对外经济贸易大学
UNIVERSITY OF INTERNATIONAL BUSINESS AND ECONOMICS

Chapter 5

Competing in Foreign Markets

Learning Objectives

- Why Companies Expand into Foreign Markets
- Strategy Options for Entering and Competing in Foreign Markets
- The Quest for Competitive Advantage in Foreign Markets

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Objective 1

Why Companies Expand into Foreign Markets

The Four Big Strategic Issues in Competing Multinationally

- Whether to ***customize*** a company's offerings in each different country market to match preferences of local buyers or offer a mostly ***standardized*** product worldwide
- Whether to employ essentially the same basic ***competitive strategy*** in all countries or modify the strategy country by country
- Where to ***locate*** a company's production facilities, distribution centers, and customer service operations to realize the greatest locational advantages
- Whether and how to efficiently transfer a company's ***resource strengths*** and ***capabilities*** from one country to another to secure competitive advantage

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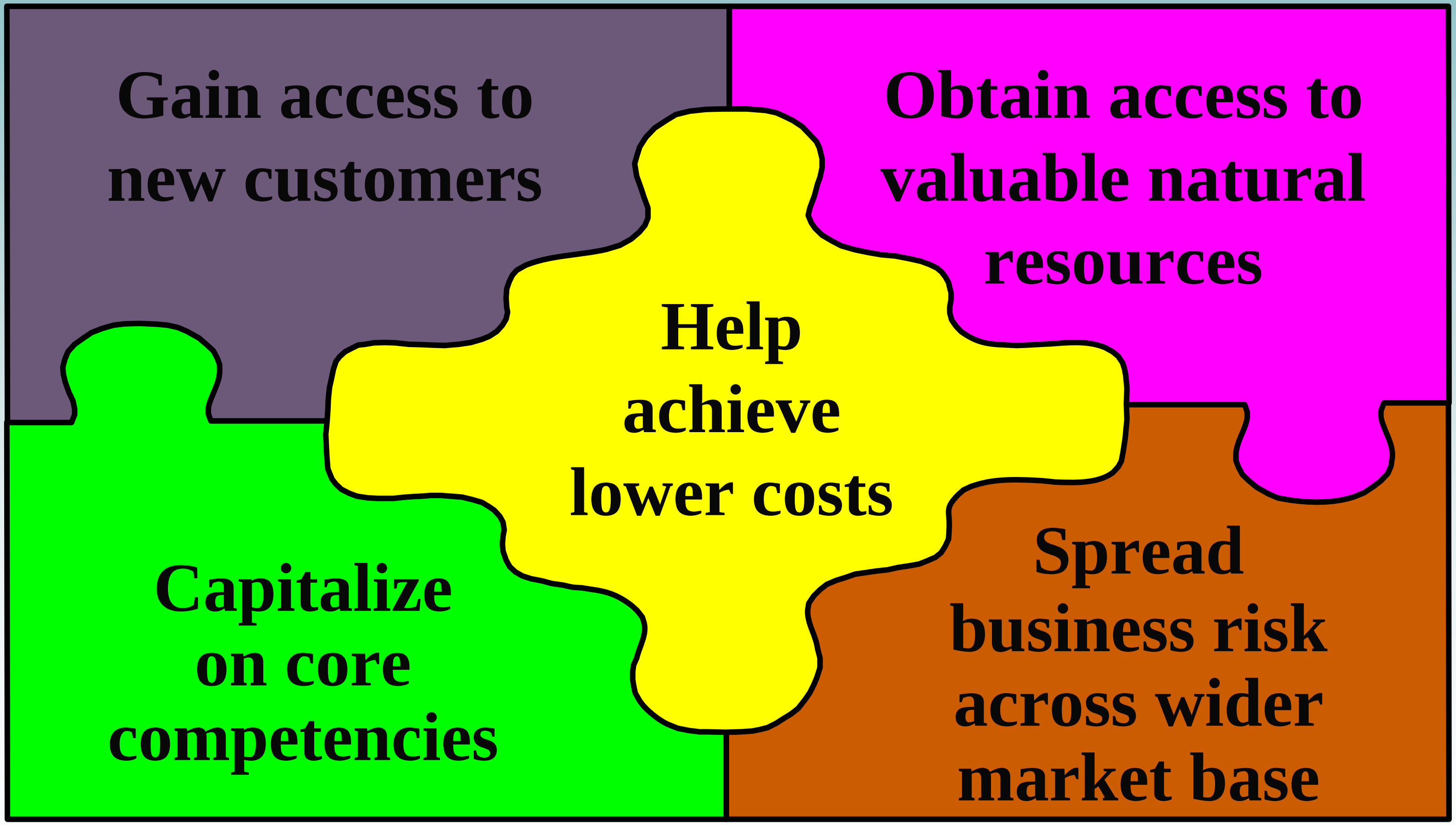
What Is the Motivation for Competing Internationally?



International vs. Global Competition

International Competitor

Company operates in a select few foreign countries, with modest ambitions to expand further

Global Competitor

Company markets products in 50 to 100 countries and is expanding operations into additional country markets annually

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Cross-Country Differences in Cultural, Demographic, and Market Conditions

- Cultures and lifestyles differ among countries
- Differences in market demographics
- Variations in manufacturing and distribution costs
- Fluctuating exchange rates
- Differences in host government economic and political demands

How Markets Differ from Country to Country

- Consumer tastes and preferences
- Consumer buying habits
- Market size and growth potential
- Distribution channels
- Driving forces
- Competitive pressures

Different Countries Have Different Locational Appeal

- Manufacturing costs vary from country to country based on
  - Wage rates
  - Worker productivity
  - Natural resource availability
  - Inflation rates
  - Energy costs
  - Tax rates
- Quality of the business environment varies from country to country
- Suppliers, trade associations, and makers of complementary products often find it advantageous to cluster their operations in the same general location

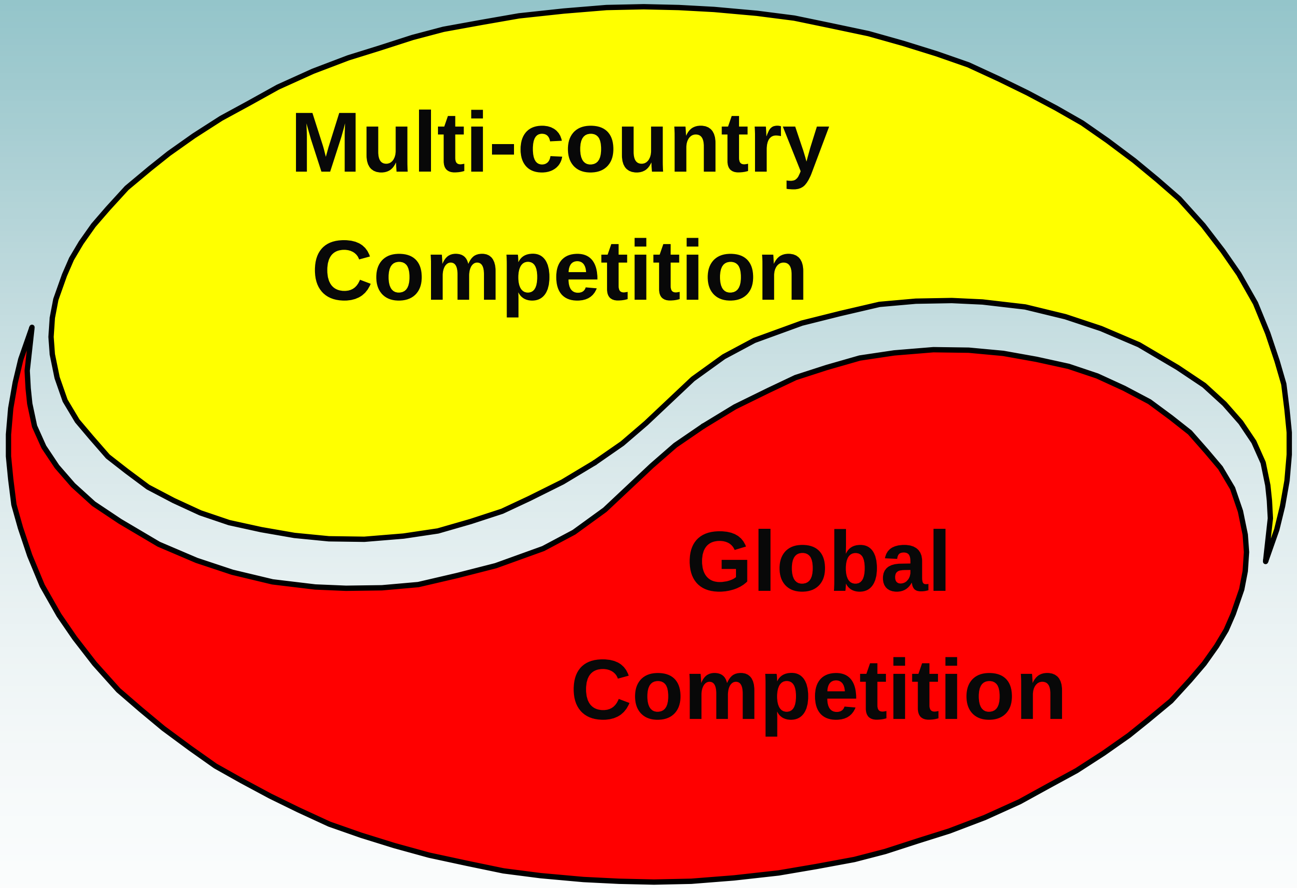
Fluctuating Exchange Rates Affect a Company′s Competitiveness

- Currency ***exchange rates*** are ***unpredictable***
  - Competitiveness of a company's operations partly depends on whether exchange rate changes affect costs favorably or unfavorably
- ***Lessons*** of ***fluctuating exchange rates***
  - Exporters always gain in competitiveness when the currency of the country where goods are manufactured grows weaker
  - Exporters are disadvantaged when the currency of the country where goods are manufactured grows stronger

Differences in Host Government Trade Policies

- Local content requirements
- Restrictions on exports
- Regulations on prices of imports
- Import tariffs or quotas
- Other regulations
  - Technical standards
  - Product certification
  - Prior approval of capital spending projects
  - Withdrawal of funds from country
  - Ownership (minority or majority) by local citizens

Two Primary Patterns of International Competition



Characteristics of Multi-Country Competition

- Market contest among rivals in one country not closely connected to market contests in other countries
- Buyers in different countries are attracted to different product attributes
- Sellers vary from country to country
- Industry conditions and competitive forces in each national market differ in important respects

Objective 2

Strategy Options for Entering and Competing in Foreign Markets

Strategy Options for Competing in Foreign Markets

- Exporting
- Licensing
- Franchising strategy
- Multi-country strategy
- Global strategy
- Strategic alliances or joint ventures

Objective 3

The Quest for Competitive Advantage in Foreign Markets

The Quest for Competitive Advantage in Foreign Markets

- ***Three ways*** to ***gain competitive advantage***

  1. ***Locating activities*** among nations in ways that lower costs or achieve greater product differentiation

  2. ***Efficient/effective transfer*** of competitively valuable ***competencies and capabilities*** from company operations in one country to company operations in another country

  3. ***Coordinating dispersed activities*** in ways a domestic-only competitor cannot

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Transferring Valuable Competencies to Build a Global Competitive Advantage

- ***Transferring*** competencies, capabilities, and resource strengths across borders ***contributes to***
  - Development of broader competencies and capabilities
  - Achievement of dominating depth in some competitively valuable area
- Dominating depth in a competitively valuable capability is a strong basis for ***sustainable competitive advantage*** over
  - Other multinational or global competitors ***and***
  - Small domestic competitors in host countries

Coordinating Cross-Border Activities to Build a Global Competitive Advantage

- ***Aligning activities*** located in different countries ***contributes*** to ***competitive advantage*** in several ways
  - Choose where and how to challenge rivals
  - Shift production from one location to another to take advantage of most favorable cost or trade conditions or exchange rates
  - Use Internet technology to collect ideas for new or improved products and to determine which products should be standardized or customized
  - Enhance brand reputation by incorporating same differentiating attributes in its products in all markets where it competes

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Achieving Global Competitiveness via Cooperation

- Cooperative agreements / strategic alliances with foreign companies are a means to
  - Enter a foreign market or
  - Strengthen a firm's competitiveness in world markets
- Purpose of alliances
  - Joint research efforts
  - Technology-sharing
  - Joint use of production or distribution facilities
  - Marketing / promoting one another's products

Summary

Most issues in competitive strategy are the same for domestic companies and companies that compete internationally. But there are four strategic issues unique to competing across national boundaries that merit the strategic attention of multinational companies.