

The Scope of Sustainability in an Orientation-based Approach to Penetration of Foreign Markets

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ABSTRACT

Purpose: *The demand for and duration of international logistics are the main drivers of logistics sustainability. When a market entry strategy requires no or less necessity of logistics, then such an approach is hypothetically to leave less carbon footprint, which means such strategy has a higher degree of sustainability factor than the others. Whereas when the entry strategy requires a long duration of transportation in international logistics, then such an approach is to leave more carbon footprint, which means that such strategy is less inclined to sustainability factor. In other words, when the market is close to the place of production or the place where raw materials are available, then in such cases, the need for international logistics is less or, sometimes even nil. The purpose of the research is to find the degree of sustainability factors in different strategic business orientations of companies entering overseas markets and second to hierarchy them.*

Methodology: *An exploratory research design is used in the research study. Research methodology is based on secondary sources involving and analyzing existing data and literature to draw conclusions and support the research objectives. Secondary sources include books, journals, reports, websites, and other published materials by developing a search strategy that helped to identify relevant materials.*

Results & Outcome: *International Logistics plays a vital part role in market entry strategies based on orientation. Geocentric Orientation has a significant role in international logistics, while ethno and regio-centric orientations have no or least contribution. Market entry strategies such as ethno and regio centric leave a smaller carbon footprint as they require no or fewer international logistics, while geocentric orientation strategies leave a larger carbon footprint when compared with other penetration strategies – ethno and regio. Between, ethno and regio centric orientations, ethno has a higher degree of sustainability factor than regio.*

Originality: *A exploratory research to understand the role of international logistics in different market penetration strategies based on orientation and carbon footprint and sustainability factors thereof.*

Type of the Paper: *Exploratory research.*

Keywords: International logistics, International business, Market penetration strategy, Ethnocentric, Scope of Sustainability, Regio-centric, Geocentric, Orientation based approach, Carbon footprint.

1. INTRODUCTION :

The objective of an international logistic system is to physically move the products from an exporter's country to the importer's overseas destination. Logistics is a service that costs money without directly producing an income, although indirectly making an essential contribution. An empirical study shows that logistics functions represent almost half of the total marketing costs of a company and amount to approximately 20 percent of a nation's GDP (13% in the case of India) (The Economic Times (20 September 2022) [1], Genex Logistics (2023) [2], Reference for Business. (2023) [3]). Therefore, in recent years, logistic activities have been receiving increasing attention. The sustainability in logistics

depends upon many factors but primarily on the need and duration of international logistics (Mohsen, M. B. (2022). [4]). Different companies adopt different strategies for entering a foreign market. Such strategies may be referred to as market entry strategies or foreign market penetration strategies. A market entry strategy may depend upon many factors such as orientation, objective, method, type of market, competitiveness, product-promotion mix, etc. Whatsoever the market entry strategy, entering a foreign market largely depends upon the international logistic network. A multinational company may adopt any one of the market entry strategies based on orientation: Ethno-centric orientation, Regio-centric orientation, and Geocentric orientation. However, the role of international logistics may vary in each orientation strategy. When an entry strategy is less dependent upon international logistics, then such a strategy is to leave less carbon footprint and hence more sustainable focussed.

2. PROBLEM STATEMENT :

For a number of reasons, sustainability is gaining importance as a factor in global logistics. Logistics has an impact on the environment. Logistics processes, including shipping, storing, and packaging, have a big effect on the environment. International logistics has a large carbon footprint, which exacerbates climate change. By lowering emissions, eliminating waste, and supporting renewable energy, sustainable logistics techniques seek to lessen this impact. Customers' concern over the social and environmental effects of the things they buy is growing due to social responsibility. Consumers who are willing to pay a premium for eco-friendly items are more likely to favour companies prioritizing sustainability in their logistical operations. Over time, using sustainable logistics techniques can save costs. For instance, cutting back on trash and energy use can minimize operating costs. Also, organizations that place a high priority on sustainability are more likely to be seen as good corporate citizens, which can boost their reputation and result in more commercial prospects. To encourage sustainability in logistics, governments all around the world are putting regulations into place. Businesses that violate these restrictions risk fines and other consequences. As a result of the environmental impact of logistics operations, corporate social responsibility, potential cost savings, and regulatory compliance, international logistics has an increasing demand for sustainability. Businesses that put sustainability first in their logistical operations are likely to see long-term benefits and acquire a competitive edge.

3. RESEARCH OBJECTIVES :

The demand for and duration of international logistics are the main drivers of logistics sustainability. When a market entry strategy requires no or less necessity of logistics, then such an approach is hypothetically to leave less carbon footprint, which means such strategy has a higher degree of sustainability factor than the others. Whereas when the entry strategy requires a long duration of transportation in international logistics, then such an approach is to leave more carbon footprint, which means that such strategy is less inclined to sustainability factor. In other words, when the market is close to the place of production or the place where raw materials are available, then in such cases, the need for international logistics is less or, sometimes even nil. In international business, choosing an appropriate market penetration strategy based on orientation is a cumbersome and challenging task. The research objectives are first to find the degree of sustainability factors in different strategic business orientations of companies entering overseas markets and second to hierarchy them.

4. METHODOLOGY :

Research methodology is based on secondary sources involving and analysing existing data and literature to draw conclusions and support the research objectives. Secondary sources include books, journals, reports, websites, and other published materials by developing a search strategy that helped to identify relevant materials. Use of relevant keywords, search engines, and databases to find materials that are related to the research objectives. The sources so identified were evaluated meticulously. The found sources were evaluated to determine their credibility, relevance, and validity. Current, reliable, and relevant sources alone were taken for study. Data was collected from the sources that were identified. This includes reading articles, taking notes, and organizing the data in a way that will help to analyse it. The websites of many multinational companies were analysed to understand the type of market entry strategy those companies have adopted. The collected data were analysed to draw conclusions. This involved categorizing the data, identifying patterns, or comparing and contrasting

different sources. Finally, conclusions were drawn based on the analysis of the data. This involved synthesizing the information from different sources, identifying gaps in the literature, or making recommendations for future research. Overall, using secondary sources to conduct research was a valuable and cost-effective way to gather information for the chosen research objectives. However, the data were analysed in a systematic way to ensure that the conclusions were valid and reliable.

5. RELATED WORKS :

The orientation of a company determines the scope and intensity of its future business operation in the global market. The orientation decides the product development policies of the companies (Onkvisit, S & Shaw, J. J. (1995). [5]). The success of the companies depends upon the acceptance of their products. Basically, there are three types of orientations the companies can take. They are as follows:

- Ethno-centric orientation;
- Regio-centric orientation;
- Geocentric orientation.

5.1. Ethno-Centric Orientation:

In an Ethno-centric orientation, the companies develop different products for each market according to customer needs and preferences. This strategy may incur a colossal cost in production. However, the firms can take advantage of meeting the local conditions, needs, and wants.

Some of the features of this strategy are as per Daniels, J. L. & Daniels, N. C. (1995). [6]:

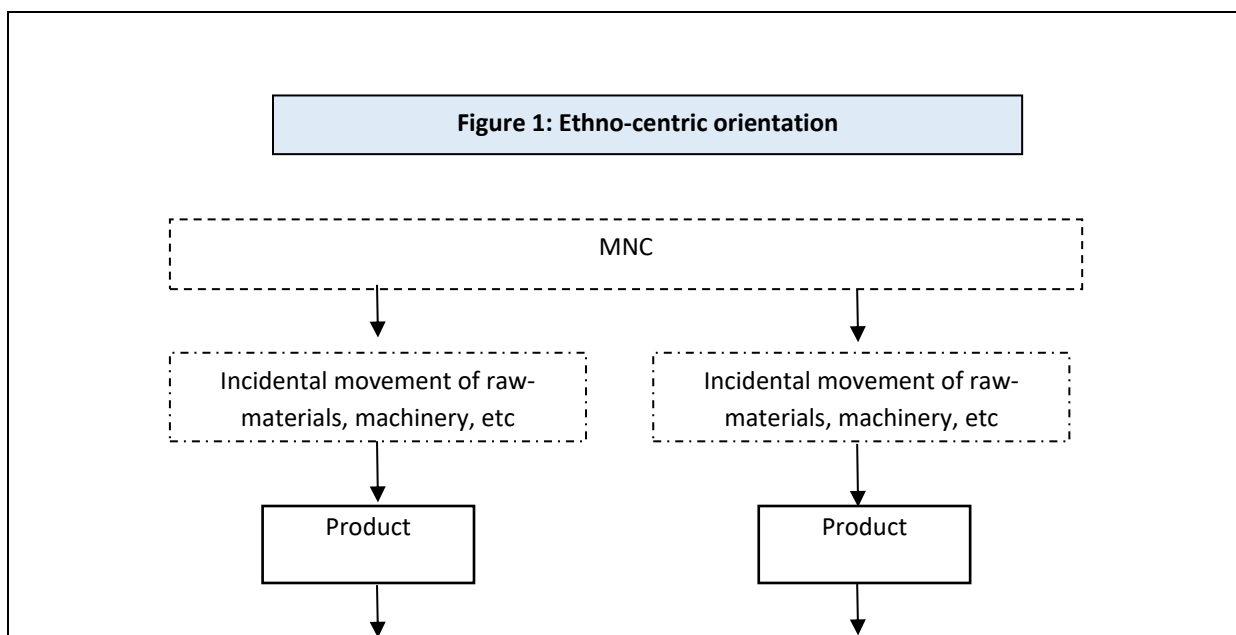
- (1) Restricted economies of scale;
- (2) Huge cost on research and development;
- (3) No role or less role of the International Logistic System.

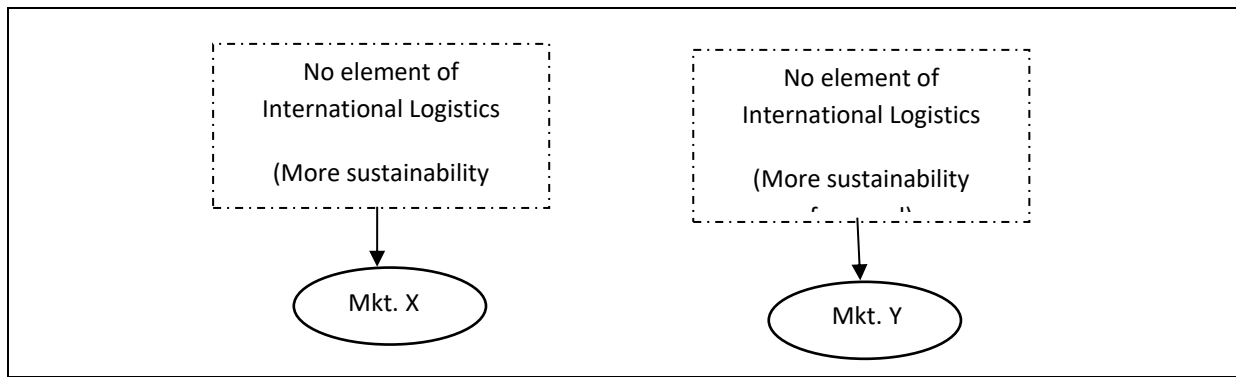
Ethno-centric orientation is an unconscious bias or belief that the home country's approach to business is superior.

This strategy gives due consideration to the unique needs of the customer in each country (refer to Figure 1). Normally, the products are produced in the host countries, and hence there are no logistic costs or delays associated. There may be some logistic expenses due to the shipment of raw materials, machinery, etc., but these are incidental in nature (Atul, A. (2022). [7]).

Frito-Lay, a 100 % subsidiary unit of Pepsico has come up with the Indian varieties of its Kurkure snacks as 'desi beats'. Similarly, it also produces different varieties in different countries to cater the individual tastes and preferences.

Ethno-centric orientation is sometimes referred to as a polycentric orientation. A polycentric orientation is again a mindset that each country is unique in its culture and business practices (Keegan, W.J. & Green, M.C. (2015). [8], Kwon, Y. C. and Konopa, L. J. (1993). [9]).

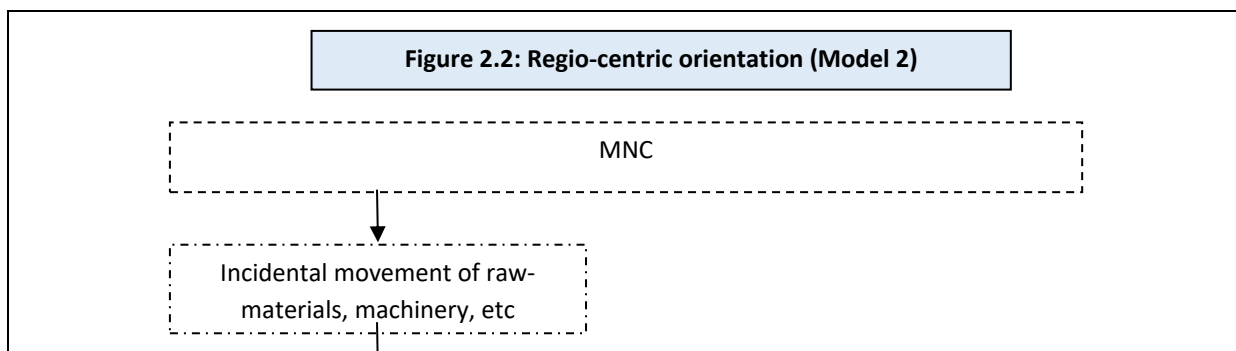
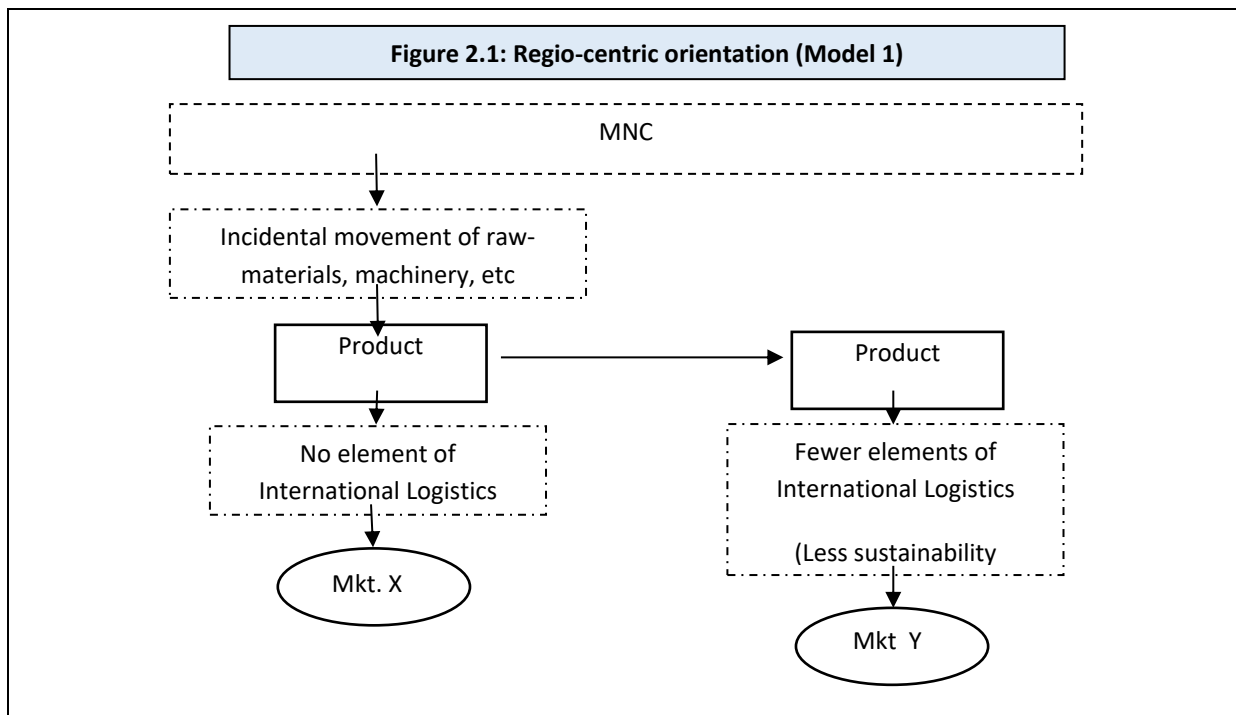


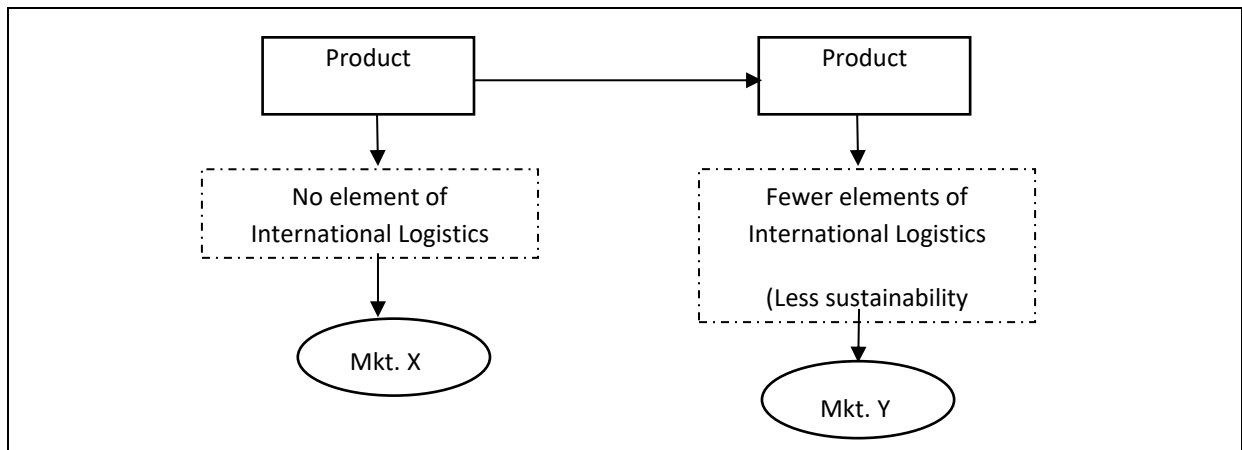


Walt Disney Company. Even McDonald’s may also fall under this category. Polycentric orientation is to adapt completely to the local practice and culture. It is a host country orientation. Other examples are Star TV, M TV, and other television networks. They must deliver country-based programmes according to the language, customs, tastes, and preferences of the natives.

5.2. Regio-centric orientation:

In a Regio-centric orientation, the companies develop products for a particular national market and then transfer them to the nearby markets, which are predicted to have identical cultural values (Bartlett, C., & Beamish, P. (2010). [10]). This strategy is based on the principle of the omnibus, i.e., all countries in a region have identical cultural values.





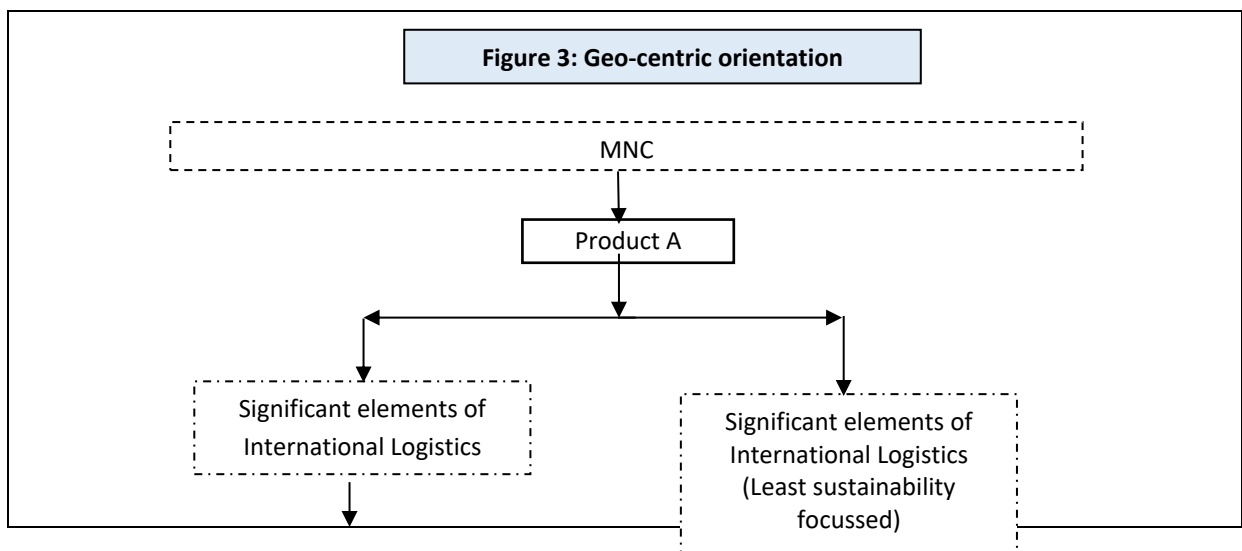
Nowadays, the world is moving towards forming regional groups, ex: the EU, SAARC, ASEAN, NAFTA, etc. Therefore, it is easier for firms to identify regional groupings and employ a regio-centric strategy for market penetration (Lassere, P. & Schulle, H. (2006). [11]).

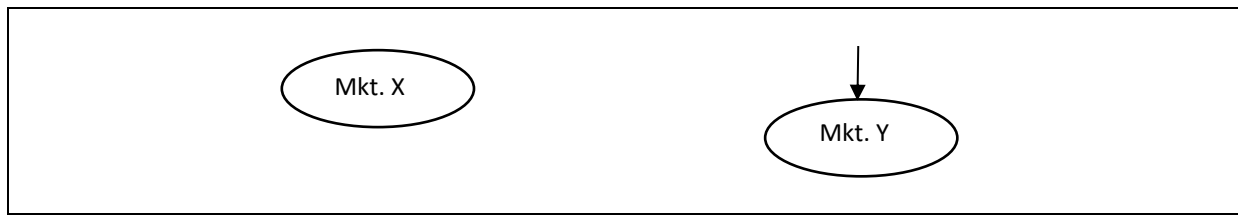
For example, the countries under SAARC regional grouping are perceived to have more or less identical cultural values (Yeung, Y. M. (1993). [12]). In this globalization model, there is a significant role of the International Logistic System. The products are produced at a centralized location and are transported to countries within a regional grouping. Nevertheless, the companies adopting this globalization model save on the economy of scale in production to a greater extent but have to bear the international logistic costs.

Nestle produces Maggi noodles in India and exports the same to Sri Lanka, Maldives, the Kingdom of Nepal, Kingdom of Bhutan (as in Model 1 in Figure 2.1). It also produces Maggi Noodles for Pakistan with slightly different tastes (as in Model 2 in Figure 2.2).

5.3. Geo-centric orientation:

In the Geo-centric orientation, the strategy considers the whole world as a single market and does not show any discrimination on the tastes and preferences of the people spread over many countries (Krzysztof, W. (2014). [13]). Forming a ‘global product’ needs the coordination of marketing research works worldwide. This strategy totally avoids considering the individual customer needs and wants. This type of orientation is associated with very high risks as the product is tested globally. International logistics play a considerable role as the products are manufactured at a centralized location and distributed worldwide (see Figure 3). The cost of the product in a market is decided based on many factors viz, international logistic costs, taxation in the country marketed, availability of marketing network, etc. (Nagle, T. T., & Müller, G. (2017). [14]).





Another enhanced version of the geo-centric orientation strategy is ‘think global, act local’. The company should “truly” have a global product to adopt this strategy. Say, for example, Windows operating system (OS), Android (for mobile), Mac OS, and iOS (formerly iPhone OS is a mobile operating system created and developed by Apple Inc) can be delivered to all countries without any modification in the core structure of the operating system. However, the native language/languages of each and every country should be added to the user interface of the operating system. It is pertinent to note that more than 19,500 languages or dialects are spoken in India as mother tongues, out of which 121 languages are spoken by 10,000 or more people, as per a census report published in 2022 (The Indian Express. (8 November 2022). [15]). Article 343 of the Indian constitution states that the official language of the Union is Hindi, besides 22 other languages as official languages as per the 8th Schedule of the constitution. A scenario like a language complexity in India poses an inherent challenge for effectively adopting the “act locally” paradigm (Agarwal, S. & Ramaswami, S. N. (1992). [16], Aithal P. S. (2017). [17-18]).

Ford Motor Company, at one stage or another, has adopted all three orientation policies. In the early stage, it allowed its subsidiaries in England and Germany to alter the US-designed car model to their respective markets (ethnocentric). Then it came out with Ford Fiesta to cater to the five major European national markets (regio-centric). Recently Ford Motor Company has adopted the geo-centric orientation policy and has designed a global car model. Samsung and Apple smartphones are yet other examples of geo-centric orientation strategy. Similarly, McDonald’s core products are hamburgers, cheeseburgers, and French fries. They serve McSpaghetti in the Philippines, seaweed fries in Japan, McCurry Pan in India, beer in Germany, wine in France, and likewise different products in different countries along with their core products.

Table 1: The Scope of Sustainability in an Orientation-based Approach to Penetration of Foreign Markets

S. No.	Market Entry Strategy based on the orientation	Product Adaptation & Customer Orientation	Production Unit	Role of International Logistics (IL) / Focus on Sustainability
1.	Ethno-centric Orientation	Substantial	Mostly local production	- No or Less Role of IL - More Sustainability Focussed
2.	Regio-centric Orientation	Nil or Less (Model 2)	In a country within the region	- More Role of IL - Less Sustainability Focussed
3.	Geocentric Orientation	Nil	Centralized production	- Significant Role of IL - Least Sustainability Focussed

Table 1 shows a significant element of international logistics in geo-centric orientation and no or least contribution of international logistics in ethno and regio-centric orientations. In the region-centric orientation, there are 2 models. In model 1, the product produced in and for market A is transferred and sold in market B too, without any alteration. However, in model 2, the product produced in and for market A is again transferred and sold in market B too. In the case of model 2, the companies give attention to the preference of the customers of another market too. The product produced for market A is altered to fit the preference of customers in market B. In either case, the product is produced to serve

a region; hence the element of international logistics plays a less significant role. A market entry strategy is said to leave a smaller carbon footprint when it requires no or fewer international logistics, which indicates that it is more sustainable focussed than the others, as seen in ethno and regio-centric market penetration strategies. Contrarily, if the penetration strategy necessitates extensive international logistics movement, this strategy will leave a larger carbon footprint and will therefore be a less sustainable focus, as observed in the geocentric orientation market penetration strategy.

6. CONCLUSION :

International Logistics has a role in market entry strategies based on orientation. Geocentric Orientation has a significant role in international logistics, while ethno and regio-centric orientations have no or least contribution. In the region-centric orientation, the product is altered to fit the preference of customers in another market. Market entry strategies such as ethno and regio centric leave a smaller carbon footprint when they require no or fewer international logistics, while geocentric orientation strategies leave a larger carbon footprint when compared with other penetration strategies – ethno and regio. Between, ethno and regio centric orientations, ethno has a higher degree of sustainability factor than regio.

7. FUTURE WORK :

Conservation of fuel and opting for renewable sources of energy, such as green energy, hydrogen, etc, are some of the ways to achieve sustainability in international logistics. However, the study shows that even adopting a suitable orientation-based entry strategy may also help to improve sustainability factors in international logistics. Similarly, an in-depth study should be carried out to assess the sustainability factors in other market entry strategies based on Objective (Skim Strategy, Penetration Strategy, Dump Strategy, Explore Strategy, etc), Method (Export – Indirect/Direct, Entry under Partnership deal, Direct Entry - Entry on Own, etc), Type of Market (Platform Market, Emerging Market, Growing Market, Maturing Market, Established Market, etc), Competitiveness (Global High, Global Niche, National High, National Niche, etc), Product-Promotion Mix (Straight Extension, Product Adaptation, Communication Adaptation, Dual Adaptation, Product Invention, etc), and so on.

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