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TEACHING NOTE

UPS in India – Time to Shift Gears?

Case Overview

As the recently appointed Head of Asia-Pacific Strategy of United Parcel Service (UPS), Robin Page must devise a strategy for penetrating the Southeast Asian market, with an emphasis on strengthening UPS's presence in India. UPS established two alliances with Indian partners (Jet Air and AFL) in the mid- 2000s, but has since focused more intently on China and Malaysia, leaving India wide open for its competitors.

The case begins with a brief description of UPS's transition from a Seattle parcel delivery company in 1907 to a global delivery services firm with a presence in over 200 countries. Early on, the company specialized in intra-city deliveries, innovating new services in response to changing consumer lifestyles. By the 1970s, UPS had acquired common carrier rights, which meant that it could deliver packages between both private and commercial customers nationwide. It formed its own airline in the 1980s, which facilitated the company's shift from a national to an international carrier. By the time UPS went public in 1999, it was well on its way to becoming a full-fledged "solutions company" that offered "synchronized commerce" services tailored to its clients' business process value chain. Today, UPS maintains its core businesses but seeks new revenues through its "Four Quadrant" growth strategy. Company financials and other data are provided in Case **Exhibits 1** through **4**.

Next, the case explains the unique characteristics of the Indian market, including the external, industry, and competitive environments. India's annual GDP growth rate of about seven percent makes it an attractive growth market for many multinational corporations. The country has been undergoing a process of microeconomic liberalization since 1991, and is actively seeking foreign direct investment and increased levels of international trade. Due to a strong educational system and its large population of native English speakers, India has become a prime source for information technology services and business process outsourcing.

Professor Frank T. Rothaermel and Research Associate Srikanth Prabhu prepared this case from public sources. The authors gratefully acknowledge contributions by Marne Arthaud-Day and Shreyasi Banerjee on an earlier version. This case is developed for the purpose of class discussion. This case is not intended to be used for any kind of endorsement, source of data, or depiction of efficient or inefficient management. All opinions expressed, and all errors and omissions, are entirely the authors'.

The case also provides significant detail on India's transportation sector. The Indian subcontinent comprises 1.27 billion square miles and supports a population of more than one billion people, making sustainable development of India's transportations systems a significant challenge. As part of the 12th five-year plan, the government set aside about $200 billion to develop the road infrastructure in India. Construction of roads received a major boost during the current BJP government with construction of highways clocking an all-time high of 6,029 km in FY 15-16 and rural roads being constructed at an aggressive rate of about 133 km per day.

The aviation sector includes 126 functional airports and is experiencing high growth owing to presence of low cost carriers, development of airport infrastructure, and injection of FDI in domestic airlines. It is slated to become the third largest aviation market by 2020. India's rail system is the most advanced. Nationalized in 1951, it constitutes one of the largest rail systems in the world, with 67,000 km of track that reach both metropolitan cities and rural villages. Meanwhile, India's 12 seaports account for 95 percent of India's trade in terms of volume, but only six percent of inland freight traffic is carried by ships.

The growth prospects of the industry though are quite positive owing to the below demand drivers:

- Sustained GDP growth above 7%
- Focus on infrastructure – Logistics parks, freight corridors, in-land waterways, and highway development
- Implementation of GST leading to efficient design of integrated supply chain
- Ecommerce and increased domestic consumption

UPS entered the Asia-Pacific region in 1986, but did not form its first Indian partnership (Jet Air) until 2005. This agreement led to India's first full-service retail outlet for business services, while UPS's 2008 alliance with AFL provided access to AFL's field stocking locations and access points for international delivery. However, the alliance was short-lived as FedEx announced acquisition of AFL's delivery business in 2010.

Competition in India is intense due to the sheer number of companies, all seeking to differentiate based on cost, speed, and territorial coverage. Larger players have stronger infrastructures and faster delivery times, while smaller firms have better access to local markets. Blue Dart-DHL Express is the leader in both the international and domestic segments, while GATI leads in express cargo delivery. These private companies compete against the government-run postal service.

The case concludes with Ms. Page pondering how UPS can best take advantage of India's growth potential. Key issues include how much to decentralize operations to facilitate adaptation to local conditions, which segment(s) to invest in, and whether it is best to expand through organic growth, alliances, or acquisitions.

Key Concepts

- PESTEL Forces
- External Analysis
- Competition
- Business Strategy
- Operations and Logistics
- Culture, Norms, and Business
    - Hofstede's Cultural Dimensions
- Corporate Strategy
    - Strategic Alliances
    - Mergers & Acquisitions
- Global Strategy
    - MNEs
    - Liability of Foreignness

Suggested Discussion Questions

1. **Why are foreign MNEs like UPS seeking to invest in India?**

2. **What risks come with investing in emerging as opposed to developed markets?**

3. **Compare the national cultures of the U.S. and India using Hofstede's dimensions. How might these differences affect UPS's formulation and implementation of an expansion strategy in India?**

4. **What advantages might accrue to local competitors? How might foreign MNEs gain a competitive advantage in the Indian market?**

5. **What mode(s) of entry would you recommend that UPS consider? How would you structure any potential deals?**

6. **Which lessons from UPS's history might be helpful in entering the Indian market? Which ones might not be transferable?**

Suggested Answers

1. Why are foreign MNEs like UPS seeking to invest in India?

Globalization suggests that companies expand internationally to:

- Gain access to a larger market

India is a very large country in terms of land mass (1.27 billion square miles), population (more than one billion people), and economic productivity. In fact, India is the second most populous nation in the world, after China (CIA World Factbook). Approximately 22 percent of the population lives below the poverty line (2011 estimate, CIA World Factbook), while the highest income decile accounts for 30 percent of consumption (2011 estimate, CIA World Factbook). Business opportunities exist on both ends of the income spectrum: the top decile comprises over one million people (a sizeable market with high levels of disposable income), while bottom-of-the-pyramid strategies can be designed with India's urban and rural poor in mind. Economically, India's GDP topped the $2 trillion mark recently, making it the seventh wealthiest nation (World Bank, 2016[1]) with an annual growth rate of over seven percent, which it sustained even during the global financial crisis of 2008-2009.

The CIA World Factbook is an excellent resource available at: https://www.cia.gov/library/publications/the-world-factbook/geos/in.html.

- Gain access to low-cost input factors

India boasts a labor workforce of 514 million and an active services sector which contributes about 60% to the overall GDP of the country. Combined with lower wages, these factors make India a prime source for information technology (IT) services and a choice business process outsourcing (BPO) destination. Many of these same skills are also applicable to the logistics industry. Importantly, India has a high population of English speakers, which makes it easier for U.S. and European firms to enter the market. Thus, access to an educated, English-speaking workforce is one of the main *location economies* that attracts foreign MNEs to set-up business operations in India.

- Develop new competencies

Another prime reason that firms expand internationally is to develop new competencies. This does not appear to be a driving motivation for UPS with respect to India, where it is mainly seeking to expand its current operations into a new territory while taking advantage of specific location economies. Nevertheless, UPS should be open to learning new capabilities in every new market it enters, so as to increase its overall effectiveness.

- Country-specific reasons

India is particularly attractive to foreign MNEs for several additional reasons. First, *governmental attitudes toward foreign direct investment* have become increasingly favorable since the early 1990s. In 2004, political leaders set a goal of doubling India's percentage share of global merchandise trade, viewing trade expansion as a way of generating employment opportunities and achieving economic

growth. In 2006, the government established several Special Economic Zones where both domestic and foreign companies receive significant tax benefits and face simpler compliance procedures.[2] Meanwhile, India has been progressively liberalizing its economy to permit greater levels of foreign investment in various sectors. For example, the government voted in fall 2011 to allow foreign multibrand retailers to own up to 51 percent of joint ventures (see section on Recent Updates below for more details). Previously, foreign retailers could only open wholesale joint ventures, and were not permitted to sell goods directly to consumers. The recently passed Goods and Services Tax law converted India into a single market rendering the state borders irrelevant, aiding the seamless movement of goods across the country. The new government which won the general elections on a development mandate had also brought in crucial reforms to improve the ease of doing business in India.

Second, MNEs are attracted to India's *rapid rate of economic growth*, which are no longer attainable in developed countries. For example, the World Bank projects that the Indian logistics industry will grow at an annual rate of 15 percent to 20 percent between FY16 and FY20. The demand for warehousing space is expected to grow at 8 percent annually to touch 839 million sq ft. by 2020[3]. Tier-2 and tier-3 cities have become favorable destinations due to the availability of large pieces of land at lower prices, connectivity to multiple markets, and the proximity to industrial clusters. Similarly, the aviation industry is expected to grow at a rate close to 25 percent in the next decade. Air cargo is expected to post a CAGR of 11.2 percent, expanding to more than three times its present size by 2025. Such improvements in logistics capabilities could potentially spur national GDP growth from 11 to 12 percent.

Third, several *trends in India's external environment* are likely to contribute to an increased demand for logistics services. *Globalization in the manufacturing sector* is creating a need to integrate fragmented and independently operated functions (for example, transportation, warehousing, freight forwarding, and so on) to achieve greater efficiency. This has been accelerated by the recent introduction of a Goods and Services Tax (GST), a consumption tax converting India into one market, one tax subsuming the various other central and state taxes levied before. Manufacturers are seeking to reduce the number of independent warehouses spread over various regions to minimize unnecessary handling and processing. Another potential growth driver is *e-commerce* and the associated increase in demand for shipping larger volumes of small packages direct to consumers. While online retailing has been somewhat slow to develop in India due to the lack of Internet access, the government launched the Digital India initiative focusing on providing broadband access to the remotest rural areas. Many analysts expect that India will warm up to the idea of Internet shopping as the technology infrastructure improves.

2. What risks come with investing in emerging as opposed to developed markets?

The unique benefits associated with investing in an emerging market such as India include *access to a large market* that is experiencing *rapid economic growth,* and which provides a variety of *location economies*. Competition is often less established, giving firms an opportunity to establish a dominant position as the market develops over time. These benefits nevertheless come with a significant amount of uncertainty and risk, including:

- Liability of foreignness

Lack of familiarity with a country's formal and informal institutions can create a competitive disadvantage. *Formal institutions* are the political and legal factors that can be analyzed according to the PESTEL framework. *informal institutions* comprise the social factors of the PESTEL framework such as norms, customs, and culture. The liability of foreignness may be especially high when entering emerging markets, because of the firm's lack of prior experience in that country and the likelihood of increased cultural distance.

- Increased political risk

While currently undergoing economic liberalization, a radical change in India's political regime could potentially reverse the recent changes aimed at opening India's economy to foreign investors. While this is not expected in India, some governments are much less stable and have been known to expropriate (seize) assets belonging to foreign MNEs.

- Increased economic risk

Economic risk varies significantly among countries, but is generally higher when a nation's economic well-being is dependent on a few key industries (which is more likely in emerging countries). India, for example, has been highly dependent on the oil industry as a main driver of commodity prices across multiple economic sectors. Earlier, the government absorbed a large part of any increase in oil prices, and then offset those losses by selling oil bonds, providing crude oil to state-owned oil retailers at discounted rates, and making periodic adjustments in retail oil prices. Since 2014, the Indian government is no longer subsiding petrol and diesel. This move has helped to reduce India's fiscal deficit by shifting increased oil costs to the end consumer.

With domestic consumption still picking up, India still heavily relies on the global markets and is hence sensitive to global recession.

- Poor infrastructure

The 12th Five-Year plan, the government envisaged a total investment of about $1 trillion between 2012 and 2017, however it is expected to fall short of the target by about 30%. Currently, transportation accounts for over 35 percent of the total cost of production in India, while operating expenses generally exceed the costs of raw materials (see **Case Exhibit 11**). Similar problems are present in many other developing countries. Some of the specific (and challenging) statistics that UPS faces in India include:

- India's *power grid* is erratic and subject to prolonged outages in many parts of the country (see Additional Resources #5 for a related video).
- India has 3.3 million miles of *roadways* that carry 85 percent of its total passengers and 60 percent of India's freight (see **Case Exhibit 6**). As of 2009, roughly 60 percent of India's rural population lacked adequate road access. The average transit time by road is about three times longer compared to European nations.
- *Shipping* is plagued by high operating expenses, staffing costs, and depreciation. It takes about 20 days to clear import and export cargo at India's ports, while the same process takes only four days on average in Singapore. While India's 12 major seaports account for about 95 percent of India's trade in terms of volume, the country's inland waterways are underutilized (six percent of total inland traffic).

- India's *railway* system is well established, with more than 8,000 railway stations connected by tracks spanning 67,000 km that reach both metropolitan cities and rural villages (see **Case Exhibit 8**). Population and economic growth are taxing the system, however, and inefficiencies result in railway transportation costs about three times more than developed nations.
- Weak intellectual property protection: Many emerging countries lack adequate mechanisms for protecting intellectual property, whether due to cultural differences, poorly developed regulations, or weak enforcement of existing laws. In more collectivist societies (see Question 3), individual ownership of ideas or technology may be, quite literally, a "foreign" concept. Other countries are still in the process of developing their legal and regulatory systems, while some may have the necessary laws in place but lack the resources to enforce them.

3. Compare the national cultures of the U.S. and India using Hofstede's dimensions. How might these differences affect UPS's formulation and implementation of an expansion strategy in India?

Hofstede's cultural dimensions may be considered microfoundations that influence how strategic leaders formulate and implement strategic plans. Being aware of cultural differences is especially important when engaging in international business, as it helps managers to understand the national institutions of the host country, why certain business arrangements might be preferred, and how to implement strategies more effectively. To stimulate class discussion, you may want to show students **Exhibit TN-1**, which contains the index scores and rankings for the United States and India in each of the five categories.

Comparing the two countries across the five indices reveals that the United States and India have similar scores with respect to uncertainty avoidance and masculinity/femininity. This indicates that people from both countries have moderate tolerance for ambiguity and similar preferences for structure in organizations and relationships. Both also tend to be more "masculine" than "feminine," with the United States scoring slightly higher than India on this dimension. This means that both countries tend to emphasize work goals like advancement, earnings, training, and up-to-datedness, over having a friendly atmosphere, job security, or good physical working conditions. Work occupies a central position in the life space of people from both countries.

The United States, however, scores significantly higher than India on the individualism/collectivism dimension. In fact, the United States ranks highest in individualism amongst all the countries studied by Hofstede. This means that U.S. managers typically prioritize tasks over relationships, and expect individuals to have decision-making authority. In more collectivist societies, personal identity is grounded in the social system and interpersonal relationships play a much more central role. This manifests as a need to know the right people, to consult with others before deciding, a preference for hiring family members and friends, and taking time to build relationships before engaging in direct business activities.

India significantly outranks the United States on power distance, or the degree to which people accept differences in equality or power between individuals. This is not surprising, given India's deeply rooted caste system (see: http://defeatpoverty.com/ articles/India%20Caste%20System.gif). Though technically outlawed, differences in social rank are an accepted part of Indian society, and shape the way members of different castes associate with one another. Organizationally, India's high power distance score translates into more centralized decision structures, concentration of authority, higher levels of supervisory personnel, and a reliance on formal rules.

India also tends to have a longer time orientation than the United States. Where U.S. managers want quick results, Indians place a stronger emphasis on persistence, perseverance, and thrift (with an eye toward the future). This can result in significant differences in expectations as well as planning horizons when negotiating business deals.

4. What advantages might accrue to local competitors? How might foreign MNEs gain a competitive advantage in the Indian market?

Case Exhibit 14 provides data on metrics and key success factors for micro and small companies compared to all logistics companies in India. **Case Exhibit 15** provides a comparative study of key success factors by size of firm for Indian express delivery providers. **Exhibit TN-2** indicates that local competitors and foreign multinationals each have distinctive advantages in the Indian logistics market.

Just because local competitors start out small does not mean that they remain small. An increasing trend in international business is the rise of so-called "emerging giants" or multinationals which start in emerging markets like India, China, and Brazil and then grow rapidly to challenge more established players in the world marketplace. One of their primary advantages is that they learn to compete in cut-throat local markets where they must fight against both domestic competitors and foreign MNCs. Because of the relatively low level of economic development and intense competition in their home markets, these firms develop extremely efficient business models and learn to make profits at low price points. What they are finding is that reliable, low-cost, and easy-to-use products and services are just as attractive in other emerging markets, where rapid economic growth is expected for the next several decades. As a result, the top 100 emerging multinationals grew at a rate of 24 percent annually from 2007-2011. Many have amassed significant cash reserves, invested deeply in research and development, and hired world-class managerial talent, positioning themselves well for future growth. While this has not happened yet in the Indian logistics industry, students should be aware of this possibility (for example, the Mahindra group).

Established multinationals still have several advantages, including expertise in low-cost manufacturing and engineering and vast managerial experience. However, they can no longer wait for emerging markets to develop and then use their size to dominate the local competition once they decide to enter. Rather, an article in *Businessweek* suggests that they should: 1) respect their new competitors; 2) proactively defend their domains against these new invaders; and 3) consider joining forces with them through alliances and joint ventures.

For more information see: "Emerging giants," *Businessweek*, last modified July 31, 2006. http://www.businessweek. com/magazine/content/06_31/b3995001.htm.

5. What mode(s) of entry would you recommend that UPS consider? How would you structure any potential deals?

Both the nature of UPS's business and intricacies of doing business in India indicate that *higher levels of investment and control* are necessary. UPS is in the service business, which means it does not have a physical product that can be easily exported. Rather, package shipping and integrated logistics services require close contact with clients, necessitating some sort of physical presence in the foreign

market. This fact, combined with India's cultural emphasis on social relationships, inadequate infrastructure, and complex governmental bureaucracy, means that UPS should consider some form of an *alliance, acquisition, or greenfield venture* when penetrating the Indian logistics market.

In a 2004 Harvard Business Review article,[4] Dyer, Kale, and Singh suggest there are five factors that companies should consider when deciding between nonequity alliances, equity alliances, and acquisitions (See **Exhibit TN-3**).

Students should be able to recognize that the Indian logistics industry has a high degree of *competition* and a high degree of *market uncertainty*. Assuming UPS is considering some form of working relationship with an Indian shipping/logistics company, there is probably some degree of *redundant resources*. For example, both likely have delivery vehicles, tracking systems, employees who operate the systems and make deliveries, and so on. The *nature of the resources* is best described as mixed, as logistics services involve tangible human resources, technology, and vehicles, but considerably more value is housed in employees' knowledge, information systems, relationships with local customers, and government connections. The *type of synergy* required for UPS to work together with an Indian company is either sequential (UPS handles international shipping and then hands it off to the local delivery company or vice versa) or reciprocal (where the two companies integrate their systems for greater efficiencies).

In truth, these forms are viable. Of the three, *nonequity alliances* are probably the least desirable in India because of the high degree of market uncertainty, intense competition, and the low level of control provided. Contract-based relationships have the advantage of being easy to form and dissolve, but are reliant on a transparent legal system which is often lacking in emerging markets. India is also a more collectivist culture, and tends to place a higher value on relationships (which are not necessarily fostered through nonequity transactions). That said, one argument that could be made on behalf of utilizing a nonequity alliance is that it minimizes the risk and cost of investment of entering a foreign market.

Applying Dyer et al.'s (2004) criteria indicates that either an equity alliance or acquisition represents a more feasible mode of entering the Indian logistics industry. The advantages of an *equity alliance* include sharing the costs of investment and risk with a local partner; of course, the benefits are also shared. In a culture where relationships are valued, equity investments can also signal an intent to develop a long-term commitment, and may allay local fears that the foreign MNE intends to extract as much profit as possible and then abandon the local partner. The local firm has valuable knowledge about the formal and informal institutions, speaks the local language, and has existing connections with government officials, all of which can facilitate a smoother entry process. Working together with locals therefore significantly minimizes the liability of foreignness. In this case, local Indian firms are likely to have complementary competencies that create private synergy when combined with UPS's global expertise.

Acquisitions, on the other hand, have higher investment costs but provide a significantly higher level of control. They are especially effective in blocking out other firms in highly competitive industries. Whereas the local partner could break an existing alliance to work with a competing MNE, acquisitions are a permanent arrangement whereby the local firm is absorbed into the acquirer's organizational structure. This level of integration is highly desirable when the synergies are reciprocal in nature, as the acquirer can determine how best to put the companies' joint resources together

to achieve the intended synergies. However, a potential downside is an increased liability of foreignness, if the acquiring firm does not carry out the integration process in a culturally sensitive manner. Should the acquisition fail (as most do), the foreign MNE also incurs the full extent of the losses.

Greenfield ventures, or building a wholly owned subsidiary "from scratch," require the highest amount of investment and take significantly longer than either alliances or acquisitions to form. On the plus side, the MNE retains full control, all profits generated, and does not have to deal with the excess, unwanted baggage that comes with an acquisition (in other words, they design the operation to their own specifications). They are considerably riskier in emerging markets, however, because the company does not have access to the insights, knowledge, or connections of a local partner, and must hire this expertise on the local labor market.

During class discussion, it may be helpful to point out that UPS has utilized alliances (Jet Air, AFL, and First Flight) successfully in the past and is likely to continue to do so in the future. Interestingly, UPS has also experienced the downsides of an alliance firsthand. As mentioned in the Recent Updates section at the end of this Teaching Note, FedEx acquired AFL Private Limited in February 2011, effectively ending one of UPS's two key strategic partnerships in India.

One action that UPS might consider in response is to establish its own alliance or acquisition of GATI (http://www.gati.com/). GATI is the Indian leader in express cargo delivery, and has operations in nearly all of India's 600+ geographic districts. The company offers distribution and supply chain management solutions as well as delivery services, and has spread across the Asian subcontinent (including Singapore, Hong Kong, China, and Sri Lanka).

For more information see: Dyer, J.H., Kale, P., & Singh, H.,,"When to Ally and When to Acquire," *Harvard Business Review*, July-August 2004: 108-115.

Ramana, Kv. Gati in Choppy Waters as Pledge, Biz Backfire,last modified November 16, 2011. http://www.dnain- dia.com/money/report_gati-in-choppy-waters-as-pledge-biz-backfire_1613078.

6. Which lessons from UPS's history might be helpful in entering the Indian market? Which ones might not be transferable?

This question serves as an excellent forum for discussing the integration-responsiveness continuum and the associated approaches to international strategy. Namely, while there seems to be some convergence of consumer trends across the globe, important national differences remain due to distinct histories, institutions, and cultures. MNEs therefore experience pressure for local responsiveness—the need to tailor product and service offerings to fit local consumer preferences and host country requirements. One of the main issues that UPS must address is how much it can utilize its standard operating procedures and existing technologies in the Indian context and how much India presents unique challenges that are going to require novel adaptations.

The *global-standardization strategy* assumes there are no significant differences in international contexts and that the basic processes of logistics planning and package delivery are essentially the same worldwide. If UPS were to adopt this approach, its main goal would be to maximize economies of scale and location economies by pursuing a global division of labor based on wherever best-of-class

capabilities reside at the lowest cost. Indeed, there is some merit to the notion that delivery services involve getting packages from point A to point B, wherever those points happen to be, and that logistical efficiency can be universally measured in terms of delivery time and expense.

In contrast, the *localization* or *multi-domestic strategy* strives to maximize local responsiveness to decrease the liabilities of foreignness. It is often utilized by MNEs in host countries with large and/or idiosyncratic domestic markets, and in industries where products have a strong cultural dimension (such as consumer foods). The advantages include reduced exchange rate exposure and deeper penetration of the local market, while the major disadvantages are the duplication of key business functions across multiple countries and the inability to transfer learning across regions. The major reason that UPS would adopt a multi-domestic approach to India would be that it views the country's culture and infrastructure as unique constraints that are going to require it to re-engineer its logistics and delivery services. There is merit in this approach as well, in that India is a large and idiosyncratic market with a unique culture, significant land mass, and an inadequately developed public infrastructure.

The truth most likely lies somewhere in the middle of these two extremes. In other words, UPS would do well to adopt a *transnational strategy* where it both standardizes where possible and adapts when necessary. For example, it would make sense to utilize the same information systems to manage the delivery process, while recognizing that the mode of delivery (train, truck, or plane) may vary based on the level of infrastructure development in each region. Lessons that UPS has learned by entering other developing countries with similar infrastructure problems will likely provide useful insights into the India situation, even if the same solutions cannot be applied directly. UPS can even look back into its own history in the United States, where it once utilized mule trains to reach the most remote areas of the Grand Canyon.

NB. Students will tend to read this case and automatically assume that UPS should (or should not) pursue local customer delivery services in India, which is where the most severe challenges lie. Another alternative that would permit significantly higher levels of standardization is for UPS to focus on the *business-to-business market*. With this approach, UPS could focus on logistics/transportation among India's major industrial centers as well as connecting them more effectively to its existing global network.

Other Information

FedEx acquires AFL. On February 22, 2011, FedEx completed its acquisition of the warehousing, transportation, and express delivery services of AFL Private Limited. The full text of the press release is provided as an Additional Exhibit at the end of this teaching note. (See **Exhibit TN-4**.)

New retail regulations. In November 2011, India's national government voted to allow foreign multibrand retailers to own 51% of joint ventures. Previously, retailers like Walmart could only open wholesale joint ventures, and were not permitted to sell goods directly to consumers. The new rules also increase the ownership rights of single brand retailers (such as Nike), who can now own up to 100% (previously limited to 51%) of their Indian businesses. These changes effectively open the $470 billion Indian retail market to foreign competition, and are expected to dramatically affect the retail

landscape as well as facilitate infrastructure development. Retailing is currently dominated by local mom-and-pop stores and lacks modern supply chain management. Thus, this change in the Indian political-legal environment represents a significant opportunity for firms like UPS to provide supply chain services to foreign retailers seeking to take advantage of the new rules and establish a stronger presence in India.

M. Bahree, India Unlocks Door for Global Retailers, *Wall Street Journal*, last modifiedNovember 25, 2011. http:// online.wsj.com/article/SB10001424052970204630904577058131832465876.html.

GST launched in India. On July 1, 2017, the much awaited 'big bang reform' – Goods and Services Tax was launched in India. GST is a consumption tax converting India into one market, one tax subsuming the various other central and state taxes levied before. This is expected to have a positive impact on the logistics sector.

Additional Resources

1. UPS publishes fact sheets detailing its operations worldwide. For the UPS India and Asia Pacific fact sheets, see the following links: https://www.pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=FactSheets&id=1426321608619-624 https://www.pressroom.ups.com/pressroom/ContentDetailsViewer.page?ConceptType=Factsheets&id=1426321597461-466

2. Indian Brand Equity Foundation (IBEF) has published a report titled 'Indian Logistics Industry – Gaining Momentum' in November 2013: https://www.ibef.org/download/indian-logistics-industry-gaining-momentum.pdf

3. Indian Logistics – Getting ready for the long haul", https://www.phillipcapital.in/Admin/Research/876625614PC_-_Logistics_Sector_Initiating_-_Aug_2016_20160808232319.pdf

4. http://www.jll.co.in/india/en-gb/Research/Indian_logistics_Taking_giant_leaps_forward.pdf

5. http://video.nytimes.com/video/2011/06/08/world/asia/100000000828070/india-rising-off-the-grid-.html?scp=3&sq=india&st=cse (5:32). "India Rising, Off the Grid," June 8, 2011. This documentary by the *New York Times* features the problems facing Gurgaon, a burgeoning suburb of New Delhi. Rapid population growth in the absence of municipal planning has created a booming city that lacks functioning sewers, reliable electricity and water, and decent road systems. An accompanying article, entitled "In India, Dynamism Wrestles with Dysfunction," may be found here: http:// www.nytimes.com/2011/06/09/world/asia/09gurgaon.html?_r=1.

6. http://video.nytimes.com/video/2010/06/15/business/1247468002957/riding-the-indian-rail- ways.html (3:12). "Riding the Indian Railways," June 15, 2010. This is a *New York Times* video discussing how India's rail system is being stretched to its limits by the country's rapid economic growth.

EXHIBIT TN-1 Hofstede's Five Cultural Dimensions

	United States		India	
	Index	Rank	Index	Rank
Power distance	40	38	77	10-11
Uncertainty avoidance	46	43	40	45
Individualism/collectivism	91	1	48	21
Masculinity/femininity	62	15	56	20-21
Long/short term orientation	29	27	61	7

Source: Hofstede, G. 2001. *Cultures Consequences: Comparing Values, Behaviors, Institutions, and Organizations Across Nations*. 2nd ed. Thousand Oaks, CA: Sage Publications.

EXHIBIT TN-2 Advantages of Local Competitors and Foreign Multinationals

Local Competitors	Foreign Multinationals
Better access to local information	Infrastructure
Ease of penetration at the domestic level	Business-to-consumer interface
Door-to-door service (local delivery)	On-time delivery, speed, and reliability
Stronger client relationships	Greater breadth of services
Familiarity with local political and regulatory environments	Greater territorial coverage
Technological leapfrogging	Greater investment in IT systems
Strategic flexibility	

Source: Courtesy of F.T. Rothaermel.

EXHIBIT TN-3 Five Factors to Consider for Nonequity Alliance, Equity Alliance, and Acquisition

	Nonequity Alliance	Equity Alliance	Acquisition
Type of synergy	Modular	Sequential	Reciprocal
Nature of resources	Mixed	Soft	Hard
Extent of redundant resources	Low	Medium	High
Degree of market uncertainty	Low	High	Low/medium
Level of competition	Low	Medium	High

Source: Adapted from Dyer, J.H., P. Kale, and H. Singh, “When to Ally and When to Acquire,” *Harvard Business Review,* July-August, 2004.

Endnotes

1 http://databank.worldbank.org/data/download/GDP.pdf

2 More information about these SEZs is available here: http://www.sezindia.nic.in/about-introduction.asp

3 http://www.business-standard.com/article/companies/warehousing-space-demand-in-india-to-grow-8-annually-knight-frank-116101100124_1.html

4 J.H. Dyer,, P. Kale, and H. Singh, "When to Ally and When to Acquire," *Harvard Business Review*, July-August, 2004.