

# Chapter I

# Understanding Retailing Concepts

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Globalization has driven fast changes in the world markets in the world markets resulting into the new emerging markets across the countries. In this century China, India and Latin America and the emerging market based economies in Eastern Europe promise new opportunities for global trade. The Pacific region had shown time-bending leap in the past four decade as significant Asian population participated in the rapid transition in response to the global movement of trade and services. Asia may be portrayed as the fastest growing market for the top brands of western companies and at the same time the Asian companies began penetrating in the western markets at low price-high quality strategy. While the luxury and fashion goods are dominating the Asian and Far-east markets, the specialized product like electronics and automobiles from Asian Markets are trying to capture considerable market share in Europe and North American countries. The emerging markets in the developing countries have shown a strong potential for change in preferences during the late 20<sup>th</sup> century. In most of the advanced countries the birth rate is declining while it is increasing in the developing countries. It has been observed that the technology has homogenized the world markets for variety of customer and industrial needs. The reduction in the tariff barriers, duties and liberalization process worldwide has further given a stimulus to the international marketing across the regional boundaries.

*Until recently, Honda Motor Co. seemed fast growing. With its sporty Civic compact, stalwart Accord sedan, and a fleet of snazzy sport-utility vehicles and minivans, sales seemed to go nowhere but up. Profits soared, and Honda's U.S. market share rose to 9% in 2003 from 6.7% in 2000. The U.S. problem is twofold: sales of key models are slipping, and the rising yen lowers the value of U.S.-derived profits when they're translated back into the Japanese currency. The company predicts that the strong yen will reduce income by \$1.22 billion in the current fiscal year, even worse than the \$889 million currency hit in the fiscal year ended Mar. 31, 2005. Today, 80% of the 1.53 million cars Honda sells in North America are made at North American factories, and the parts in Honda's American cars increasingly come from local suppliers<sup>1</sup>. Honda has long been successful because it entered mainstream market segments with offbeat cars. Its high-tech engines offer the best of two worlds: They're zippy and fuel-efficient. The cars handle well, offering a little fun to go with their high quality and utilitarian design. Honda is struggling in newer segments, too. Honda says it would cost too much to revamp its factories to produce all-new platforms and big engines for trucks and luxury cars, so a big shift isn't in the cards soon. Company executives, meanwhile, have high hopes for the new Acura RL sedan. The car will feature all-wheel drive, a first for an Acura sedan, and its V-6 engine will crank out 300 hp. Dick Colliver, executive vice-president for sales and marketing at American Honda Motor Co observes that this is one of the most powerful engines Honda has ever built and that is the kind of excellence rests with the company. However, the problem is that there are a lot of excellent cars on the road these days<sup>2</sup>.*

The growing internationalization of business induces changes in the positioning of competitors and appropriate competitive strategies. As the companies attain gradual success in geographically expanding their business and effectively performing international operations, they reach at critical point and would be able to synchronize the proximity to the overseas markets and customer needs. The global companies at this point blue print their successful business systems in the emerging markets by creating relatively decentralized operations in production, marketing and sales.

In a highly competitive global marketplace today pressure on organizations finds new ways to create the pressure on organizations to find new ways to create and deliver value to customers grows ever stronger. The global marketplace has been segmented geographically comprising triad market, pacific-rim, post-communist countries, Latin America, China and India. In the last two decades, technological innovation, logistics and supply chain has moved to the centre stage. There has been a growing recognition that it is through an effective management of the logistics function and the supply chain that the goal of cost reduction and service enhancement can be achieved. The global market place may be described as spatial

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