International strategy

Business, Strategy

Most international companies have created value by transferring differentiated product offerings developed at home to new markets overseas. Consequently, they tend to centralize product development functions, in their home country. However, they also tend to establish manufacturing and marketing functions in each major country in which they do business. Although they may undertake some local customization of product offering and marketing strategy, this tends to be limited in scope.

Ultimately, as in most international companies, the head quarters, based in London, retained tight control over marketing and product strategy. An international strategy makes sense if a company has valuable unique competencies that local competitors in foreign markets lack and if the company faces relatively weak pressures for local responsiveness and cost reductions. In such situations, an international strategy can be very profitable .

However, when pressures for local responsiveness are high, companies pursuing this strategy lose out to companies that place a greater emphasis on customizing the product offering and market strategy to local conditions. Furthermore, because of the duplication of manufacturing facilities. Therefore, this strategy is often unsuitable for industries in which cost pressures are high. Multidomestic Strategy A multidomestic strategy orient themselves toward achieving maximum local responsiveness.

As with companies pursuing an international strategy, they tend to transfer skills and products developed at home to foreign markets. However, unlike international companies, extensively customize both their product offering and their marketing strategy to different national environments, Consistent with this approach, also tend to establish a complete set of activities--including production, marketing, and R&D in each major national market in which it is doing business. As a result, generally does not realize value from experience-curve effects and location advantages and, therefore, often have a high cost structure.

A multidomestic strategy makes most sense when there are high pressures for local responsiveness and low pressures for cost reductions. The high cost structure associated with the replication of production facilities makes this strategy inappropriate in industries in which cost pressures are intense. Another limitation of this strategy is that have developed into decentralized groupings in which each national subsidiary functions in a largely autonomous manner Transnational Strategy

Pret A Manger whose operations are spread across several locations worldwide and are not confined to any country or a region and since pursue low cost and product differentiation at the same time are referred to as transnational companies. In essence, transnational companies operate on a global level while maintaining a high level of local responsiveness. A transnational strategy makes sense when a company faces high pressures for cost reductions and high pressures for local responsiveness. Pret A Manger which pursues a transnational strategy, basically tries to achieve low-cost and differentiation advantages simultaneously.

Although this strategy looks attractive, in practice it is a difficult strategy to pursue. Pressures for local responsiveness and cost reductions place conflicting demands on the company. Local responsiveness raises costs, which clearly makes cost reductions difficult to achieve. Although a transnational strategy apparently offers the most advantages, it should be remembered that implementing it raises difficult organizational issues. The appropriateness of each strategy depends on the relative strength of pressures for cost reductions and for local responsiveness.