Introduction

In the marketplace of the global village, multinational-owned megabrands have rapidly become ubiquitous. The crumbling of the iron curtain, the institution of economic reforms in China and the liberalization of economies from India to Brazil have opened up large markets to multinational corporations (MNCs). As trade barriers have disintegrated, MNCs have rushed in, seeking sales growth and respite from their intensely competitive and saturated home markets. As a result, erstwhile protected markets have experienced an abrupt deluge of international brands. For the choice-starved consumers in these emerging markets, this a welcome change from the meager choice and low quality products to which they had grown accustomed. However, for local brands in these newly liberalized markets, the influx of foreign players spells a different reality. For many emerging market companies (EMCs), the experience is a first taste of international competition. To them, the large-scale entry of international firms is a major threat. At best, it results in erosion of local firms’ market shares, and at worst it could spell their demise. Even if local firms do survive, the transition may allow powerful and well-endowed multinationals to wrest control of the rules of the market.

At first sight, the outlook for EMCs is bleak. Governments of liberalized economies are unlikely to be able to turn back the clock. Therefore, lobbying for the reinstatement of protectionism is scarcely an option. Furthermore, for EMCs, the option of selling out to MNCs or diluting control with partial foreign ownership is often only considered as a painful last resort. EMCs tend to be family or government controlled, and do not easily take to the idea of foreign ownership. Consequently, EMCs need to find a means of survival in the face of global competition while ensuring that they retain their autonomy. This often means adapting to the new market environment and competing with the new entrants. However, EMCs are rarely equipped to effectively
deal with the competitive onslaught from multinationals. Long accustomed to privileged positions in protected markets, most EMCs lack the products, the technology, the financial resources and, most importantly, the skills necessary to compete. There is little advice available to such firms in the traditional management literature.

Little has been written about survival and defense strategies available to emerging market firms abruptly exposed to harsh competition.\textsuperscript{1} Much of the strategy and marketing literature related to emerging markets adopts the perspective of developed-market companies doing business in emerging markets. An extensive literature exists, for example, on market entry strategies of MNCs. Yet the other side of the story, the effects of multinational entry on local competitors, remains a neglected topic. Given the urgency and magnitude of the competitive threat to local firms, we believe it is necessary to examine their strategic options and to draw lessons from the approaches adopted by successful local defenders. The purpose of this article is to examine the marketing strategies, and specifically, brand-level strategies available to EMCs as they attempt to survive the entry of international competitors.

**ASSESSING SURVIVAL LIKELIHOOD AND OPTIONS**

As it becomes evident that formidable multinational players armed with a powerful arsenal of global brands, internationally-honed marketing skills, huge financial resources and state-of-the-art production and product technology will enter the market, EMCs understandably question their ability to survive.

Multinational competitors not only have access to superior technology and knowledge garnered from operating in a number and a variety of markets worldwide, they also have the advantage of being able to treat any one market as a long-term venture, justifying short-term losses as investments in market building, while satisfying shareholders with profitable positions in other markets. The chief of Swiss transnational Nestlé in India has stated that their company is not looking for massive returns or fast money. A large profit is not going to be made in India. Helmut Maucher, Nestlé’s CEO in Switzerland, strategizes that the profit in India will come from future generations.

EMCs are usually not so fortuitously placed. They generally derive all of their revenues and profits from their home market and need to demonstrate returns for the short-term, while combating their competitors.

Nevertheless, EMCs do have assets and opportunities which, if appropriately used, can provide a means of stemming the MNC advance. Among these assets are the “localness” of their brands, superior customer knowledge, low costs of production, the ability to make rapid decisions and make pre-emptive moves, selective partnering with international players and in some cases, the potential to counterattack. EMCs such as China’s Shanghai Jahwa, the Philippine’s Jollibee and Russia’s Vist Computers have managed to defend their home turf in the face of competitive inroads made by major multinationals such as Unilever, McDonald’s and Compaq. In other cases, EMCs such as India’s Arvind Mills and Titan Watches, and Mexico’s Cemex and Bimbo have built on their success at home and launched international expansion strategies of their own. In the following sections we examine these defensive strategies, and illustrate their use by EMCs.