

Becoming a multinational *desi*: The entrepreneurial growth of Radico

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Entrepreneurial marketing enhances corporate performance by enabling a firm to agilely adapt its strategy to market trends. The hair-care company Radico, which began as a small start-up in India, used entrepreneurial marketing techniques to pursue growth outside its home market and became a multinational firm with Indian roots—a *desi*. An analysis of its key stages of growth shows how even a small company can raise brand awareness and expand in international markets.

1 | INTRODUCTION

In recent years, growing concern about the use of synthetic chemicals in food, as well as in skin- and hair-care items, has led to increased consumer demand for natural and organic products (Rauscher, Shore, & Sandler, 2004). This shift in consumer behavior has led many companies to expand into the organic food and cosmetics industry. Radico, a hair-care products manufacturer based in the Delhi/National Capital Region (NCR) of India, is one of only a few brands that manufacture 100% organic hair coloring. Based on herbs, the company's hair dye does not contain ammonia, purified protein derivatives, or any synthetic chemicals. As a result, Radico contends that its product does not cause skin allergies, and even nourishes the hair and scalp.

India is known as the land of Ayurveda, a holistic system for maintaining a healthy physical, mental, social, and spiritual life. With its focus on natural ingredients, Radico could have taken advantage of this local mindset to build its business solely in the Indian hair color industry. Instead, its leaders decided to focus on international expansion with the goal of becoming a multinational *desi*. Derived from the ancient Sanskrit word देश (deśá), which means land or country, the term refers to the people, culture, and products of the Indian subcontinent and their diaspora. As Sanjeev Bhatt, CEO and founder of Radico,

is Indian, his company was founded in India, and it uses natural ingredients found on the Indian subcontinent, Radico can legitimately be called a *desi* company. Because it sells its products in more than 100 countries around the world and maintains offices and factories in India along with a distribution center in the United States, it also qualifies as a multinational *desi*.

2 | THE EFFECT OF EXPANSION ON PERFORMANCE

With a few notable exceptions, such as the Indian multinational conglomerate, Tata Group, most *desi* companies do not move into foreign markets as exporters or investors. Nevertheless, geographic expansion remains one of the most important paths for a firm's growth, and is particularly important for companies that are confined by the size or wealth of their local markets. Internationalization expands the customer base, and allows companies to enter into new markets, increase their volume of production, and grow (Lu & Beamish, 2001).

In addition, differences in market conditions across geographic areas, such as the resources that are available in them, can offer firms opportunities to achieve a high return on investment. Sometimes this is a simple matter of cost. In other instances, however, the origin of the goods, such as

Ayurvedic products from India, watches from Switzerland, or handbags from France, holds value among consumers, enticing them away from similar products made in other countries.

The difficulty of forming strategic alliances and the lack of a distribution network can particularly be a problem for smaller companies that wish to expand internationally.

Although internationalization is a good strategy for most types of enterprises, it does pose certain challenges. The first is lack of knowledge about the population mix, social and cultural needs, and income distribution of customers in foreign markets. Second, if the company is involved in the export business, tariffs and the cost of transportation will also affect the competitiveness of its products (Moen, 1999). Finally, the performance of a company entering a global market will depend on its ability to form strategic alliances with other companies in a similar position to reduce the cost of entry into foreign markets by sharing risks and using resources more efficiently. The difficulty of forming strategic alliances and the lack of a distribution network can particularly be a problem for smaller companies that wish to expand internationally.

3 | THE VALUE OF ENTREPRENEURIAL MARKETING

Marketing is important for the success of any company. Without being able to make appropriate modifications to the 4 Ps and 4 Ss of the marketing mix—product, price, place, and promotion; awareness, affordability, accessibility, and availability—a company will not be able to survive changes in the market, changes to government policies, or changes to the economy, all of which affect the level of profit a company can expect (Kotler, 2003; Webster & Lusch, 2013).

Traditional marketing tools are most effective when the market is relatively stable and predictable—that is, when there is a known number of well-established competitors and ample market data from which consumer demand can be predicted, and changes in customer demand are few and gradual. When a company is well established in such markets and has enough resources to survive the occasional failure, tried and tested techniques are the most suitable option (Morris, Schindehutte, & LaForge, 2002).

These techniques, however, are not suitable in situations where the market is unstable or where the company does not have an established brand name or the resources to survive missteps (Yang, 2018). For example, the loss or gain of a single customer for a start-up can determine the survival of the entire firm. Moreover, small companies and start-ups often have to compete with market leaders to tap the same market, and they have to do so with far fewer resources. Therefore, new entrepreneurs need to find innovative approaches to tackle uncertainty and exploit new opportunities.

3.1 | International business concerns

With the growth of technology and social networks, the globe seems to be getting smaller. Now small and medium-size enterprises, as well as large firms, enter international markets in search of new opportunities. Dealing in global markets is complicated by the fact that consumers in diverse settings will naturally differ in language, attitude, beliefs, culture, needs, income, and educational level (Katsikeas, 2014).

Start-ups often have to compete with market leaders to tap the same market, and they have to do so with far fewer resources.

If a company has manufactured the best quality product it can, but there is a lack of awareness of it or its parent brand, the product will not be successful. Similarly, if the company has invested in the promotion of a product to create awareness, but has placed the product in a channel that is not accessible to potential customers, sales will not reach expected levels. These factors and more need to be considered when deciding on a pricing or promotional strategy for an international campaign.

The approach used in such situations is often described as entrepreneurial marketing (Bjerke & Hultman, 2002; Hills, Hultman, & Miles, 2008), as a single marketing strategy cannot be applied to different countries and different cultures. Entrepreneurs need to analyze consumer behavior in each country, and change their marketing mix to reflect the political, economic, and social realities of the countries they are dealing with. Entrepreneurs, particularly those in small firms and start-ups, need to launch their products with innovative marketing ideas so that the new brand name will stick in the consumer's mind, and thereafter seem to automatically sell itself (Hallböck & Gabrielsson, 2011; Kotler, 2003).

3.2 | The characteristics of entrepreneurial marketing

Unlike traditional marketing, entrepreneurial marketing does not focus on executing a single marketing strategy by following a step-by-step process. Rather, it focuses on changing marketing strategies to meet shifting market conditions, and being able to do so more quickly and more flexibly than the big players can (Carson, Cromie, McGowan, & Hill, 1995). It homes in on the spirit with which the company implements innovative ideas to tap into new opportunities and to penetrate the market even deeper. Entrepreneurs following this strategy look at every market detail carefully, search markets for new opportunities, and use their limited resources to establish their emerging brand so that it grows rapidly.

Seven characteristics distinguish entrepreneurial marketing. It is:

- *Customer-intensive*: One lead means a lot to a start-up; one mistake, and its business can be destroyed (Sheth, Sisodia, & Sharma, 2000). Therefore, creating and maintaining a base of customers through innovative products and creative promotion is at the core of entrepreneurial marketing. Companies must engage with their customers in every stage of the value chain to ensure that their products or services meet customers' demands (Ramani & Kumar, 2008). Typically, successful companies do not set low prices. Rather, they charge a premium for a high-quality product and seek to justify their pricing through effective promotion.
- *Innovative*: Innovation is central to entrepreneurship. Creative ideas lead to innovative products and services. Innovative marketing and promotional ideas are important in creating a positive brand image. Similarly, finding an innovative way of seeking customers' opinions can sometimes lead to the discovery of unknown facets of consumer behavior.
- *Opportunity-driven*: A company implementing entrepreneurial marketing must analyze the market carefully to identify opportunities in the market (Chiasson & Saunders, 2005; Forlani & Mullins, 2000), evaluate them, and then formulate innovative ideas to capitalize on those opportunities. Instead of simply following the existing players and competing with them directly, a company using an entrepreneurial marketing approach may concentrate its marketing efforts on finding a new market position.
- *Proactive*: Along with stated needs, sometimes customers possess other, unstated needs when deciding whether to purchase an item (Blocker, Flint, Myers, & Slater, 2011). Often, consumers have subconscious needs that even they are not fully aware of. The company needs to determine what those might be and ensure that its products meet them.
- *Able to leverage resources*: Unlike market behemoths, start-ups have fewer resources. Therefore, entrepreneurial marketing requires entrepreneurs to skillfully leverage any resources that are available to them (Carson & Gilmore, 2000).
- *Not averse to risk*: Challenging the existing market and creating disruption through the introduction of new products is risky business for a start-up. Entrepreneurs need to make bold decisions and confront risk (Morris et al., 2002; Mullins & Forlani, 2005; Palich & Bagby, 1995). The company may not have the resources to survive multiple failures, but its leaders need to be willing to keep trying, even if a marketing plan fails.
- *Able to create value*: Start-ups face many constraints, such as limited resources and unstable markets, when competing with much larger firms. To survive, they must create value at each stage of the value chain. To do so, they need to focus not only on improving quality and lowering production costs, but also on fostering loyalty and building long-term relationships with their stakeholders, partners, and customers. The proponents of entrepreneurial marketing argue that by keeping these qualities in mind when launching a brand, business leaders can ensure that their company will be highly successful, both locally and globally.

4 | RADICO GOES GLOBAL

Radico was established in Noida, a satellite city of Delhi within India's NCR, by Sanjeev Bhatt in 1992. Initially a start-up with 50 employees, it is now a multinational company with corporate offices and factories in various locations in India, and a distribution warehouse and office in Torrance, California. It claims to be the first company in the world to manufacture and export 100% organic hair-coloring products. With clients in more than 100 countries, including such major markets as the United States, Europe, Japan, and Canada, it is also one of the few companies based in India to have built its business primarily abroad.

With a mission "to help people across the world to reveal their inherent beauty naturally" (Radico, n.d.), Radico produces organic hair-coloring products for men and women, and has positioned itself to take advantage of the growing interest in organic products, particularly the upsurge in demand for organic hair dyes. From the beginning, Radico has based its products on Ayurvedic concepts. Loosely translated as "the science of life," Ayurveda originated in roughly 6000 BCE in the Indus valley. It deals with the principles of maintaining a healthy life and offers therapeutic measures that relate to the physical, mental, social, and spiritual welfare of human beings. It not only focuses on external appearances, but also concerned with longevity and good health.

Radico's Ayurvedic products are manufactured with a mixture of herbs. The company has conducted detailed research on the effect that these herbs can have and how they react when combined with other elements. Adhering to some of the world's most stringent requirements, Radico is among the few brands to earn USDA Organic and France's ECOCERT organic certification. There were three key stages in Radico's transformation from a local startup to a multinational desi.

4.1 | Japan, 1992

Radico began exporting products based on Indian henna, a plant traditionally used to dye hair and skin, to Japan in 1992. Although Bhatt was certain that demand for natural hair-coloring products was growing, he was not sure how much demand there would be for products based on henna outside his homeland.

When he sent his first sample to a potential Japanese client, it was immediately rejected. While researching Japanese culture, Bhatt learned that Japanese customers placed a great deal of importance on organic and natural products that did not contain even the smallest amount of chemical ingredients. They were also concerned with ethics, and the concept of perfection. Consequently, compromising on the quality of a product was not an option in the Japanese market.

Starting a business in such a rule-bound market was daunting, but Bhatt viewed it as an opportunity to improve the quality of his product. Undaunted by the challenge of satisfying the demanding Japanese market, he believed that if he could successfully introduce a hair dye there, the quality would be so high that his business was bound to flourish in other countries as well. Over time, Bhatt submitted 17 hair dye samples to his potential buyer. When each was rejected, he asked for feedback, and tried to implement changes to improve the formulation accordingly.

Given that Japanese clients wanted a natural alternative to chemical hair dyes, Bhatt realized that he would need to produce a high-quality henna product that resulted in an intense color from a very smooth powder containing only minimal impurities. Producing such a high-quality henna product seemed next to impossible in India at that time, for the traditional henna industry was failing. Domestic demand was falling, and there were no export markets for Indian henna. The industry also lacked professionalism and modern high-quality production facilities.

Despite these constraints, Bhatt continued to work on improving the quality of his product. After 18 months of continuous effort, his 18th sample was accepted and he received his first order from Japan. When Japanese customers were introduced to high-quality Indian henna, their reaction was immediate and positive. They were extremely

satisfied with the new natural hair color. Not only did it provide a rich color and smooth finish, but it also did not cause skin allergies, like many of the chemical-based hair colors that were available at the time did.

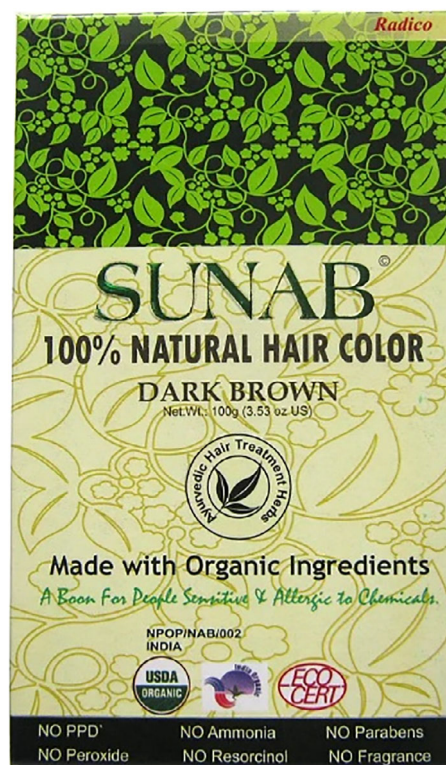
Increasing customer demand led to requests for more colors, so Radico introduced a new range of natural hair dyes under the brand name Sunab (see **Exhibit 1**), including black, dark brown, brown, burgundy, and mahogany. Over time, Radico began producing a certified 100% organic hair dye, which it now sells both online and in retail stores in Japan.

4.2 | United States, 1996

After Radico's successful entry into Japan, Bhatt looked to the United States as a potential market for henna products. Tattooing and other forms of body decoration were an emerging fashion trend, and he sensed a great opportunity to introduce mehndi to the West.

Mehndi is a traditional form of body art in which decorative designs are created using the powdered leaves of the henna plant. The traditional process involves soaking the henna overnight; making it into a paste; using the paste to paint a design, such as leaves or a spiral pattern, onto the skin; leaving it for 2–3 hours; applying a solution of lemon and sugar; leaving it for another 15–20 minutes; and then

EXHIBIT 1 Radico's Sunab brand



[Color figure can be viewed at wileyonlinelibrary.com]

washing everything off. The process leaves a dark orange pattern on the skin that fades over time. Although intrigued by the results, Americans were not interested in the long and tedious process at first.

Mehndi is a traditional form of body art in which decorative designs are created using the powdered leaves of the henna plant.

On a visit to Los Angeles in 1996, Bhatt noticed that although there were many tattoo shops, most were empty. On inquiring, he learned that although Americans like to experiment, personal safety was a priority. At the time, AIDS was the leading cause of death among young Americans, and although tattoos were growing in popularity, the public wished to avoid the use of needles. This inspired Bhatt to market the temporary henna tattoo as a safer alternative to permanent tattooing.

Despite the fact that mehndi was practically unknown outside local Indian communities in the United States and, consequently, there was almost no demand for it, Radico designed some ready-to-use stencils and produced a kit that contained everything—even a cotton swab—needed to produce a henna tattoo, all packed in a hand-printed cotton pouch for easy storage (see **Exhibit 2**). Apart from now having an alternative to body art applied by a needle, customers also liked the fact that Radico's henna powder was 100% organic and did not damage the skin. Not surprisingly, the

demand for Radico's temporary henna tattoo kit began to grow in the American body decoration market. This paved the way for the introduction of the company's organic hair dyes to the United States.

With soaring demand for henna products in both Japan's hair color market and the US body decoration market, Radico was set on the path to becoming a multinational. In 2001, Bhatt decided to build an office and a warehouse in California to ensure the efficient distribution of his products in the United States. With the spread of information technology and the growth of email services in India, he also began to use email to communicate with customers and clients in the United States and Japan. To put this into context, when he launched his first website in 1998, the whole of India, which had a population of about 1 billion at the time, had only 35,000 internet users. Radico's early adoption of information technology also helped the firm grow in international markets.

4.3 | Europe, 2008

In 2008, the economic recession hit markets around the world, leading to a sharp change in consumer behavior. Many people lost their jobs, which made consumers look for ways to cut expenses and save money. Many companies were hit very badly, and Radico was no exception. Sales fell, and the company was pushed to the point of bankruptcy. Thanks to Bhatt's determination, a series of loans, and the good will of customers and suppliers, however, the company continued to operate and ultimately survived the recession. Reflecting on the downturn and the reasons behind it, Bhatt decided that rather than limiting his business to the United States and Japan, he should reduce his dependence on those markets by expanding to other countries.

EXHIBIT 2 Radico's temporary henna tattoo kit



[Color figure can be viewed at wileyonlinelibrary.com]

Radico's next target was Europe. Here, too the unique characteristics of the local market required careful consideration. Like Japanese and American consumers, European consumers want organic hair dyes that do not contain synthetic chemicals. Gaining acceptance for an organic product in the European market is not easy, however. European consumers do not buy organic products based simply on whether they bear a label that says "organic." They want the product to be certified as such by an independent organization. If Radico could get its products accepted in Europe, the firm would be the continent's first organic hair color supplier. After 5 years of effort, Radico developed a formula for 100% organic hair color, which it marketed as Radico Color Me Organic. In 2011, the product received its organic certification from ECOCERT France.

The new product was launched in 2014 at the world's leading trade fair for organic products, BIOFACH, in Nuremberg, Germany (**Exhibit 3**). The goal was to target European distributors and build brand awareness about Radico Color Me Organic across the continent. Through its appearance at the trade fair, Radico was able to contact both buyers and distributors. As a result, within a few years, Radico had built a network of distributors in Germany, France, Italy, Spain, Austria, and Poland. It has increased its product range from 10 shades of hair color to 24 shades, and today, its products are sold in 24 of the 28 countries in the European Union.

5 | SMALL COMPANIES AND INTERNATIONAL MARKETS

Radico provides an example of how a small company can apply the principles of entrepreneurial marketing to grow not only in local markets, but also in international ones. To compete with market leaders and create a unique brand image, smaller companies must be prepared to:

- *Be innovative.* Radico has been innovative on several fronts, starting with the original idea of introducing Indian henna and centuries old Ayurvedic traditions to international markets through the vehicle of organic hair dyes.
- *Make the best use of limited resources.* Smaller companies need to use whatever resources they have skillfully. Radico's philosophy is to make the whole value chain work for the company. Radico's leaders engaged their clients and customers not only to gain insights, but also to promote the brand through word of mouth. According to Sanjeev Bhatt, there is no marketing channel more effective than word of mouth. Outside the United States, Japan, and Europe, Radico gets most of its orders through word of mouth promotion by distributors and customers.
- *Make proactive decisions.* Companies need to anticipate consumer demand for new and unknown products. For

EXHIBIT 3 Radico at the 2014 BIOFACH exhibition, Nuremberg



[Color figure can be viewed at wileyonlinelibrary.com]

example, Radico entered into the US market through the then unknown channel of henna-based body decoration, before introducing its range of organic and natural hair color products there.

- *Take risks.* For Radico, the riskiest endeavor was the decision to enter international markets rather than expand the business in India, and to continue with this strategy even when the company was almost bankrupted in the 2008 financial crisis. The risk paid off in terms of market share gains in Europe, Hong Kong, and the Middle East.
- *Engage in continuous improvement.* Part of the formula for Radico's success is its commitment to continuous improvement. Despite multiple failures in getting its products accepted abroad, Radico's leaders persisted and continued to improve their products until they were accepted. Even today, the firm's managers continue to look for new ways to add value for customers.
- *Persevere.* Although perseverance is not a dimension of entrepreneurial marketing, Sanjeev Bhatt's belief in his company and his products has played a large part in Radico's success. Despite being almost bankrupted during the economic crisis, the company has been rebuilt through expansion, improvement of its products, and the maintenance of strong customer relationships.

Radico provides an example of how a small company can apply the principles of entrepreneurial marketing to grow not only in local markets, but also in international ones.

Today, Radico's products are sold in more than 100 countries. Its orders come from not only the United States, Japan, and Europe, but also from small countries where it has never promoted its products. Following its customer-intensive philosophy, Radico exports to these markets, and even bears the freight costs, to ensure that its products are available to those who want them. Despite rejections and the threat of bankruptcy, Radico has survived and prospered, standing as a global leader in its field.

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