

As GM headed toward bankruptcy in 2009—because of its operations and major losses in developed markets—the company’s business in emerging markets continued to grow. In 2008, GM’s sales in Brazil grew 10 percent, sales in China grew 6 percent, and sales in India grew 9 percent.²⁶ In China, the company maintained ambitious, “self-financing” growth plans, including the introduction of ten new models in the country over the next two years.²⁷ Some observers suggested that the “new GM” to emerge from restructuring might adopt a business model more like the company’s successful operations in emerging markets, emphasizing product experimentation, such as catering to lower price points and emphasizing fuel economy.²⁸

Replicate or Adapt? L’Oréal in India

Producers of discretionary consumer goods, such as French cosmetics company L’Oréal, depend on some of the same intermediaries as automakers like GM: product market information analyzers, advisers, aggregators, and distributors (retail chains instead of dealer networks), and transaction facilitators (credit cards instead of car loans).²⁹ In India, L’Oréal also faced the challenge of convincing customers to part with cash for truly new and unfamiliar cosmetics products in the absence of information intermediaries.

L’Oréal had successfully reached the mass market in the United States, but it did not initially appreciate the challenges of reaching the comparable segment in India in the face of institutional voids when it entered the market in 1991. L’Oréal introduced a shampoo in India, Garnier Ultra Doux, but localized the product only by eliminating certain ingredients and thus reducing its price. The product failed, because it offered nothing to differentiate itself from foreign and local competition. The company had offered a largely replicated product in a segment that required adaptation. Successful localization in emerging markets depends on adapting products and processes based on acquired local knowledge, and not simply reformulating products at a different price point.

L’Oréal later retooled its approach in India, repositioning itself as a higher-end brand in the mid-1990s. At that time, the company noticed and

sought to understand the new and growing demographic of middle-class Indian women, many of whom were entering the country’s workforce. As it revamped its strategy for the market, L’Oréal drew on product market information analyzers and advisers, enlisting the help of advertising executives and foreign fashion magazine *Elle*, which entered the India market in 1996.

Market research identified hair dyes as a promising product segment, because henna and ammonia, traditionally used by Indian women, had drawbacks and Western-style products were not prevalent. L’Oréal introduced its Excellence Crème in India at the same price as in Europe but marketed it as a luxury product. To reach the emerging middle-class segment successfully, L’Oréal attempted to change the market context by working with partners in the marketplace (see table 4-4). L’Oréal worked with shopkeepers to spruce up their shops—making them more like

TABLE 4-4

L’Oréal in India: Responding to institutional voids

Spotting void question	Specific void	Response
Can companies easily obtain reliable data on customer tastes and purchase behaviors? Do world-class market research firms operate in the country?	Absent market research providers (product market information analyzers and advisers)	Early: Replicated: Unsuccessfully attempted to replicate in segment where replication unrewarded Later: Replicated: Repositioned to segment where relative advantage could be exploited
Are customers willing to try new products and services? Do they trust goods from local companies? How about foreign companies?	Absent consumer information providers (product market information analyzers and advisers)	Early: Replicated: Didn’t compensate for void Later: Replicated: Used incoming foreign product market information analyzers and advisers
Do large retail chains exist in the country? If so, do they cover the entire country or only the major cities? Do they reach all consumers or only wealthy ones?	Low retail chain penetration (product market aggregators and distributors)	Attempted to change market context: Worked with salons to upgrade facilities, trained hairdressers