Global Marketing Management
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Module - 4
Lecture - 16
Global Marketing Strategies - Part I

Welcome to this course on Global Marketing Management.

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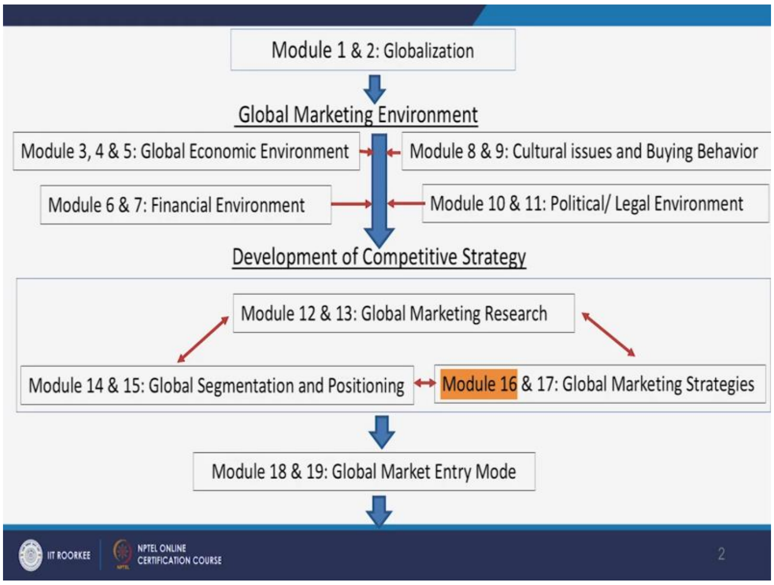

And in module 16 and 17, we will talk about global marketing strategies. So, let us see what we are, we will be talking about in module 16. So, first we will talk about the effect of information technology on global competition.

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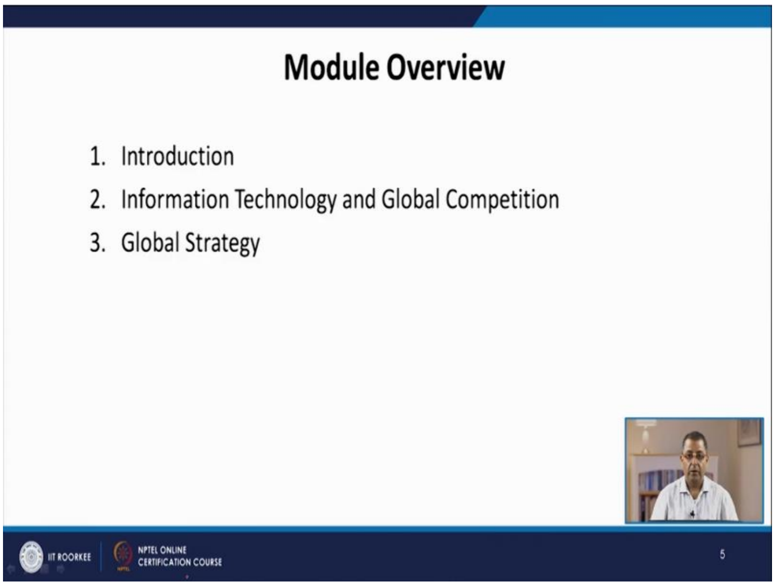

And then we will talk about a very important concept that, which is that of global strategy. Now, the problem is that, on the political map the countries' boundaries are as clear as ever. But, on the competitive map;

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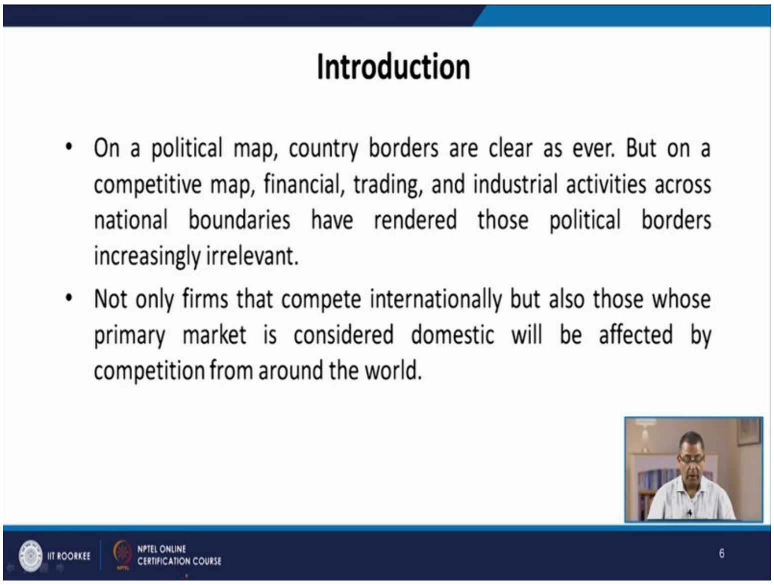

The financial, trading and industrial activities across national boundaries have rendered these political boundaries increasingly irrelevant. Not only firms that complete internationally, but also those whose primary market is considered domestic will be affected by competition from anywhere across the world. So, even if a company is the purely domestic company selling and making products for the domestic market, it will be affected by companies from anywhere in the world. Now, what is a firm?

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Firm is a collection of activities that are performed to design, procure material, produce, market, deliver and support its product. This set of interrelated corporate activities is called as the value chain. And in this module, we explain the nature of global competition and examine various ways to gain competitive advantage along the value chain for the firm facing global competition.

So, we will look at how does a firm design, procure material, produce, market, deliver and support its product. And based on their, based on these activities we will see how the company can gain competitive advantage, so that they can face the global competition. Now, look at the effect of, the relationship of information technology or the effect of information technology on global competition.

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The availability and explosion of information technology such as telecommunication, electronic commerce has forever changed the nature of global competition. The geographical boundaries and distance has become more and more redundant. Today we are observing the emergence of a gross information product and it dwarfs the size of the gross domestic product. Another effect is the real-time management. Information that managers have about the state of the firm's operations is almost in real-time.

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Routinely, the CEOs of a firm can know the previous day's sales down to a paisa and can be altered to events and trends now instead of several months. For example, top retailers such as Walmart and Toys R U get information from their stores around the world every 2 hours. Another effect is that of electronic commerce since the 1990s, we have seen the explosive growth of e-commerce on the internet, beginning from the U.S.

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Developed country countries led by U.S. are still leading players in this field while developing countries like India and China are emerging, becoming an important force in the global e-commerce market. This slide shows internet users in the world by region, till December 31st, 2017.

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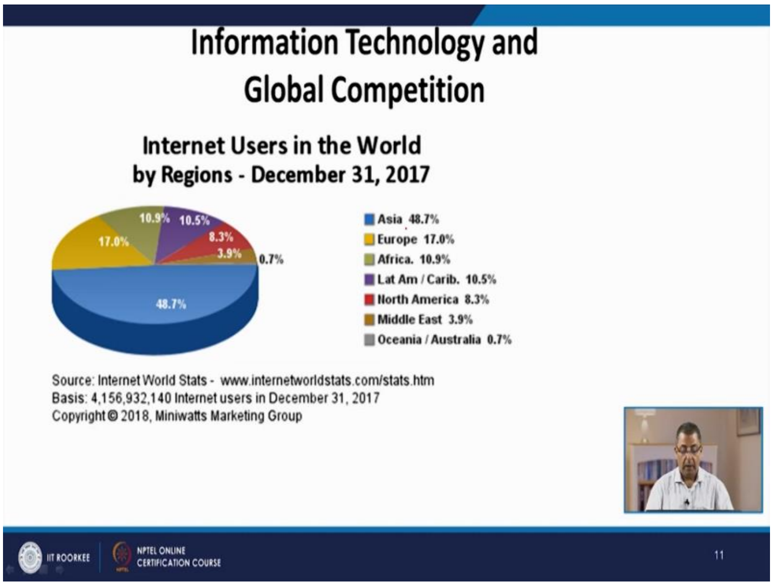

So, in Asia, they were the largest, while in Australia and Oceania they were the least. And Europe, Africa, Latin America, North America, Middle East, some figure somewhere in between. And here we are looking at the world internet usage and population statistics till December 31st 2017.

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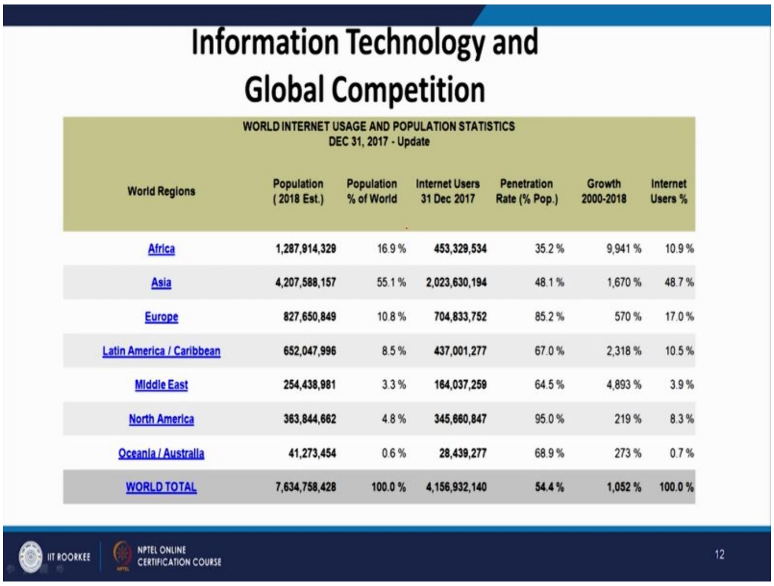

WORLD INTERNET USAGE AND POPULATION STATISTICS
DEC 31, 2017 - Update

World Regions	Population (2018 Est.)	Population % of World	Internet Users 31 Dec 2017	Penetration Rate (% Pop.)	Growth 2000-2018	Internet Users %
Africa	1,287,914,329	16.9 %	453,329,534	35.2 %	9,941 %	10.9 %
Asia	4,207,588,157	55.1 %	2,023,630,194	48.1 %	1,670 %	48.7 %
Europe	827,650,849	10.8 %	704,833,752	85.2 %	570 %	17.0 %
Latin America / Caribbean	652,047,996	8.5 %	437,001,277	67.0 %	2,318 %	10.5 %
Middle East	254,438,981	3.3 %	164,037,259	64.5 %	4,893 %	3.9 %
North America	363,844,662	4.8 %	345,660,847	95.0 %	219 %	8.3 %
Oceania / Australia	41,273,454	0.6 %	28,439,277	68.9 %	273 %	0.7 %
WORLD TOTAL	7,634,758,428	100.0 %	4,156,932,140	54.4 %	1,052 %	100.0 %

So, this is how they figure out.

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Look at the major e-commerce markets, the top 10 markets. So, United States is comes at the first and then comes Australia comes at the last.

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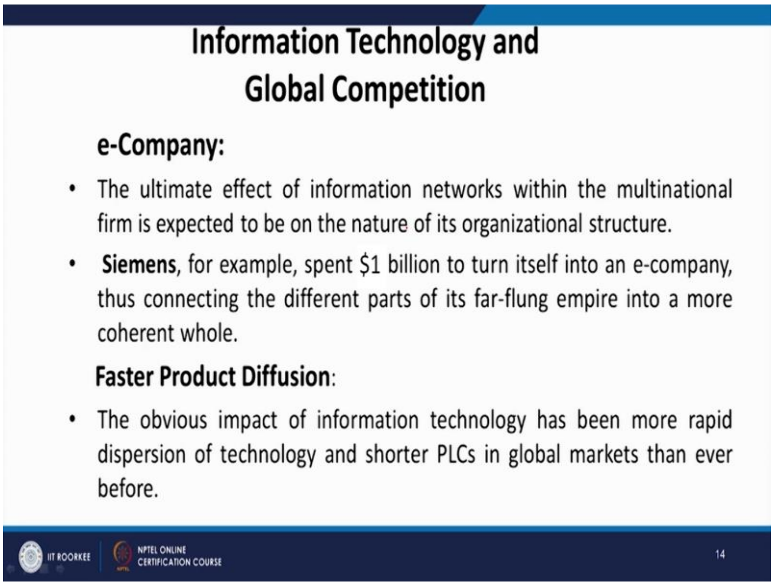

And yet another important effect of information technology has been emergence of e-company. The ultimate effect of information networks within the multinational firm is expected to be on the nature of its organization structure. Siemens, for example, spent $1 billion to turn itself into an e-company. Thus, connecting the different parts of its far-flung empire into a more coherent whole.

Yet another effect is that of faster product diffusion. The that is, the most obvious impact of information technology has been more rapid dispersion of technology that leads to shorter product life cycles in global markets than ever before.

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Now, how to define global strategy? Global strategy is to align, is to array the competitive advantages arising from location, world-class economies or global brand distribution. So, it global strategy is to align the competitive advantages arising out of these 3 things: location, world scale economies and global brand distribution. How? By building a global presence, by defending domestic dominance and by overcoming country-by-country fragmentation.

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Now, recall from module 1, that global marketing refers to marketing activities that emphasize the following. The first is standardization efforts, that is standardization of marketing programs across countries; coordination across market, that is reducing cost inefficiencies and duplication efforts. And the third was global integration, that is participating in major world markets to gain competitive advantage.

And these 3 things, they come out of, they are based from on these 3 things. And 1A, 2A, 3A. So, 1A, 2A, 3A are derived from 1, 2, 3. And standardization efforts, coordination across markets and global integrations, they it global integration, they are derived from 1A, 2A and 3A.

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Now, how to go about conceptualizing global strategy. There are 5 ways for that. And these are the following 5 ways. 1 is global industry, another is competitive industry, then comes competitive advantage, hypercompetition and interdependency. Now, let us look at each one of them in detail. What is a global industry?

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Those industries where a firm's competitive position in 1 country is affected by its position in other countries. Therefore, we are talking about not just a collection of domestic industries, but also a series of interlinked domestic industries in which rivals compete against one another on a truly worldwide basis. And here, the first question that faces manager is the extent of globalization of their industry. For example, 25 years after Honda began making cars in Ohio, U.S.;

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It is increasingly relying on the U.S. markets. Today, more than half the passenger sedans sold in the U.S. are import brands. And more than half the vehicles supporting foreign nameplates are made in U.S. Now, what determines the globalization potential of a industry? And there are the 4 factors that determine the globalization potential of a industry. 1, the first one is the market forces.

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Depending upon the nature of the consumer behavior and the structure of channels of distribution. For example, consumer per capita income convergence, growth of global and regional channels. Another force that decides on the globalization potential of a industry are cost factors. Depends on the economics of the business, these forces particularly affect production location decisions, as well as global market participation and global product development decisions.

For example, global economies of scales and scope favorable logistics. The third forces are called as government forces. Rules set by national government can affect the use of global strategic decision making

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And they include favorable trade policies, world trading regulations. The fourth forces are coupled together and they are called as competition forces. These forces, they raise the globalization potential of their industry and spur the need for a response on the global strategy levels. For example, high exports and imports, globalized competitors.

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Another conceptualization, the second conceptualization of global strategy is called as competitive structure. And we are looking at nature of competitive industry structure. That include the 5 things: industry competitors, potential entrants, bargaining power of suppliers, bargaining power of buyers and threats of substitute products or services.

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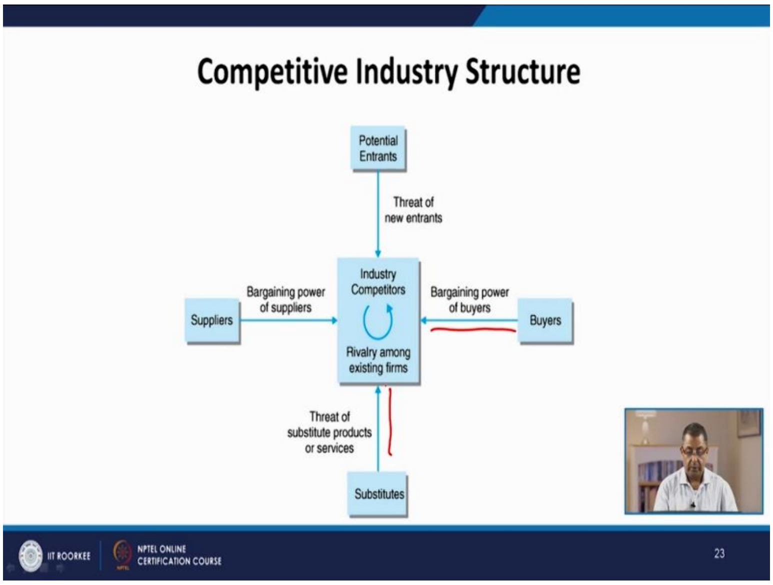

Now, this is what this Porter's 5 forces models look like. Here it is industry competitors. That is a rivalry among existing firms; threat of new entrants; bargaining power of suppliers; bargaining power of buyers and the threat of substitute product and services.

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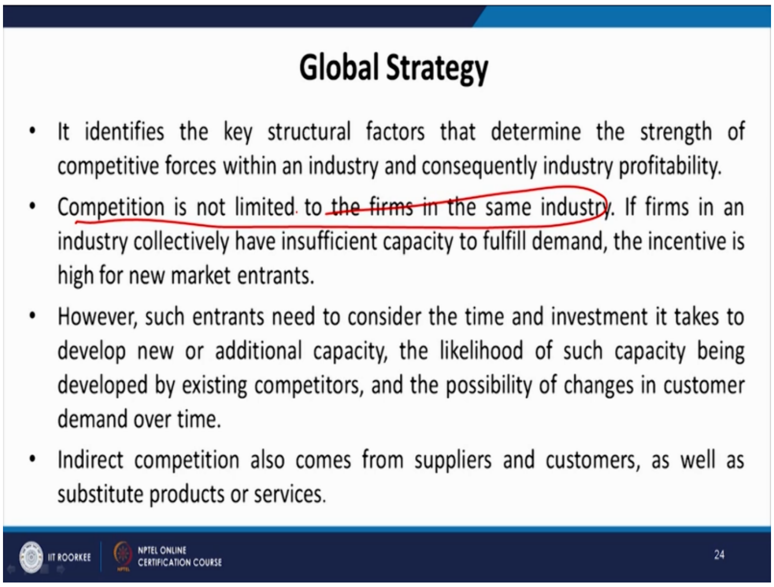

It identifies the key structural factors that determine the strength of competitive forces within an industry and consequently industry profitability. Competition is not limited to the firms in the same industry. Keep in mind that we are not talking of competition from the same industry. If the firms in an industry collectively have inefficient capacity to fulfil demand, the incentive is high for new market entrants.

However, such entrants need to consider the time and investments it take to develop new or additional capacity. The likelihood of such capacity being developed by existing competitors and the possibility of change in customer's demand over time. So, now look at the competitors are not limited from the same industry. So, if the firm in the industry, they are not able to fulfil the demand, then the competitors can, there can be new market entrants.

But these market entrants will have to consider the time and investments it takes in developing new or additional capacity. Indirect competition also comes from suppliers and customers, as well as substitute products or services.

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The third conceptualization of global strategy is gaining competitive advantage and how to go and gain competitive advantage. So, their, these are the 3 generic strategies of Michael Porter: cost leadership, product differentiation and niche strategy. Then, other strategies to consider here are first mover advantages versus first mover disadvantages; competitor focused approach and customer focused approach.

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So, the firm has a competitive advantage when it is able to deliver the same benefit as competitors, but at a lower cost or deliver the same benefits that exceeds those of the competing products. Thus, a competitive advantage enables the firms to create superior value for its customers as well as superior profit for itself. Simply saying, competitive advantage is a temporary monopoly period that a firm can enjoy over its competitors.

So, keep in mind that this any kind of competitive advantage is temporary. To prolong such a monopolistic period during which you have or the company have the competitive advantage, the firm's they strives to develop a strategy that would be difficult for its competitors to imitate. Now, look at what are the advantages and disadvantages of being first mover.

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For many firms, technology is the key to success in markets where significant advances in product performance are expected. A firm uses this technological leadership for rapid innovation and introduction of new products. The timing of such introduction in the global marketplace is the integral part the firm strategy. However, the dispersion of technological expertise means that any technological advantage is temporary. So, the firm should not rest on its laurels.

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The firm need to move on towards next source of temporary competitive advantage to remain ahead. And in this process, firms that are able to continue creating a series of temporary advantages are the ones that survive and thrive. Technology, marketing skills and other assets that a firm possesses becomes its weapon to gain competitive advantage in time over its competitors. The firm now attempts to be the among the pioneers or the first-movers in the market for the product category that it operates in.

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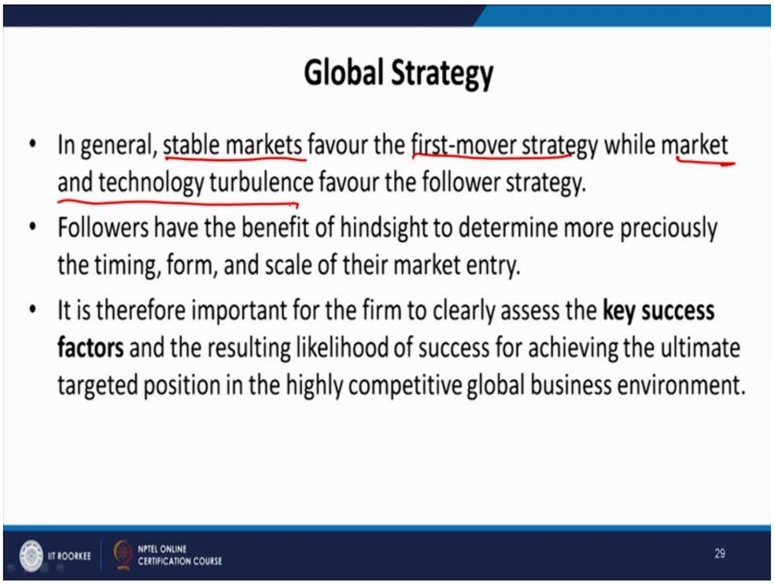

In general, stable markets favor the first-mover advantage, while market and technology turbulence, favors the follower strategy. So, when we are in a stable markets, first mover advantage should be taken, while when market and technology are turbulent then it is useful to follow the follower strategy. Followers have the benefit of hindsight to determine more precisely the timing, form and scale of their entry.

It is therefore important for the firm to clearly assess the key success factors and the resulting likelihood of success for achieving the ultimate targeted position in the highly competitive global business environment.

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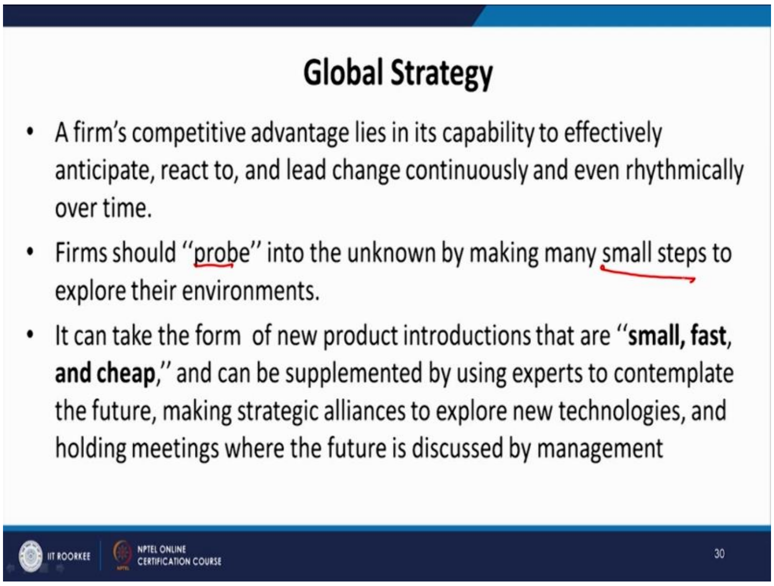

A firm's competitive advantage lies in its capability to effectively anticipate, react to and lead changes continuously and even rhythmically over time. Firms should probe into the unknown by making many small steps to explore the environment. For probing, the companies should take small steps. It can take the form of a new product introduction that are small, fast and cheap and can be supplemented by using experts to compel contemplate the future making strategic alliances to explore new technologies and holding meetings with the future where the future is discussed by the management.

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And to compete on the edge, firms needs to understand that advantage is temporary. In other words, firms need to have a strong focus on continuously generating new sources of advantage, so that as soon as 1 advantage is over, the another advantage comes into play. Strategy is diverse, emergent and complicated. It is crucial to rely on diverse strategic moves.

So, there is no sure shot formula for coming up with a strategy, with the strategy because it is diverse, emergent and complicated.

Therefore, the company should rely on various different strategic moves. So that if 1 move fails, the another moves give the advantage. Live in the present, stretch out the past and reach into the future. Successful firms launch more experimental products and services than others, while they exploit previous experiences and try to extend them to new opportunities.

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Reinvention is the goal. It is how firms keep pace with a rapidly changing marketplace. Grow the strategy and drive strategy from the business level. It is important for managers to pay attention to the timing and order in which strategy is grown and agile moves are made at the business level. To maintain sustainable power in the fast paced competitive and unpredictable environment, senior management needs to recognize patterns in the firm's development and articulate semi-coherent strategic directions.

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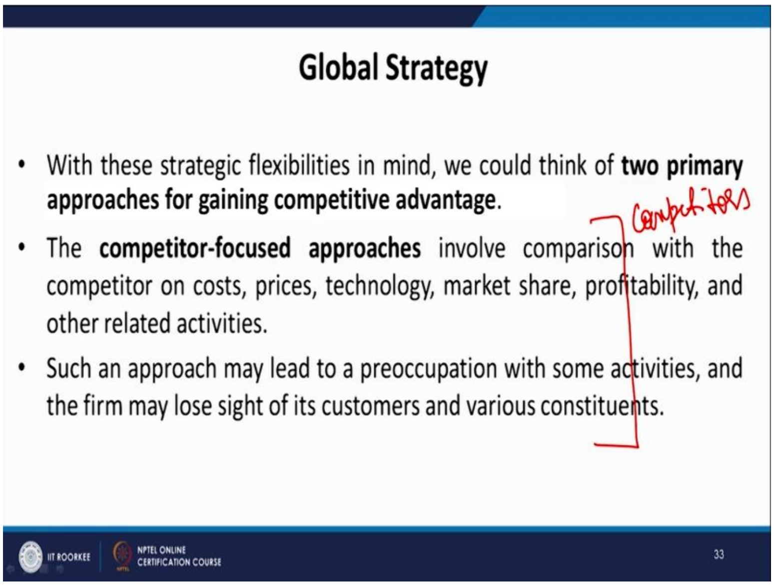

With this, with these strategic flexibilities in mind wish could think of 2 primary approaches to gaining competitive advantage. 1 approach is the competitive focused approach. It involves comparison with the competitors on cost, prices, technology, market share, profitability and other related activities. Such an approach may lead to a preoccupation with some activities. And the firm may lose sight of its customers and various constituents. So, here the problem is that the company is focusing too much on competitors. And they are losing site of the customers.

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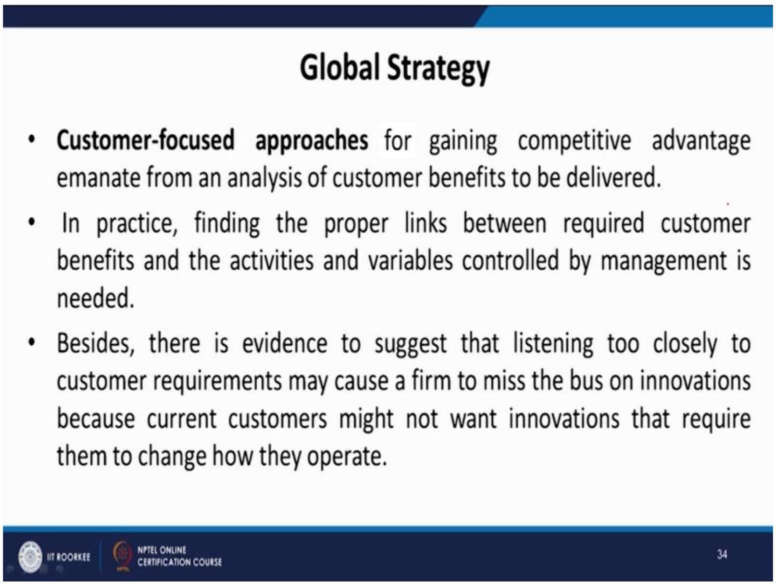

Therefore, we have to look at another set of strategies that are called as customer focused approach to gaining competitive advantage. Emanates from an analysis of customer benefits that they want to be delivered to them in practice finding the proper links between required customer benefits and the activities and variables controlled by management is needed.

Besides, there is evidence to suggest that listening too closely to customer requirement may cause the firm to miss the bus on innovations, because current customers might not want innovations that require them to change how they operate.

So, the company need to be customer focused as well as competitor focused. 1 kind of focus is not going to give the company the competitive advantage that they desire. Another approach to global strategy is that of hypercompetition.

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Competition that is tougher than oligopolistic or monopolistic competition. But it is not perfect competition. So, hypercompetition lies between monopolistic competition and perfect competition. Now, what is monopolistic competition? In monopolistic competition many producers sells products that are differentiated from others by branding or quality and hence are not perfect substitutes.

Firms complete on the basis of price, quality, timing and know how, creating strongholds; that is, entry barriers and financial resources to outlast its competitors. So, hypercompetition is a competition that lies between monopolistic competition and perfect competition. Perfect competition is where there are no brands or quality is not an issue and the prices are determined by the invisible forces. This form of competition is pervasive, not just in fast moving, high technology industries like computers;

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But also in deregulated industries like airlines and also in traditional industries like processed food. The central thesis of this argument is that no type of competitive advantage can last. It will last only for a small time period and that, and it is bound to erode.

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In any given industry, firms jockey among themselves for better competitive position. Given a set of customers and buyers, the threat of substitute and the barriers to entry in that industry. However, the earlier argument represents the description of a situation without any temporal dimension. There is no indication as to how a firm should act to change the situation to its advantage. For instance, it is not clear how tomorrow's competitors can differ from today's. As new competitors can emerge from completely different industry given the convergence of industry.

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Such a shift in competition is referred to as creative destruction. This view of competition assumes continuous change, where the firm's focus is on disrupting the market.

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The last type of conceptualization of global strategy is interdependence; interdependence of modern companies. Number of technologies used in variety of products in numerous industry is rising. So, for a variety of product, the number of technologies that goes into it are increasing. For example, global computer industry. Governments also play a larger role affecting parts of the firm's strategy. Recent researches have shown that the number of technologies used in a variety of products in numerous industries is rising.

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And because the access to resources limit how many distinctive competencies a firm can gain. Therefore, firms must draw an out on outside technologies to be able to build a state-of-art product. Therefore, the idea here is that the, a company may not have too many distinctive competencies on which they can, through which they can come up with different kind of technologies.

Therefore, they have to draw on outside technologies, technologies developed by other companies to be able to build a state-of-the-art product. Since most firms operate globally, they are limited by a lack of all required technology. It follows that for firms to make optimal use of outside technologies, a degree of component standardization is required. Because the firms, they cannot develop all the technologies and they have to buys a technologies from other companies. Therefore, there is a need to have component standardization.

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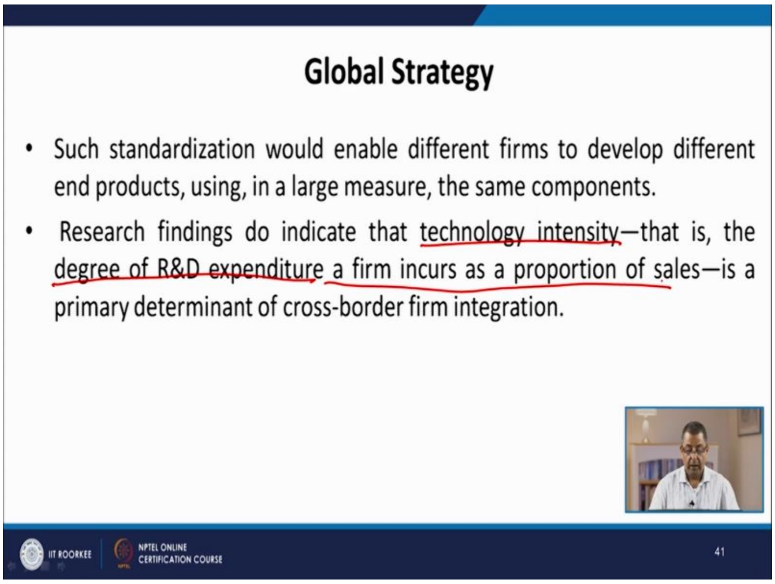

Such standardization would enable different firms to develop different end products using in large measure, the same components. So, the components remain the same, but the products they are made, products that are made from those components are different. Research findings do indicate that technology intensity, that is the degree of R&D expenditure. So, this technology intensity means the degree of R&D expenditure a firm incurs as a proportion of sales is primary determinant of cross-border firm integration.

So, for cross-border firm integration, look at the technology intensity. That is, the degree of R&D expenditure a firm incurs relative to the proportion of sales. So, if the technology intensity is high, then the cross-border integration will be high. And technology intensity is the degree of R&D expenditure that they make out of the total sales that they are making. And in the international context;

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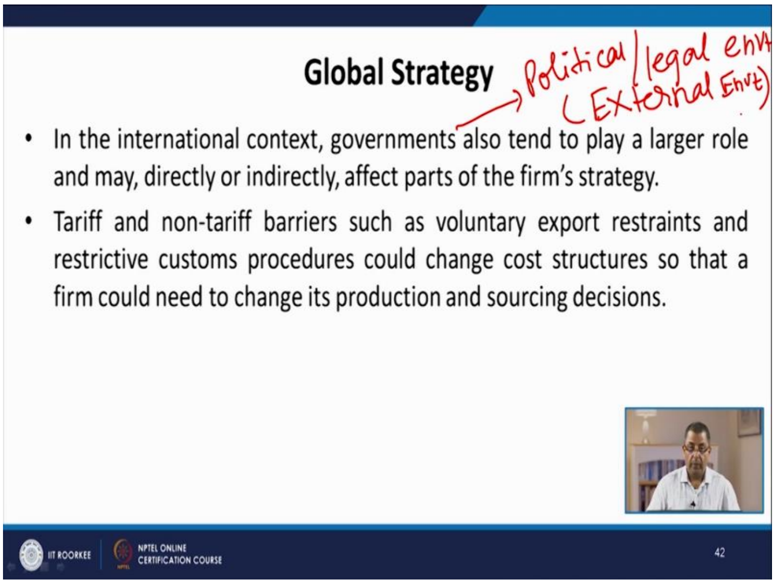

Governments also play a larger role and may directly or indirectly affect parts of the firm's strategy. So, look at the political and the legal environment that we have talked about in the external environment. Governments, they tend to play a larger role and may directly or indirectly affect parts of the firm's strategy. For example, tariff and non-tariff barriers such as voluntary export restraints and restrictive customs procedures could change cost structures so that a firm could need to change its production and sourcing decisions.

So, sometimes the tariff and non-tariff barriers may force the firm, not to import technology from outside. And therefore, that will lead to a the change in their production and sourcing decisions. Now, at the end, look at what we have learnt in this module.

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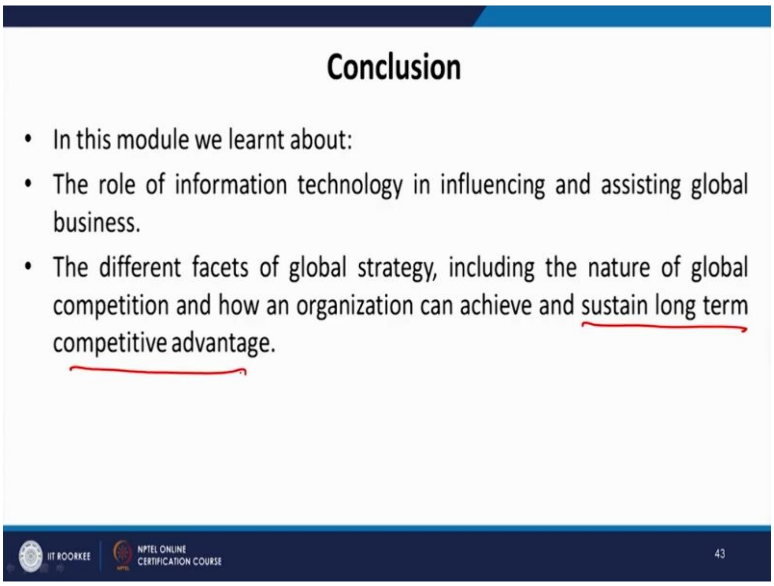

We have looked at the role of information technology in influencing and assisting global businesses. So, information technology can be a bane or it can be a boom for global businesses. Sometimes it can be at a, that can lead to a problem and many times it leads to advantages. And then, we have also looked at an important concept of global strategy. We have defined global strategy and we have looked at the different facets including the nature of global competition and how an organization can achieve and sustain long-term competitive advantage.

So, this long-term competitive advantage will be a collection of, will be the addition of small-term, short-term competitive advantages or competitive advantages for small time periods. So, when 1 competitive advantage plus another competitive advantage and so on so forth; if the company has developed that kind of ability, so that will lead to a sustained long-term competitive advantage.

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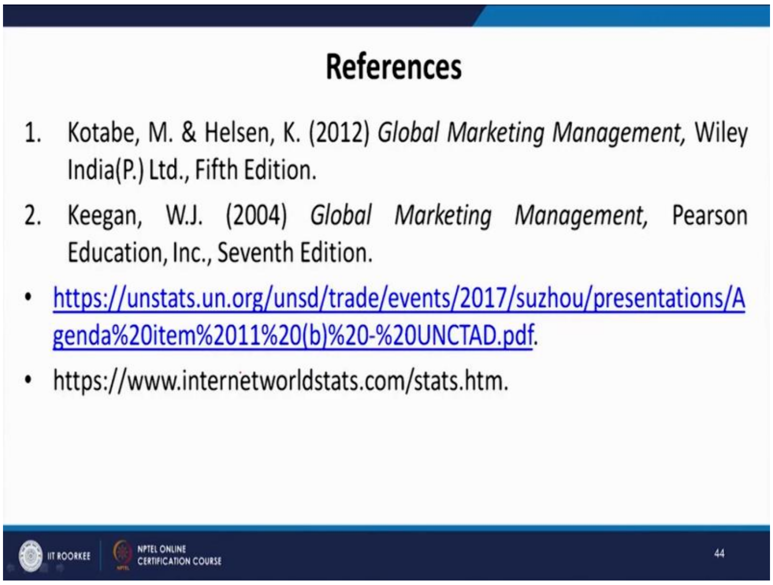

And these are the references or the books from where these this module was taken. And if you want to understand more about global strategy, then you can go through this additional material. Thank you.