

Chapter 13: the strategy of international business



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core competence Firm skills that competitors cannot easily match or imitate.

economies of scale Cost advantages associated with large-scale production.

ON CHAPTER 13: THE STRATEGY OF INTERNATIONAL BUSINESS SPECIFICALLY FOR YOU FOR ONLY \$13.90/PAGE Order Now experience curve Systematic production cost reductions that occur over the life of a product.

global standardization strategy Focuses on increasing profitability and profit growth by reaping the cost reductions from economies of scale, learning effects, and location economies.

global web When different stages of the value chain are dispersed to those locations around the globe where value added is maximized or where costs of value creation are minimized.

international strategy Taking products first produced for the domestic market and sell them internationally with only minimal local customization, creates value by transferring core competencies to foreign markets where indigenous competitors lack those competencies.

learning effects Cost savings from learning by doing.

localization strategy Focuses on increasing profitability by customizing goods or services so that they match local tastes and preferences in different national markets.

location economies Cost advantages from performing a value creation activity at the optimal location for that activity.

logistics The procurement and physical transmission of material through the supply chain, from suppliers to customers.

One Ford strategy Business strategy of minimizing the number of business platforms to those that can be used everywhere in the world.

operations The different value creation activities a firm undertakes.

processes Manner in which decisions are made and work is performed.

production Activities involved in creating a product.

profit growth The percentage increase in net profits over time.

profitability the rate of return

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the firm makes on its invested capital strategy Actions managers take to attain the firm's goals. transnational strategy Achieve low costs through location economies, economies of scale, and learning effects, transfer core competencies within the firm, pay attention to local responsiveness universal needs Needs that are the same all over the world, such as steel, bulk chemicals, and industrial electronics. value creation Performing activities that increase the value of goods or services to consumers. values Abstract ideas about what a society believes to be good, right, and desirable. Ways to improve profitability and profit growth

1. add value

2. lower costs

3. sell more in existing markets

4. expand internationally

Attributes of value creation

1. Value creation is measured by the difference between V and C

2. Firm can create value by converting the cost C into a product on customer can put a value of V

3. Create more value either by lowering product cost, C, or making product more attractive through superior design, styling, functionality, features, reliability, after-sales services, etc. so that customers can place a greater value on (V increases) and are willing to pay a higher price (P increases)

So, a firm has high profits when it create more value for its customers and does so at lower cost

Strategies for creating value

1. Using a differentiation strategy (Adding value to a product so that customers are willing to pay more for it) to increase the attractiveness

2. Using a low cost strategy to lower the cost

Value creation activities

Primary activities

R&D

Production

marketing and sales

customer service

2. Support activities

information systems

logistics

human resources

Ways to increase profitability and growth rate in

international firms

1. Expand their market by sell in international markets

2. Realize location economies by dispersing value creation activities to locations where they can be performed most efficiently and effectively

3. Realize greater cost economies from experience effects

4. Earn a greater return by leveraging skills developed in foreign operations and transferring them elsewhere in the firm

Advantage of location economies

- a. Firms can lower the costs of value creation and achieve a low cost position

- b. firms can differentiate their product offering from those of

competitors

Factors of experience curve

Learning Effects

Economies of scale

Global marketplace competitive pressures:

1. Pressures for cost reductions

2. Pressures to be locally responsive

Pressures for cost reductions are

1. In industries producing commodity type products that fill universal needs where price is the main competitive weapon

2. When major competitors are based in low cost locations

3. Where there is persistent excess capacity

4. Where consumers are powerful and face low switching costs Pressure to be

locally responsive

1. Differences in distribution channels

need to be responsive to differences in distribution channels between countries

2. Host government demands

economic and political demands imposed by host country governments may require local responsiveness