GLOBAL MARKETING

by Student's Name

Code+course name

Professor's name

University name

City, State

Date

Table of Contents

1. **Background, Competition,** and Target Market

In 1856, Holden Company started saddler business in South Australia. In the 20th century, the company occupied the automobile industry and became an arm of General Motors while sustaining developed Australian culture in 1931. Today, the company operates under the command of General Motors Company, which manufactures and sells cars for the US and Australian market and for the whole world.

Holden manufactures 45 car models of different designs at Elizabeth facilities located in South Australia. Holden's Vehicle Operations, the production facilities equipped with latest manufacturing techniques, offer a wide range of the world's most popular models in the automobile sector. Holden produces small and large passenger cars for domestic and international market, which are bought by all strata of society.

Since the company plans to introduce a small car in Chinese and Indian market, this paper conducts a thorough study of competition, the target market, and developments of their automobile sector. Moreover, the paper examines how a rapid economic growth in these countries has attracted significant investments of many leading automobile manufacturers.

In India, the majority of vehicle population (nearly 70 percent) consists of scooters and bikes that are economically priced, offer high fuel mileage, and can maneuver through heavy and congested traffic. Established automobile players such as Maruti, Hyundai, and Honda will offer a severe challenge to Barina manufacturers in the Indian automotive market. These leading players now face tough competition from domestic manufacturers of Tata Nana and Bajaj Renault while Volkswagen, BMW, and Ford also have developed their concepts of a small family car (Baig 2011). Figure 1 shows automobile growth in India.

Similarly, Chinese automotive market has shown tremendous growth with the accession to WTO in 2001. Domestic automobiles' sales constitute nearly 41.5% of Chinese automotive market.

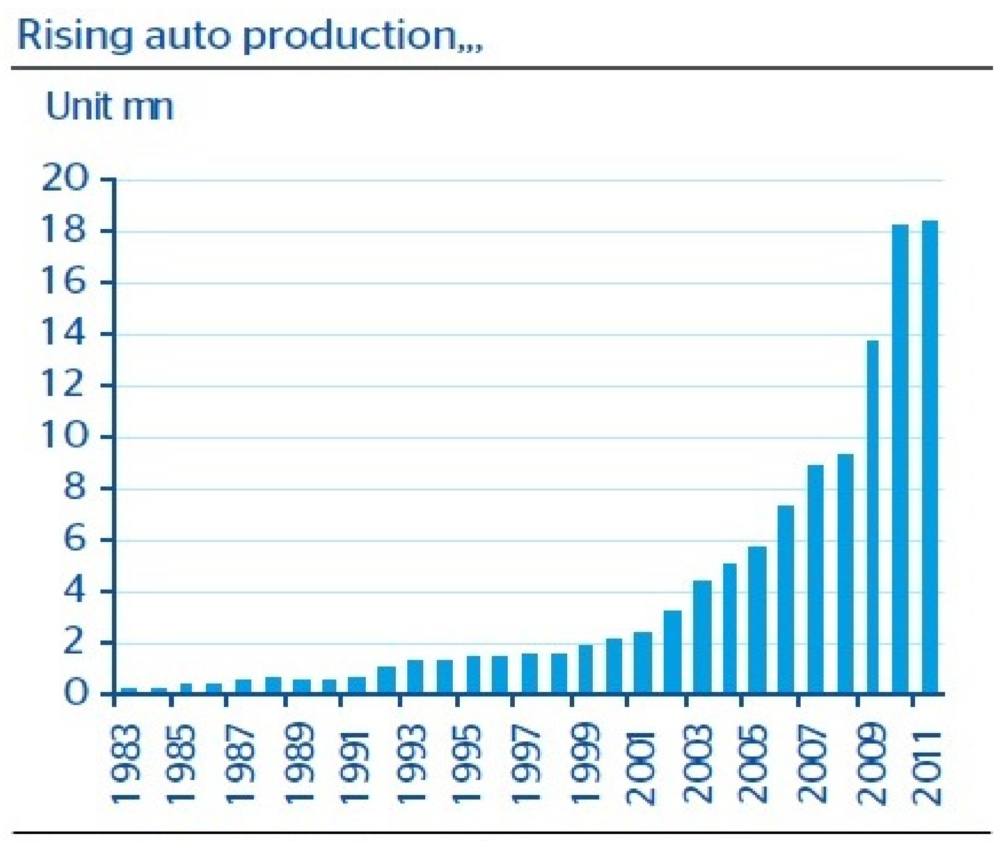

Figure 2: Rise in Automobile Production

Source: BBVA and CEIC Research

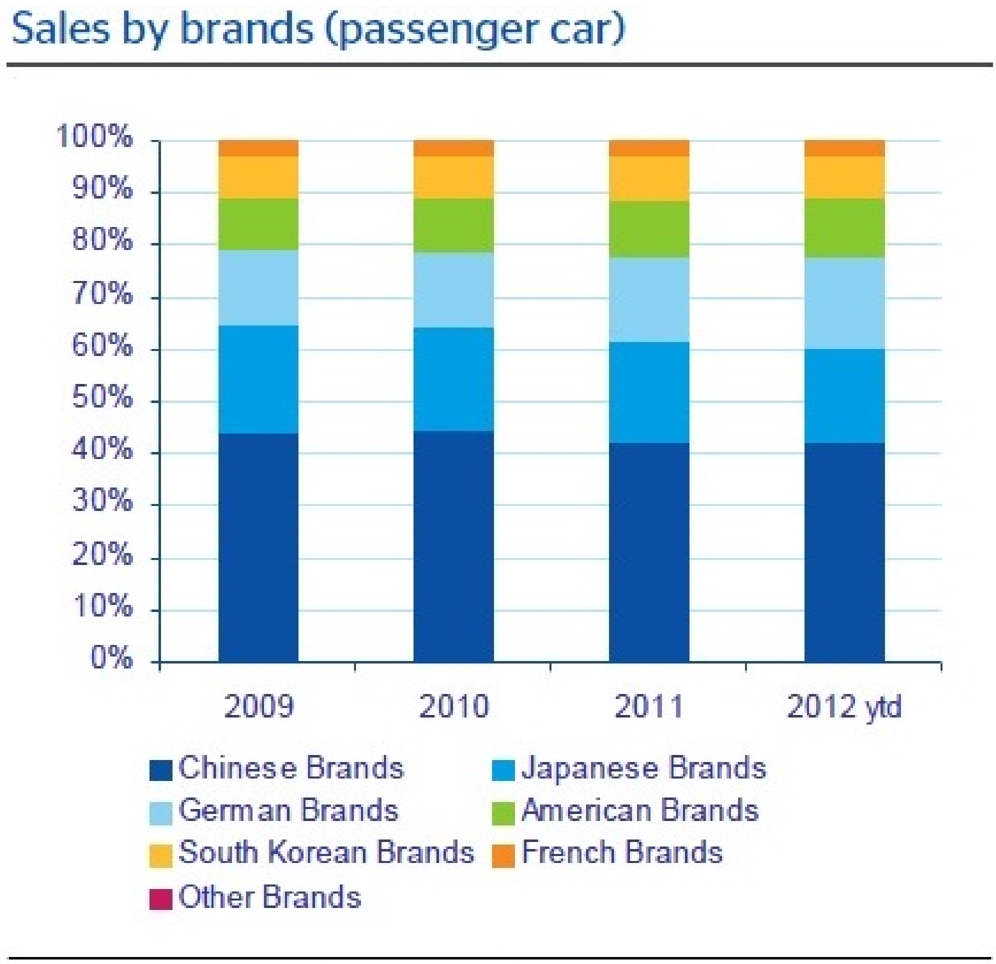

Figure 3: Sales of Passenger Cars by Brand

Source: BBVA and Wind Research

Japanese, German and the US automobile manufacturers dominate international brands in Chinese automotive market. These brands constitute a market share of nearly 36 percent. In turn, Nissan, BMW, Toyota, Volkswagen, Ford and Honda manufacturers account for 31 percent of the total market.

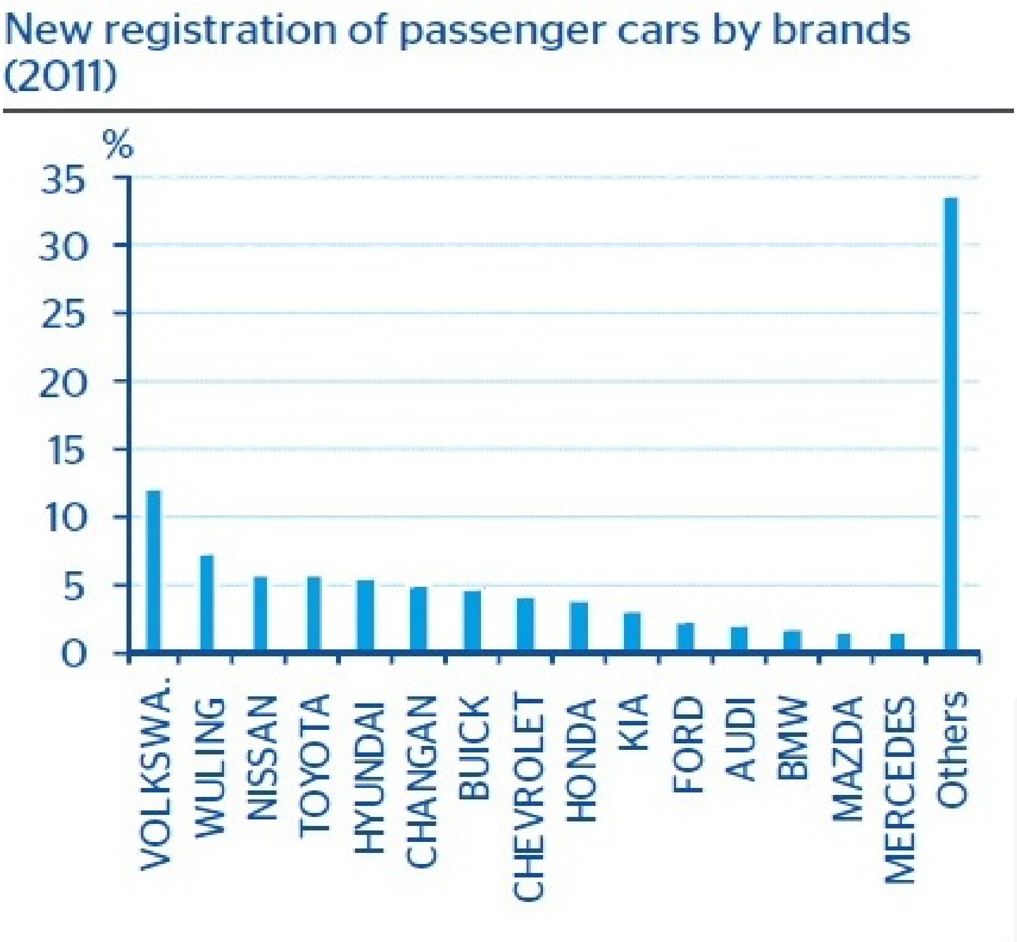

Figure 4: New Registration of Cars

Source: BBVA and CEIC Research

American and Korean brands account for nearly 20 percent of the total market. Since automobile sales in China are dominated by fuel-efficient and economy class cars, demand for small passenger cars has been steadily increasing during last 5 years (Bloomberg news 2011); (Hannon, Walker & Wu 2011).

2. Competitors Activities and Customers Involvement towards Indian and Chinese Automobile Sector Growth

The Indian automotive sector is currently undergoing an unprecedented demand for all kinds of passenger cars. This boom has occurred primarily for two reasons such as an increase in living standards and disposable incomes of middle class families - five-million increasing stratum. Besides, governmental liberalized policies such as equity regulations, relaxation in the foreign exchange rules, reduction of import customs duty, and liberalization in banking and financing have accelerated automobile purchases. Moreover, automotive experts predict that the sales of passenger cars will increase in four years three-fold to about one and a half million. Thus, as the economy grows, the customers' purchasing power will increase resulting in greater demand for fuel-efficient models (Rathore & Swarup 2011).

Major joint ventures and acquisitions such as VW & Suzuki and Tata & JLR have provided OEMs with the opportunity to improve automobile quality and design without financial risks. Leading automobile manufacturers, namely Hyundai, Maruti, Ford, and Chevrolet, dominate in the passenger car production; they accounted for approximately 70 percent of total passenger car sales in 2011-12. Considering tough competition in the automobile sector, it is clear that the Holden Company needs to adopt differentiative strategy for occupying a large share in the Indian automotive market (Balcet & Bruschieri 2010).
More than 85 automobile manufacturers and nearly 7,000 companies

producing automobile parts are located in China. Together, top twelve passenger vehicle producers (eight of them are joint ventures) constitute nearly 73 percent of Chinese automobile market share. Almost every leading international automobile corporation has opened manufacturing facilities through joint ventures in China. The leading automobile companies have established well in China. General Motors, Volkswagen, Ford, BMW, Daimler, PSA, Nissan, Mazda, Toyota, Hyundai, and Honda represent the pool of leading players in the Chinese market (FOURIN 2010).

As the economy matures, Chinese population is becoming more sophisticated in terms of deciding upon car purchase. Furthermore, their tastes are changing as well. The middle class and the younger generation have already purchased entry-level car and want to upgrade to better and fuel-efficient models. For understanding this demanding environment, Holden Company must realize customer needs, their diversity in different regions, and their turning from simple body type to stylish body type segment in the automotive market. In other words, the Chinese automobile market has become more complex like European, Japanese, and American ones due to segment differences (Austin et al n.d.).

2.1 PESTLE Analysis of Chinese Automobile Market

POLITICAL: The relaxation in governmental industrial policy has been major stimulus to increased production in the automotive sector. The approach favors joint ventures (JVs) with foreign manufacturers. Besides, the government has implemented strict mode of entry regulations for foreign automobile manufacturers so that domestic automotive sector receives fair consideration, improved infrastructure, and production. Government policies encourage local manufacturers by supporting them and providing cheaper export customs duties. The political atmosphere is undergoing several challenges. Transformation, unrest, instability of government and unionism has been evolving in major industrial towns affecting activities of the international automotive producers. Recent Toyota lockout in China is an example of unionism (Richet & Ruet 2008).

ECONOMIC: China's GDP has increased by nearly five times in the last twelve years, whereas average price per passenger car has declined at the same period. Furthermore, rapid urbanization is also increasing demand for cars. Within China, regions with higher urban saturation and disposable incomes tend to produce larger car markets.

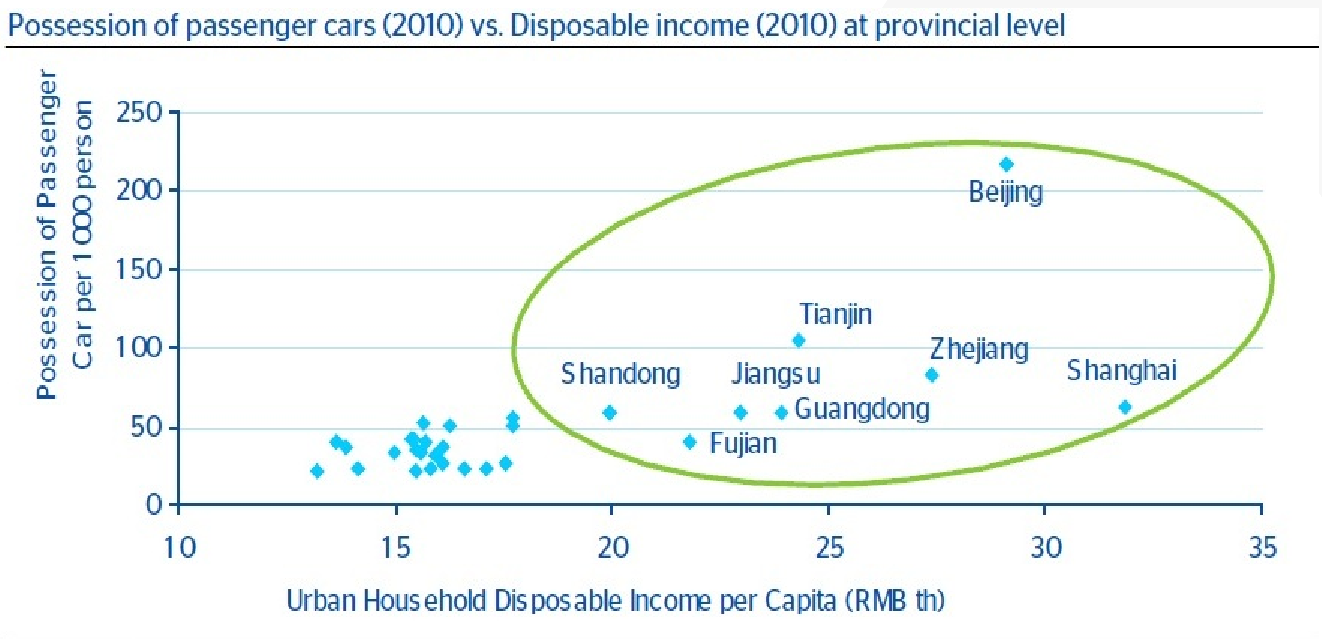

Figure 5: Passenger Cars versus Disposable Incomes

Source: BBVA Research and Ministry of Transport

Figure 6: Passenger Cars versus Urbanization Rate

Source: BBVA Research and Ministry of Transport

The Chinese economy is expected to rise by 6-7 percent yearly in the next ten years whereas the population residing urbanized regions is expected to increase from 52 percent in 2010 to sixty-two percent in 2020. Increased urbanization will have profound impact on household demands. Higher incomes including low automobile penetration result in passenger vehicle market's not attaining the saturation level. Consequently, demand will increase every year (Hong & Mu 2010).

SOCIAL: During last two decades, China has transformed economic infrastructure from a highly centralized one to a free market. This economic system has led to rapid and considerable developments in all strata of society thereby bringing profound influence on living standards of the Chinese population. Along with the increased incomes and material prosperity, such living standards in China as shelter, sanitation, and food have improved steadily. Chinese social values and culture also changed drastically after the economic reform. Youth and teenagers communication via several social networking sites increases knowledge of latest product developments and technological improvements (Lin 2010).

TECHNOLOGICAL: The prosperity of Chinese automotive sector largely relates to technological advancements and significant investments in research and technical development (RTD). In the last decade, China has demonstrated significant technological developments in many areas such as IT, automobile sector, textile industry, agriculture, and many others. Earlier key components and even entire designs were imported, but automobile import has declined sharply due to growing technological level. The government grants subsidies to automobile manufacturers for investing substantially in RTD sector. Although automobile producers still import designs, local sourcing has increased with a large number of bonuses awarded to Chinese companies or joint ventures with international corporations (Hatani 2009).

LEGAL: The government has offered a number of subsidies, tax relief and customs duty decrease to automobile manufacturers for producing hybrid electric vehicles and traditional cars with a small engine displacement. The protection of intellectual property rights (IPR) has been a prime concern for international automobile producers in China. Recently, Volkswagen discovered that local car manufacturers were using its components in their automobiles. Next Toyota lost litigation with a local producer regarding the use of its logo. General Motors also fought with Chery Inc. over design imitation of a small car they produced in the Chinese market. Historically, Chinese government permitted openly these intellectual property violations, and even copycat designs had been available in governmental component catalogs. Currently, open violations are very rare after WTO accession, but international companies still face difficulties while sustaining their IPR in Chinese courts (Zhi 2004).

ENVIRONMENTAL: Both domestic and international automobile manufacturers have to adhere to environmental laws passed by the Chinese government. Increased air pollution level, high oil prices, and governmental commitment to minimizing carbon footprint have led the automotive industry to explore an alternative source of energy. All vehicle manufacturers have been instructed to reduce value chain as well as the level of carbon footprint in manufacturing technology. The Chinese government offers incentives for the development of alternative energy-driven cars: electric, fuel cell, and hydrogen-powered vehicles.

2.2 PESTLE Analysis of Indian Automotive Market

POLITICAL: Though political instability in India is a prime issue for multinational automobile manufacturers, this county has attracted significant foreign investments in the automobile sector. International automotive manufacturers realize a tremendous opportunity to produce vehicles using government cooperation and other means provided to establish their facilities in India. Automotive Mission Plan (2006-2016) is a joint effort between the automotive industry and the Indian government. Under this agreement, the government is responsible for promoting and creating the infrastructure; it facilitates the national capabilities and cooperation, establishes a predictable and favorable business environment, attracts international investments, and develops RTD facilities. The automotive sector is responsible for designing and manufacturing quality vehicles, enhancing productivity, minimizing costs, etc.

ECONOMIC: Indian economy is experiencing continuous boom in last ten years. According to some predictions, economy in this country will be soon the world's third largest economy. Whereas government expects slow growth this year, it is still anticipated generally that India will attain the status of the fastest-expanding economy in the near future. Besides, foreign direct investments in India have increased three-fold from $4.7 billion to $15.7 billion in only two years (April 2005-March 2007). The automobile industry is one of the most important industries in India for foreign investments, and almost all leading players have invested largely since 1990 (Hooda 2011).

SOCIAL: There has been significant industrial development as a result of science and technological advancements. This development creates urbanization, thus many urban societies emerge. Urbanized population upsurge has increased the demand of automobiles in India. The car has become a necessity and status symbol in middle class families. The trend is shifting from bikes and scooters to small cars because the latter are becoming popular among newly employed people and young population (Sengupta, Kannan & Raveendran 2008).

TECHNOLOGICAL: Technological development in the Indian automobile sector over the last ten years has upgraded the product technology and turned it right from the planning and design to the product development stage. The IT advancements have also played a crucial role in improving the product performance. The role of IT in accelerating the growth in the automobile sector has achieved greater prominence. The involvement of multinational automotive companies has changed the whole Indian automobile industry for the better with the arrival of latest technological advancements and substantial investments in IT sphere (Annual Report 2005).

LEGAL: The prime obstacles for automobile companies refer to inflexible labor regulations and labor pool. Strict labor laws and an inflexible bureaucratic system generate difficulties. Many companies face problems in terms of auto parts imitation and do not get relief in courts concerning their IPR and copyright protection. The bureaucracy issues challenges in implementing new economic policies and reforms.

ENVIRONMENTAL: This aspect focuses on improving fuel efficiency of engines, reducing friction, weight reduction, recyclability, and exhaust reduction. The mission of Indian government is to create a green environment in the country. RTD has enabled automotive manufacturers to produce hybrid and fuel-efficient cars for the sake of a green environment, and reduce carbon dioxide emission. Since automobile weight directly relates to exhaust emission and fuel consumption, automotive manufacturers are focusing on vehicle weight decreasing by its components' weight reduction (Awasthi et al. 2010).

2.3 Porter Five Forces Model

This model is applicable for both Indian and Chinese automobile industries because all these five forces act similarly within automotive sector.

Threat of New Entrants

The new entrants always pose a threat to small car manufacturers. The economic growth and increase in disposable incomes of the middle class segment have made every automotive producer increase a share in small car sector. There are already established and new companies planning to launch small car production in Indian and Chinese markets such as Delphi and Nissan. Non-automobile players also have started development in this segment. Barriers for entry are competition from existing manufacturers, economies of scale, investment decisions, and various costs for consumers.

Result: Threat of new entrants is extremely high, thus attractiveness to enter this industry is low.

Threat of Alternatives

Alternatives for Holden Barina already exist in the Indian and Chinese markets. Most of the leading players have introduced smartly designed small cars in this segment to defend their market share. From the perspective of a customer, an alternative vehicle for existing small cars will be a car, which is easy to maneuver on roads, economically priced, and incorporates some features of a luxury car. Other alternatives include new designs of petrol/LPG/diesel autorickshaws that have found their way for both personal and commercial use in India and China. The buyer's rational thinking in this situation depends on three factors:

1. cost of a small car;
2. cost of maintenance (spares and fuel);
3. resale value of the car with less depreciation value.

Result: Threat of alternatives is high. Thus, attractiveness is low.

Bargaining Power of Suppliers

The suppliers in the automotive industry supply raw materials like steel, and the car production uses many of aluminum components. Prices of steel, which constitutes 65% of raw materials, constantly increase due to excess demand and supply. Hence, bargaining power of vendors is high for steel and moderate for other components. Many small scale manufacturers of auto components have opened facilities near automobile factories for realizing opportunities; thus lot of suppliers exist in this sector.

Result: Bargaining power of vendors is moderate. Thus, attractiveness is medium.

Bargaining Power of Buyers

The bargaining power of buyers will not largely influence the current scenario as Barina does not have any competitor in 600CC vehicle category. Anyhow, there is availability of the alternatives for customers with respect to utility. Thus, the bargaining power of customers is moderate.

Result: Bargaining power of customers is moderate. Thus, attractiveness in this industry is medium.

Industrial Rivalry

Automotive industry in India and China is growing rapidly with all leading players having established production facilities in India. This competition will pose a major threat to Holden Barina Company. With 100 percent of foreign investments permitted in Indian and Chinese automobile sector, it is anticipated that there will be more than 25 percent rise in the export market. Besides, the rivalry is extremely intense from competitors such as Maruti, Hyundai and Ford, which dominate small car production market share (Min, 2005).

Result: Threat from competitors exists, therefore, attractiveness is low.

3. SMART Global Marketing Objectives for Going International

1. **Profitability:** The Holden Company will achieve 21 percent investment return after beginning of production.
2. **Market share objectives:** The company will achieve 25 percent of the market share for Holden Barina in the first two years.
3. **Promotional objectives:** Holden will invest substantially in advertising and promotional campaigns for increasing Barina sales and popularity in Indian and Chinese market.
4. **Objectives for survival:** one should survive and reduce overheads during the period of recession.
5. **Objectives for growth:** To increase the production volume from $400,000 in 2015 to $600,000 in 2016, it is nessesary to start component production in 2016 for increasing profitability and reducing import duties.

All objectives are useful for the Holden Company in gaining international recognition.

4. Global Market Entry Strategy of a Joint Venture, its Risks and Opportunities Licensing/Franchise Mode of Entry

Joint venture strategy is most appropriate and feasible for a company because many leading automobile companies have already entered the Indian and Chinese markets with this strategy and have been successful in the past years. This popular entry strategy necessitates 50 percent investment by a foreign company and does not require 100 percent investment since it is another mode of entry including franchise, distribution, and licensing. Holden Company should select the prospective partner for a joint venture on the basis of business reasons, financial strength, existing infrastructure and long-term objective of the hosting company. Joint ventures demand also market reputation, capability, and personal credibility of the prospective hosting company, which is usually not available in licensing mode of entry (De Burca, Awasthi & Brown 2004).

Foreign joint ventures share has much in common with licensing. The key difference is that Holden Barina will have a management voice and equity position in the joint ventures. In terms of licensing/franchise, Holden will not be able to participate in management activities; thus losing control over the quality and production. Partnership existence between hosting and investing companies results in the formation of a third company. The JV style of the agreement will enable Holden Barina to strengthen the control over business operations as well as to approach local market understanding. Furthermore, Holden Barina Company will avail the benefits of the joint venture partner relationship networks, and exposing it to risk will be minimal. This agreement is extremely popular in international management because it facilitates the avoidance of problems in managing and selecting the foreign market entry strategies. Besides, by using JV as an entry mode in the global market, Holden would be able to reduce manufacturing costs and develop new technology (Johnson & Tellis 2008).

5. Global Marketing Strategies by Analyzing Segmentation, Targeting, Positioning, and Marketing Mix Approach

SEGMENTATION: Market segmentation starts by dividing large markets into smaller markets depending upon shared characteristics. Segmentation is further segregated into demographics, psychographics, and behavior.

DEMOGRAPHIC: The Barina is a family car, created for those who cannot afford a luxury car. The car is highly suitable for various strata of society such as professionals, students, managers and people who travel a lot.

PSYCHOGRAPHIC: Barina is a car designed for middle class families willing to have a family car, but who cannot buy tan expensive car.

BEHAVIORAL: Many people are already aware of the brand name that will increase preference for Barina. They are aware that Holden models are cheaper with higher performance and have less wear and tear rate.

TARGETING: The Holden Company will position Barina as a family vehicle having a great potential for family that uses two wheelers for commuting. Barina poised for entry in the Indian and Chinese markets. It will target multiple segments where can be found a clear share of the educated society. Further, targeting will depend upon a number of some demographic factors such as income, age, education, and profession. The business strategy of Holden is to target middle class society, which includes a huge number of people with low income. The objective behind the launch is to offer two more wheels to the users of two-wheelers.

POSITIONING: Positioning strategy determines how a company will project the car in the market for capturing desired market share. Holden Barina will adopt different product strategies for positioning a small car in the market (Kotler et al 2001).

Positioning by Product Differentiation Strategy

The product differentiation strategy would focus on manufacturing automobiles in India and China without any major changes in the car shape and/or body. This strategy will be advantageous to the Holden Company since there are no changes in the production and designing costs. Currently, there are four models in the Barina range: Holden TM, Holden TK, Holden LX, and Holden GXL. The company will launch Holden TK model in the Indian and Chinese markets at the first stage.

Stylish and Comfortable

A small car designed for a family of four persons offers a spacious compartment with a high roof and enough leg space. The design includes a length of 3.3 meters, width of 1.5 meters, and a roof-top of 1.6 meters with high tolerance for ground clearance so that it can maneuver on congested roads and dense traffic. Moreover, the wheels position allows easy and smooth maneuverability, which would provide an advantage to Barina (Lang 2010).

Marketing Mix Strategies

PRODUCT

Considering the features mentioned above in the Product Review chapter, the Holden Barina will be available to consumers with five-year or 100,000 km warranty, whichever applies first. After establishing the Holden brand in the market, the company will launch another brand next year. The future car will have its brand and logo on the front as well as in the rear of the body; also, brand and logo will be a significant part of marketing activities.

PRICE

Barina selling price works out to be approximately $3,500 for Indian and Chinese markets, which includes sales tax, excise, import tax, shipment charges and the cost of assembly. The prospective buyers have to pay charges for road tax, number plate, and registration number in respective locations where they reside.

PROMOTION

Holden will use all promotional media such as television/radio, magazines/ newspapers, billboards, and road shows for introducing Barina. Launching plays a prominent role in advertising strategies because it brings awareness and creates an urge to buy product. Holden will choose such popular places in India and China as grounds of international exhibitions and shopping malls where the product will be displayed. From July to September, the company will be launching promotional campaigns in all major Indian and Chinese universities during the time of a convocation ceremony and fresh admissions by displaying the product and advertising with banners. Students will receive the opportunity to test-drive the Holden Barina around the campus (Kotler et al 2001).

The motto for the promotional campaign is "Holden Barina will shine your future and career". The reason for holding university campaign is to attract students' community, who are going to start their first jobs.

PLACE

The company will sell Barina directly to buyers through a company managed dealers' network in 150 outlets. Prospective buyers can contact dealers and book Barina by making prepayment. Furthermore, 60 sales and marketing offices in different locations will assist buyers in offering information regarding delivery and prices they may need. Besides, buyers also have the opportunity to book Barina via telephone and/or internet.

IMPLICATIONS: COST, RESOURCES, TIMINGS, AND OPPORTUNITIES

For achieving a leading position in the small passenger car segment, the Holden Company has to invest in RTD and explore latest techniques in bringing down costs to compete with current leading players in the market. Thus, demand-supply gap will be bridged largely. Such opportunity will increase the Barina market share under moderate economic conditions.

While India and China offer an excellent opportunity, there are numerous poorer resources restricting the growth of the automotive industry. One of these resources is the lack of infrastructure. The quality of roads and highways is highly deplorable, and ports need modification for loading and unloading facilities. In the absence of constructive improvements, the costs of production will increase. Besides, heavily dense roads without parking facility may reduce local sales. The shortage of electricity is another disadvantage that can impact car production in India and China. On average, Holden can face five major power breakdowns every month in China and twelve in India. While sufficient low-cost labor is available in both countries, automobile companies encounter shortage of skilled labor since the demand for skilled labor has increased with the arrival of foreign manufacturers. Thus, a tremendous opportunity waits for Indian and Chinese universities to graduate qualified engineers, which will reduce unemployment (Venugopal 2009).

Conclusion

The Chinese and Indian automobile industry is a story of huge potential and a rapid growth. Both countries turn from the almost non-existent states of the pre-reform era to the biggest automobile producing countries within only20 years of the reforms. Being world's largest automotive manufacturing countries since 2004, China and India have become the most favorable investment destinations for international automobile companies. This sustainable growth and vast market potential have encouraged many powerful auto producers such as GM, Toyota, Volkswagen, and many others to establish JVs in China and India. In terms of rapid expansion and growth, the government policies of both countries aim at creating a modern automotive industry. The attempt has been reasonably successful, yet with.