The company believed that China would be the ideal place for such a facility as production expenses in China are much cheaper than in other nations, allowing the corporation to save money on production costs. This new factory offers lower cost, insurance, and freight costs. The capacity of the new plant was gradually raised over time to correspond with demand. As the corporation expanded throughout Asia, the China facility began to expand production as the company entered new markets. The changes in production and the increase in capacity are illustrated in Figure 2(a)–(c).

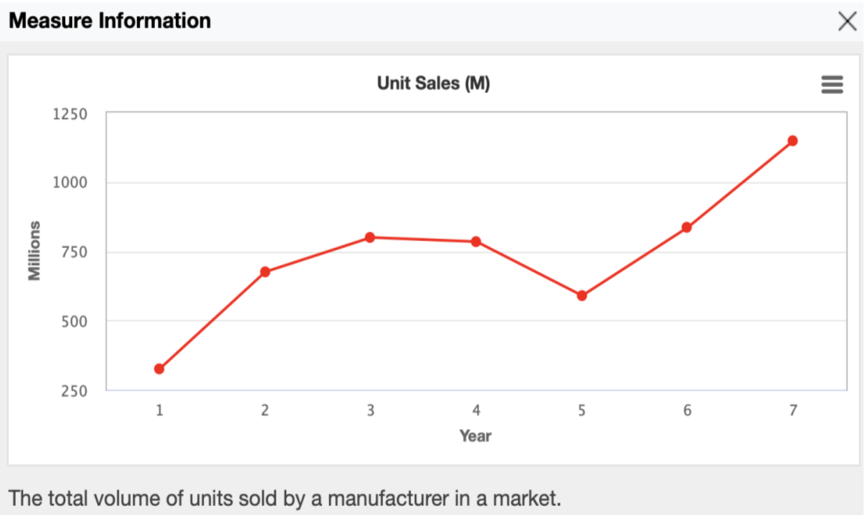

Figure 1. Marketing strategies by units of products sold.

Current Plants (a)

Plant	Capacity	Units Prod.	Avg. Unit Cost	COGS	Freight /Tariffs
Home	Unlimited	575.1	0.84	481.4	149.1
China	100.0	100.0	0.80	79.9	1.0
Total		675.1	0.83	561.3	150.1

Units Produced are in millions; Average Unit Cost is in dollars; all other values are in millions of dollars.

Current Plants (b)

Plant	Capacity	Units Prod.	Avg. Unit Cost	COGS	Freight /Tariffs
Home	Unlimited	449.3	1.23	552.6	93.1
China	140.0	140.0	1.17	163.4	1.4
Total		589.3	1.22	716.0	94.5

Units Produced are in millions; Average Unit Cost is in dollars; all other values are in millions of dollars.

Current Plants (c)

Plant	Capacity	Units Prod.	Avg. Unit Cost	COGS	Freight /Tariffs
Home	Unlimited	968.2	1.54	1,494.6	225.4
China	180.0	180.0	1.36	244.3	1.8
Total		1,148.2	1.51	1,738.9	227.2

Units Produced are in millions; Average Unit Cost is in dollars; all other values are in millions of dollars.

Figure 2. Periods study (a) period 1, (b) period 2, (c) period 3.

Marketing Strategy

Asia actually has both favorable and unfavorable business circumstances. For instance, the government’s multiple incentives to assist foreign investors work to offset China’s limitations on foreign exchange, conservative policies, antitrust laws, and various societal flaws. India is attractive to international investment because of its relatively low language hurdles, yet the country’s convoluted and difficult-to-cooperate corporate practices must be problematic [8]. Companies in the Philippines use technology, a sparse network of suppliers and customers, and sluggish employees to generate value for all parties. Foreign strategic partnerships undermine the capabilities and expertise. It is essential for developing novel goods and services and maintaining competitive advantage.

Product Strategy

For product strategy, the company aimed to produce similar products to rivals while offering them at a lower price. As a result of producing the items at a lower cost, consumers were able to purchase more products, boosting net sales. The company entered into whitening, healthy and kids at the beginning of its decision. Medium and large were chosen for whitening and healthy, and for kids small, medium, and large were chosen. These products were chosen because of China’s population and age structure.

Distribution Strategy

For the distribution strategy, the company compared with its competitor’s main distribution channels. Based on the company’s competitors, it was able to choose to enter independent, drug store, hypermarket, and other for decision 1. The company also examined distribution coverage, which shows the number of outlets in each country for each channel. China has one of the biggest distribution channels and one of the highest GDP, which helped to boost profit.

Advertising Strategy

Standardization or globalization strategies are more effective for entering in Asian markets. An earlier meta-analysis of the cultural influences on advertising conducted in the field of multidisciplinary studies found that developing African countries and the Asia-Pacific region are where customized ad appeals are most effective. In fact, Asian markets have expanded significantly beyond the earlier standardization versus globalization performance, and they perfectly fit the diversity of advertising study focusing on China, India, and the Philippines [9].

Pricing Strategy

For the pricing strategy, the company chose to sell its products at a lower cost than its competitors. In the initial stages, the goal was to keep costs low while maintaining a strong enough promotional presence in the market to raise brand recognition and stimulate sales.

RESULTS FROM OPERATIONS

For four main reasons, Asian countries' economies grew more quickly than the rest of the world: (a) they had a great deal of room to catch up; they entered the 1960s with relatively low incomes and relatively educated workers; (b) their geographical, oil resource, and structural characteristics were generally favorable; (c) demographic changes after World War II favored more rapid growth; and (d) their economic policies and strategy were conducive to sustainable growth. Most crucially, the high-performing rising Asian nations, namely China, India, and the Philippines, understood the necessity of integrating into the global economy by encouraging labor-intensive manufactured exports. Reduced internal tariffs, relatively free trade, convertible currencies, macroeconomic stability, and a number of cutting-edge institutions, including export processing zones, duty exemption programs, long-term contracts with lower interest rates, and incentive programs for foreign direct investment, were just a few of the policies they used to promote exports.

Market Share

With a successful marketing strategy that was highlighted earlier, the company was able to acquire a market share of 10.3% after 7 years in the Asian market given its entry into three markets (China, India, and the Philippines). A regional comparison of Allstar Brands to the competition is illustrated in Figure 3.

Profitability

Over the time spent in the Asian market, the company has generated a total net of 259 million dollars. The company's net fluctuated over the duration of the 7 years, beginning with a loss as high costs resulted in its expenses outweighing profits. The net then climbed as costs such as those allocated to marketing were decreased. However, after the creation of new advertising campaigns, the company experienced a further increase in costs resulting in the final net regional contribution figure of 259 million dollars. The fluctuation of Net regional contribution is illustrated in Figure 4.

Market Share

Country	Mfr. Sales	All-star	B + B	Care-more	Dris-col	Evers	Loc.	Reg.
China	$8,043.4	15.1%	5.2%	5.0%	15.1%	7.4%	25.1%	27.2%
Japan	$3,647.6		27.0%	29.3%	8.3%	25.3%	1.8%	8.3%
India	$3,208.6	11.4%	6.6%	36.0%	14.6%	8.8%	22.6%	
South Korea	$878.7		16.5%	5.6%	9.8%	18.6%	14.0%	35.4%
Philippines	$1,773.6	18.0%	28.7%	6.8%	1.9%		29.5%	15.1%
Thailand	$938.4			19.1%	6.5%	29.1%	30.9%	14.5%
Overall	**$18,490.3**	**10.3%**	**12.3%**	**16.1%**	**11.7%**	**12.1%**	**20.2%**	**17.3%**

Note: Manufacturer Sales amounts are shown in millions of dollars.

View Amounts

Figure 3. Market sharing in emerging players.

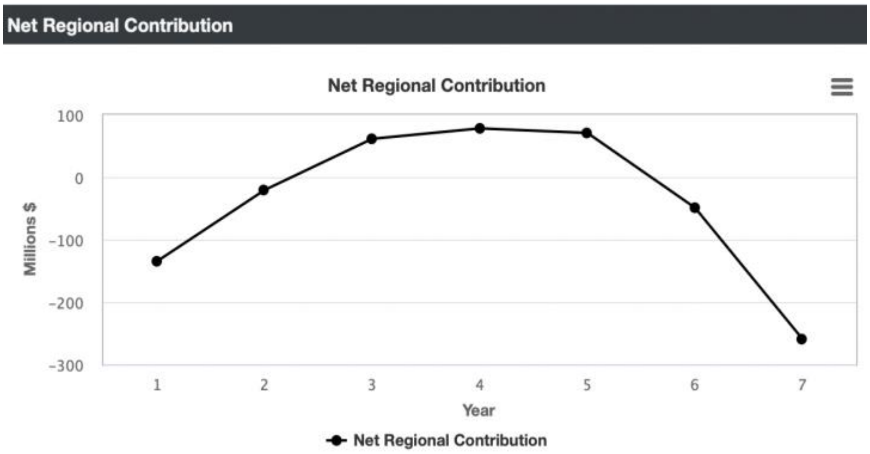

Figure 4. Regional impacts.

Sales

Initially, the company was able to generate a sales figure of 675 million in the first year. As the market presence increased, sales experienced a steady growth, between Years 1 and 3, and experienced an eventual plateau at maturity between Years 3 and 4 at 784 million. Between Years 4 and 5, a decline was experienced where sales dipped to 589.3 million. However, it was quickly recovered through the implementation of new advertisement campaigns and significant changes in the distribution strategy. These changes resulted in a new period of growth, which gave a constant increase in sales at 300 million yearly. The fluctuation in sales is illustrated in the diagram below.

BEI (Brand Equity Index)

At its outset, the company's BEI was 53. In Year 2, the BEI dropped to 42 due to high prices with a further decline to 38 experienced in year three. A small increase to 40 was acquired in Year 4 and it steadily increased to 47 in Year 5 as significant changes in pricing and distribution strategies were implemented. In Year 6, as the company acquired more market share and regional recognition, the BEI increased to 51 and then 53 in Year 7. The final BEI index is illustrated in the Figure 5.

For advertising the company chose to have 3 campaigns, which were whitening targeting younger individuals, healthy targeting older individuals and kids targeting families. To guarantee that the advertisement was communicated to the best of its capacity, the material was translated into the home country's language so that the audience could comprehend it. To keep costs down, current advertising campaigns were modified. Despite their importance to the economy, innovation, and research are less common among smaller firms [10].

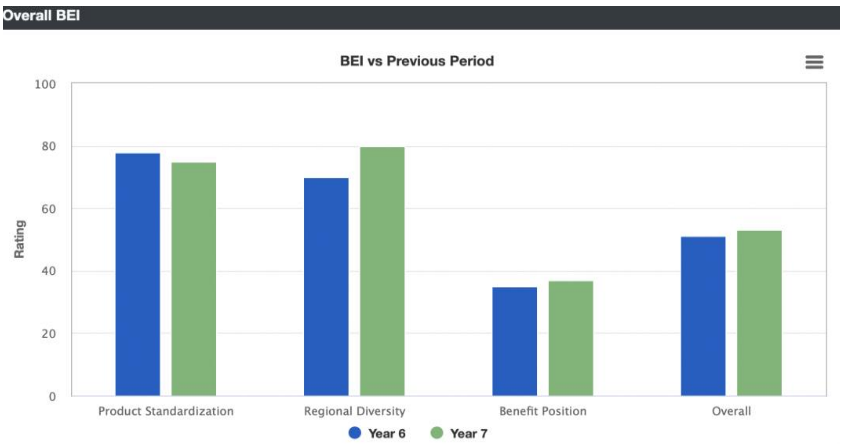

Figure 5. Comparisons of brand equity index (BEI).

CONCLUSION

All smile brands spent 7 years in the Asian market and many lessons were learnt during this time. First, the importance of conducting thorough market research and the assessment of both its strengths and weaknesses before entering is key to the success of the brand. Furthermore, it is crucial that all economic, social, political, and environmental factors are considered meticulously and basing decisions on these factors are extremely important.

Moreover, a firm must be willing to learn from mistakes made and strategize to recover from drastic losses by being aware of competition. Some mistakes which were made were starting with too many products, where the company should have started with products that would sell more rather than taking risks with less popular products. Additionally, in advertising, to keep costs down, current advertising campaigns were modified versus the creation of new ones. This may have resulted in a lowered effectiveness of the commercials in the Chinese market, adding to the fact that the company's sales did not increase as much as had anticipated. However, when pricing and distribution strategies were changed, the company experienced a steady increase in overall sales resulting in a new period of growth.

Conclusively, the main lesson learnt in this process was the importance of developing an attitude and mentality for constant change and being able to change the initial strategy is key in being able to achieve maximum results and compete to the company's highest potential.

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