

Gillette's Expansion to India through the Lens of Porter's Diamond Model and Dunning's Eclectic Paradigm

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Abstract:- In 2005, Procter & Gamble (P&G) acquired Gillette for \$57 billion, marking a significant milestone in consumer goods history. This analysis explores Gillette's strategic expansion into India, leveraging Porter's Diamond Model and Dunning's Eclectic Paradigm to evaluate its success and challenges. The study delves into the skilled workforce, local manufacturing, and innovative marketing strategies that facilitated Gillette's penetration into India's diverse and rapidly urbanizing market. Through local R&D and collaborations with e-commerce platforms, Gillette tailored its products to Indian consumer preferences, achieving substantial market share. The frameworks reveal how Gillette's global efficiency and local responsiveness enabled it to thrive amidst intense competition. The paper concludes with recommendations for sustaining this success through continuous innovation, vigilant market monitoring, and eco-friendly practices, while suggesting the applicability of these insights to other emerging markets.

blades and razors for their shaving needs. With annual sales of \$11 billion and over 30,000 employees, Gillette represented a substantial addition to P&G's portfolio.

P&G's commitment to research and development keeps it innovative and aligned with changing consumer preferences (Cuofano, 2023). India, with its rapid expansion of the middle class and increasing purchasing power, created a growing consumer base with a strong appetite, creating an opportunity for Gillette to expand its footprint (Alfonso, 2023).

Gillette strategically employs a transnational approach in its global operations, effectively catering to local market preferences and demands while capitalizing on its global scale for cost efficiencies (Rothaermerl, 2013). Global strategies prove highly effective, especially in cases where local preferences exhibit minimal variation, but pricing remains a crucial factor (Kennedy et al, 2020).

I. INTRODUCTION

In 2005, Procter & Gamble (P&G) acquired Gillette for a staggering \$57 billion, marking the largest acquisition in the history of consumer goods brands. This acquisition was underpinned by the high-profit margins of the razors business, yielding P&G between 25-30% returns (Roy,2021). Gillette was founded by King Gillette in 1901 as a cheap, easy, and safe razor manufacturer in Boston, Massachusetts. Gillette's global footprint extended to 200 countries, serving a customer base of 750 million men who relied on Gillette

In this analysis, we will evaluate Gillette's international strategy, focusing on its operations in India, using two prominent frameworks: Porter's Diamond Model and Dunning's Eclectic Paradigm. These frameworks will provide insights into the factors contributing to Gillette's success in India and the challenges it faced. We will also assess the strengths and limitations of each framework and offer a comprehensive assessment of Gillette's international strategy in India.

➤ Porter's Diamond Model

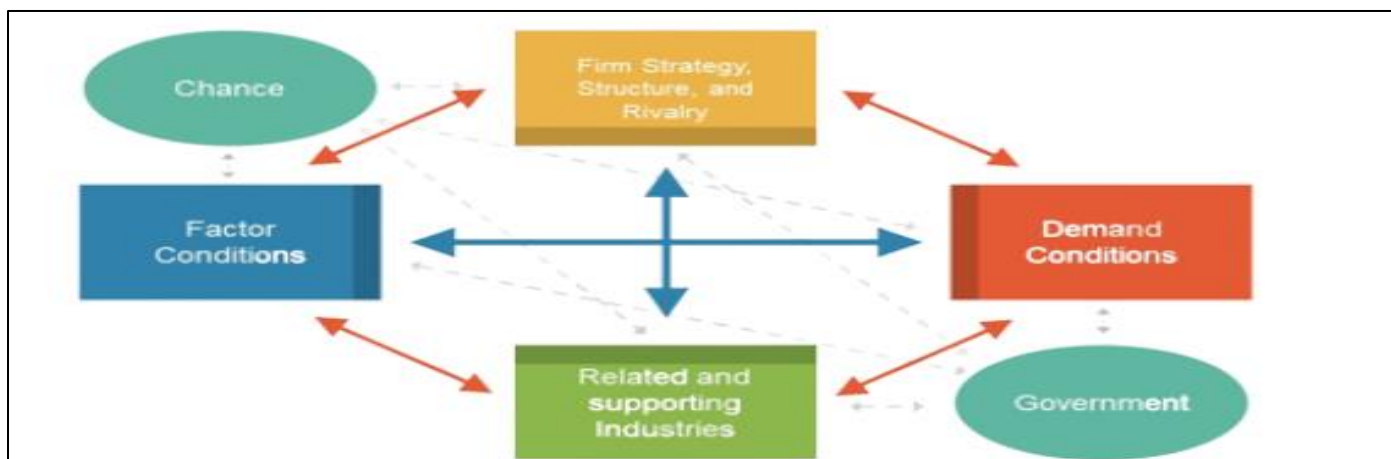


Fig 1 Porter's Diamond Model (Jarungkitkul & Sukcharoensin, 2016)

Table 1 Porters Diamond Model (Jarungkitkul & Sukcharoensin, 2016)

Factor Conditions	Demand Conditions	Related & Supporting Industries	Firm Strategy, Structure, & Rivalry
<ul style="list-style-type: none"> - Skilled and educated workforce - Training and development opportunities - Adequate infrastructure - Efficient supply chain. 	<ul style="list-style-type: none"> - Vast Population - Rich cultural diversity and preferences - Price sensitivity - Educational and religious divide 	<ul style="list-style-type: none"> - Suppliers have low bargaining power - Robust distribution network - Partnership with e-commerce platforms 	<ul style="list-style-type: none"> - Continuous innovation - Robust competition - Deep market penetration through local stores called 'Kiranans' - Emphasis on consumer centricity

➤ *Factor Conditions in India*

India offers a skilled and educated workforce across various fields, including engineering and marketing, providing Gillette access to a talented pool (Hiremath & Prashantha C, 2021). The company also utilizes local research and development resources to tailor products to Indian consumer preferences.

Adequate infrastructure, including transportation and communication networks, supports efficient supply chain management. Gillette India adapts its business models to the Indian market, including pricing strategies and distribution networks, enhancing competitiveness (Porter, 1990).

Local manufacturing units in Bhiwadi, Rajasthan have lowered costs, maintained competitive prices, and contributed to the value chain in the country. Metals, particularly steel and alloys, plastics amongst other raw materials are all sourced from various suppliers within India who provide high quality products and meet their requirements.

➤ *Demand Conditions in India*

India's vast population of 1.3 billion people, along with rapid urbanization, offers both challenges and opportunities in sectors like food, housing, sanitation, healthcare, transportation, and entertainment (Cowan, 2023). India's diverse consumer landscape, characterized by rich cultural diversity, languages, and traditions, presents varying consumer preferences across regions.

Most Indian men lacked access to or preferred not to use running water, had to manage longer and thicker facial hair and thus relied on traditional shaving systems (Berner et al, 2014). The target demographic was professionals with higher disposable income and yet, they did not consider shaving to be a luxury to justify a premium price. Gillette created a product suited for the demographic and drove a shift in

attitudes towards grooming. They pivoted growth in the men's grooming sector in India which is now set to grow at 45% annually (Shah, 2018).

Gillette implemented ingenious marketing tactics that led to a significant shift in consumer perceptions. Their 'Shave India Movement 2009' campaign, coupled with engaging initiatives such as 'India Votes... to shave or not,' ignited discussions and piqued curiosity among the audience. Capitalizing on the role of women in men's grooming decisions, Gillette forged connections through the Women Against Lazy Stubble (WALS) association. These inventive marketing strategies not only raised awareness but also propelled sales and market share, resulting in impressive growth figures of 38% and 35%, respectively (Berner et al., 2014).

Price sensitivity, education and religious divisions were also significant factors influencing Indian consumer behaviour. Recognizing the potential of India, P&G embarked on creating Gillette Guard tailored to the specific needs of the Indian market. Within three months of launch, the Gillette Guard became the best-seller (Cowan, 2023).

II. THE ROLE OF SUPPORTING INDUSTRIES

Gillette entered the Indian market through strategic acquisitions, acquiring wholly-owned subsidiaries with robust distribution networks to ensure a consistent supply of inputs and efficient distribution. Furthermore, Gillette fostered key collaborations with local suppliers, particularly small grocery stores known as "kiranans," enabling them to penetrate the market more deeply.

To bolster its market presence and accessibility, Gillette strategically partnered with local retailers and major e-commerce platforms like Amazon (with 295 million monthly visitors) and Flipkart (with 167 million monthly visitors),

ensuring that their products are widely available across India (Minhas, 2023). This approach enabled Gillette to establish a robust presence in both urban and rural areas by leveraging the network of small, independent local retailers known as Kiranas (Anand, 2022).

By aligning with e-commerce giants, Gillette has fine-tuned its distribution channels, reducing the need for an extensive physical store network and subsequently curbing overhead costs. Gillette plays a central role in its supplier relationships, which reduces the bargaining power of suppliers. This enables the company to maintain control over its supply chain, ensuring timely and cost-effective production.

The company has shifted its marketing focus to storytelling featuring local heroes. This strategy has resulted in successful campaigns like "Man Enough" and "The Barbershop Girls of India". Rather than emphasizing the products themselves, Gillette's marketing prioritizes the emotions and experiences associated with using their products (Shastri, 2021).

➤ *Strategy and Competitive Landscape*

Market-centric approach by Gillette delved into the local context by dispatching a team of 20 individuals, including engineers and developers to India for three weeks. They engaged with over 1,000 consumers to immerse in the daily routines of Indian consumers. This revealed the need for a fundamental shift in consumer attitude towards razors and shaving practices in India. Gillette invested in R&D and created Gillette Guard reducing design complexity, resulting in a razor with fewer parts to enhance the product's appeal to local consumers (Berner et al, 2014). Gillette India's Guard holds two thirds of the market share (DailyMail, 2013).



Fig 2 Gillette Guard for the Indian Market (Cowan, 2023)

Gillette has adopted a comprehensive market penetration strategy that focuses on continuous innovation, substantiated by investments in local R&D ensuring that its product resonates with the unique needs of India. In addition to its core product lines, Gillette has introduced brands like Old Spice, Venus, and Braun to cater to different market segments in India offering a wide range of products.

Gillette faces robust competition from both multinational giants like Hindustan Unilever (HUL), Colgate-Palmolive, and Dabur, as well as numerous local players. Gillette continuously monitors market trends and consumer needs while leveraging its market presence to remain competitive (Cowan, 2023).

➤ *Dunning's OLI Framework / Eclectic Paradigm*

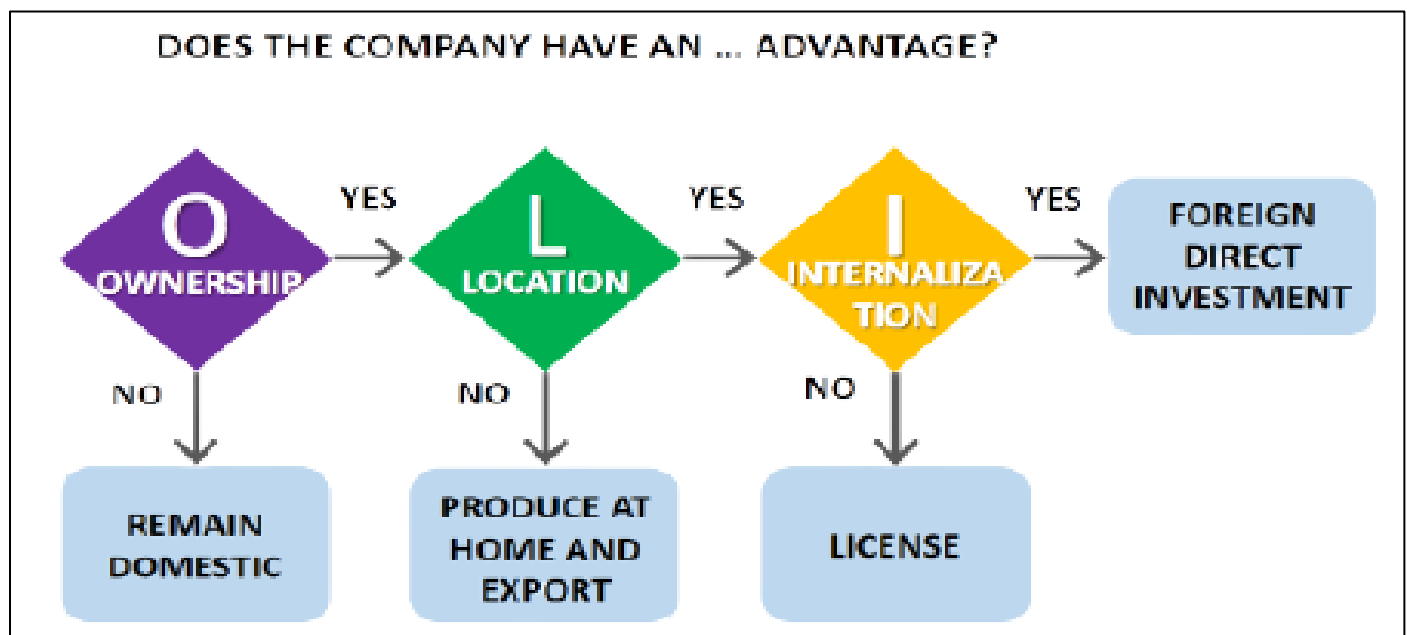


Fig 3 Dunning's OLI Framework (Dunning, 2000)

Table 2 Dunning’s Eclectic Paradigm (Dunning, 2000)

Ownership - YES	Location - YES	Internalisation - YES
<ul style="list-style-type: none"> - Manufacturing expertise - Products tailored for Indian customers - Vast Distribution Network - Heavy R&D investment - Extensive portfolio of patents 	<ul style="list-style-type: none"> - Fastest growing economy - Vast consumer base - Increasing Disposable income - Large pool of labor - Local manufacturing presence - Localized products 	<ul style="list-style-type: none"> - Full control of Operations - Effective Marketing strategy - Celebrity brand endorsements - Risk management through trend monitoring - Market Share of 35%

➤ *Gillette's Ownership Advantages*

Gillette's core strength lies in its commitment to innovation in razor blade technology, backed by an extensive portfolio of over seven thousand patents leading to simplified designs, reducing production parts by 80% while maintaining product quality (Jain et al, 2021). Gillette's achievements are rooted in its proficiency in precision engineering and manufacturing, enabling the company to uphold top-tier product quality while simultaneously reaping the benefits of economies of scale.

Gillette reaped the benefits of being a First Mover; quickly developing similar versions, patented with agility & launched in India faster than the competition (Roy, 2021). Gillette tailored their entire business model to the value-conscious Indian customer.

Gillette’s efficient distribution network ensures global availability in both urban and rural locations (P&G, 2021). Gillette’s strategy of setting up manufacturing in India due to

low wages and abundance of natural resources, reduced production costs, and job creation.

Gillette invests approximately 7.1% of its net sales in R&D in 2020 (P&G, 2020). This has led to consistency in product quality and robust customer support, which have fortified Gillette's brand and trust in the Indian market. Tailoring products to suit Indian consumers' skin types, climate conditions, and local shaving habits has fostered customer loyalty.

➤ *Gillette's Location Advantages*

India is expected to be the fastest growing nation in 2023 among the world's largest nations (Biswas, 2023). The rising middle-class population in India, characterized by increasing disposable incomes, became an attractive target market. The Indian male grooming industry is set to grow approximately 45 percent annually (Shah, 2018). India's access to high-quality raw materials like stainless steel has allowed Gillette to maintain stringent quality standards for its products.

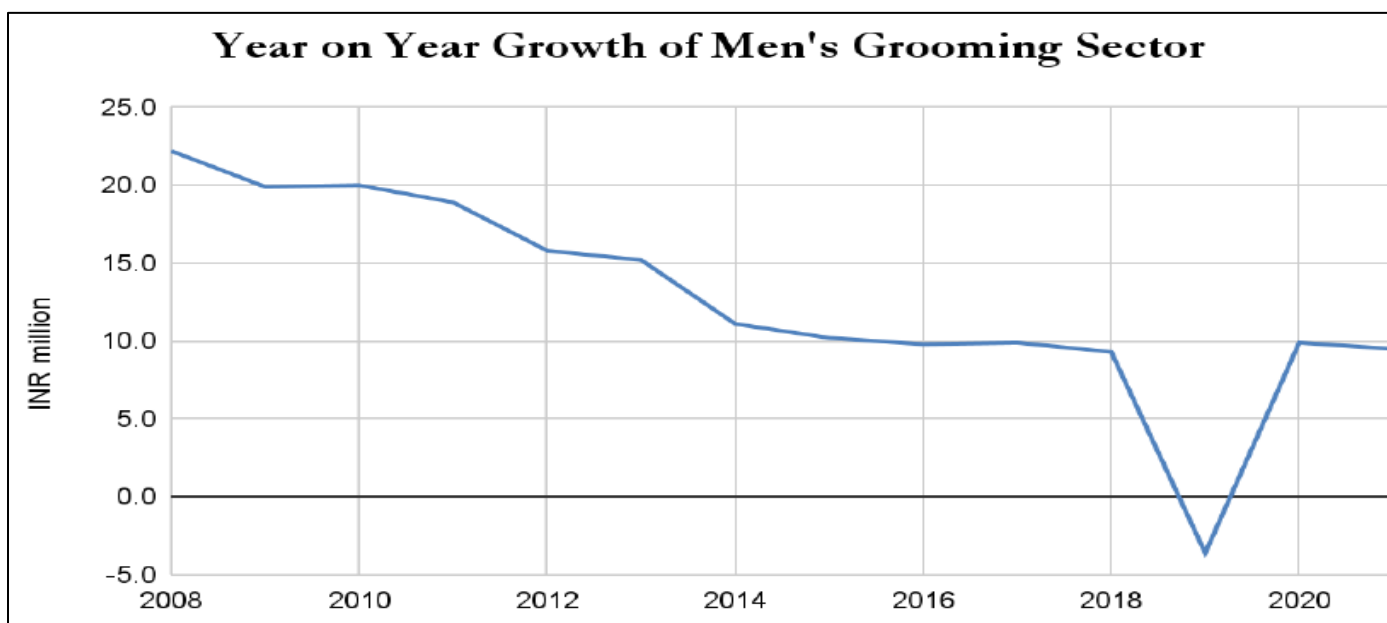


Fig 4 Year on Year Growth of Men’s Grooming Sector in India (Passport, 2023)

Gillette's strategic manufacturing presence in India, including facilities like Bhiwadi, allows Gillette to produce grooming products in close proximity to the Indian market. India has a large pool of inexpensive labor, including engineers, technicians, and manufacturing professionals, which can be advantageous for Gillette's manufacturing and R&D activities. Local manufacturing not only lowered costs but also facilitated the maintenance of competitive prices. Gillette introduced single-blade razors in India to cater to the consumer needs and preferences of the Indian market, where men are particularly concerned of risk of getting cut while shaving (Smith, 2015). Lifestyle publications and social media gave Indian men access to information, enabling informed product choices (Berner et al., 2014).

➤ *Gillette's Internalization Advantages*

Gillette's market entry strategy into India, characterized by the establishment of wholly-owned subsidiaries, provided the company with a distinctive advantage. Gillette exerts full control over its operations ensuring seamless alignment with its global brand and product strategies. Gillette adopted a strategic approach by forming collaborations with local retailers and prominent e-commerce platforms such as Amazon (295 million monthly visits) and Flipkart (167 million monthly visits) to ensure widespread availability of its products across India (Minhas, 2023). They distribute through a vast network of small, independent local retailers called Kiranas, ensuring accessibility in both urban and rural areas (Anand, 2022). By collaborating with e-commerce giants like Amazon and Flipkart, Gillette has optimized its distribution and eliminated the need for a vast network of physical stores reducing overhead costs associated with maintaining a brick-and-mortar presence.

The company invests heavily in advertising to create brand awareness and influence consumer preferences, often enlisting sports men and women and celebrities for high-profile endorsements. Gillette employed creative marketing strategies in India to transform consumer attitudes. The 'Shave India Movement 2009' campaign, supported by initiatives like 'India Votes... to shave or not,' sparked debate and interest. Gillette leveraged women's influence on men's grooming choices using the Women Against Lazy Stubble (WALS) association. These innovative marketing approaches boosted sales and market share by 38% and 35%, respectively (Berner et al., 2014). By proactively monitoring the Indian market for changing trends, competitive threats, and regulatory shifts, Gillette effectively managed risks associated with its international expansion.

III. ANALYSIS

Both Dunning's eclectic paradigm and Porter's diamond model converge on several critical themes that have been instrumental in shaping Gillette's operations in India. For instance, factor conditions, a central component of Porter's Diamond Model, align with ownership advantages in Dunning's framework. In the context of Gillette's Indian venture, the presence of a skilled and educated workforce in India, as highlighted by Porter's factor conditions, complements the ownership advantages.

Porter's Diamond Model emphasizes the significance of demand conditions, local rivalry, related and supporting industries, and firm strategy, structure, and rivalry. These aspects collectively shed light on how Gillette tailored its products and marketing strategies to cater to India's unique consumer landscape and competitive dynamics. On the other hand, Dunning's Eclectic Paradigm delves into ownership, location, and internalization advantages. It elaborates on how Gillette leveraged its ownership advantages, such as precision engineering and manufacturing, to establish a robust presence in India. These two frameworks, when compared, provide distinct yet complementary insights into Gillette's market entry and growth strategies in India.

Gillette's market-centric approach in India, which emerged from insights gathered through immersive research (Porter's demand conditions), finds synergy with the company's commitment to innovation (Dunning's ownership advantages). The role of supporting industries and supply chain management (Porter's related and supporting industries) aligns with Dunning's strategic location advantages, as the company invested in local manufacturing units to reduce costs and ensure efficient distribution.

Gillette should continue investing in local research and development to maintain its edge in product customization, aligning with the diverse consumer preferences in India. The company's commitment to innovative marketing, exemplified by its collaborations with local influencers and celebrities, should remain a cornerstone of its brand visibility strategy. Additionally, Gillette can explore opportunities in sustainability practices to cater to environmentally conscious consumers while solidifying its commitment to global sustainability initiatives.

These frameworks, though distinct, offer complementary insights into the multifaceted factors that have contributed to Gillette's success. By blending global efficiency with local market responsiveness, Gillette has not only navigated but thrived in the dynamic and diverse Indian consumer goods landscape showcasing the value of utilizing multiple analytical models to gain a holistic perspective on complex international business strategies.

IV. RECOMMENDATIONS

Gillette's sustained success in the Indian market hinges on its consumer-centric approach. To maintain this advantage, the company must continue investing in local research and development (R&D). Regular consumer insights through surveys, focus groups, and ethnographic studies should inform product innovations tailored to the Indian market.

In the competitive Indian market, Gillette must remain committed to sustaining innovative marketing strategies. Collaborations with local influencers and celebrities can enhance brand visibility and foster customer loyalty. Concurrently, maintaining a vigilant watch on the competitive landscape, monitoring market trends, and responding proactively to shifting consumer and emerging

competitors are imperative to safeguard and hold its market leadership. Gillette India should remain committed to innovative marketing strategies. Collaborations with local influencers and celebrities, as well as creative campaigns like the 'Shave India Movement 2009,' should continue to be a part of Gillette's marketing arsenal. Gillette can consider eco-friendly packaging, reducing plastic waste, and adopting energy-efficient production methods that resonate with a growing segment of socially and environmentally conscious consumers.

Finally, Gillette should consider the strategic value of this study in global integration. Lessons learned in India, where diverse consumer preferences and market dynamics prevail, can be applied to other markets, such as Latin America, where similar challenges and opportunities may arise.

V. CONCLUSION

In conclusion, Gillette's journey in India serves as a compelling case study in international business strategy, exemplifying the successful fusion of global efficiency with local market responsiveness. Through the lens of both Porter's Diamond Model and Dunning's Eclectic Paradigm, we have gained a comprehensive understanding of the factors that have underpinned Gillette's triumph in the dynamic and diverse Indian consumer goods landscape.

Porter's Diamond Model highlighted the critical role of factor conditions, demand conditions, related and supporting industries, and firm strategy and rivalry. These factors illuminated how Gillette strategically adapted its products, marketing, and distribution to meet the unique needs and preferences of Indian consumers. On the other hand, Dunning's Eclectic Paradigm shed light on Gillette's ownership, location, and internalization advantages, emphasizing the company's commitment to innovation, precision engineering, and strategic market entry.

Moving forward, Gillette must sustain its consumer-centric approach through continued investment in local R&D and innovative marketing strategies. The company should remain vigilant in monitoring market trends and emerging competitors, while also considering eco-friendly practices to appeal to environmentally conscious consumers. Moreover, the insights gained from the Indian market can be leveraged as valuable lessons for other regions facing similar challenges and opportunities.

In a rapidly changing global marketplace, Gillette's success story in India serves as a testament to the power of adaptability, innovation, and strategic integration of local and global strategies. As companies and industries face the challenges of international expansion, the lessons learned from Gillette's India strategy offer invaluable insights that could change not just consumer goods, but various sectors.

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APPENDIX

I extracted Data from Passport Database to construct a chart linked in the pdf

Passport Stats India Men's Grooming Sector.xlsx