

Competitive strategy- car industry in china peugeot aaa- diversification and integr...

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Competitive Strategy-car industry in china peugeot/AAA-Diversification and Integration-Competitive advantage-Absolute advantage

Car industry DIVERSIFICATION AND INTERGRATION The car industry in china, Peugeot, has received world attention for its high levels of integration and diversification and more importantly the relevance of its automotive products. The level of the duo in the car industry in China has been described as representing the level of the country's economic development, which attract the colossal world attention. The following are the areas where diversification and integration has been explored in a very relevant way in its automotive dealings: China car industry has immensely gone into increased outsourcing and bundling of more valuable chain activity in supply firm. This in away has increased trade while increasing the capability of the suppliers in the country. Another area of integration is the direct investment, global production and cross border which lead in a dramatic boom in the sale of the vehicles in the industry of Peugeot in China industry.

China car industry has embrace the aspect of carrying out the product design, production of most engines and transitions and above all, they do the assembly of the automotive in the same facility. This is what they have diversified into and integrated into so that all is done under one roof. This has come with its shortcomings. The concentration of highly integrated industry such as china industries has the tendency of creating barrier to entry and limits the upgrading of smaller firms because of what economist term as cannibalization of smaller industries through integration and diversification of bigger industries (KNECHT, 2014, p. 57).

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COMPETITIVE ADVANTAGE

Competitive advantage is what the China industry has in possession that is unique to other industries and act as an advantage in the market. Some of this uniqueness is natural while others are developed which give it an assortment of advantage to outperform other industries in the market. First china has a huge population with considerable purchasing power, which helps it sustain its own market even before they think of importing other model off car for its internal market or exporting their own for the clients that need their make. This boosts the manufacturing of the cars by this industry. Another area that the industry has tried to develop is the government coming in to help it develop a robust industry that can compete with other even stronger industries.

Most of the carmaker in China is mostly state owned enterprises (SOEs), the government usually provide massive financing necessary to create a domestic giant. Here, the maintenance of car part tariff at higher notch than others encourages a setup of local and domestic part supply network, which has placed china industry at a critical position when it comes to marketing. Finally, there is protectionism policy in the car industry of China. This has protected the industry from others more developed industries from countries such as Japan and Korea, which in themselves proved that the policy of government intervention can greatly contribute to quick expansion of the export-oriented automobile industry. The car industry of China is fully backed up by formal state industry policy for that matter since 1987 and then modified in 1994 to date. China has used this policies to regulate inward investment by screening, foreign equity limits and local content requirement

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to narrow the technology gap (PENG, M. W, 2009)

ABSOLUTE ADVANTAGE

In economy, this principle of absolute advantage is very important in industries that compete with other far much established and robust industries. In this principle China car industry, Peugeot, has been given an advantage to produce more cars and other products than other industries using the same resources with other competitors. Most of the policies have evolved toward globalization with an aim of promoting indigenous industries with harmonized industrial organization but with the car industry getting the absolute advantage in that line (SITKIN, & BOWEN, 2013).

SUMMARY

It has seen that car industry, Peugeot, to be precise has every advantage in every frontline that give it a better placement in market to get worldwide attention. In its tact, it has employed framework of Adaptation, Aggregation, and Arbitrage (AAA), Porter 3 generic strategies (cost leadership, differentiation, focus, and hybrid).

In addition, it has employed a lot diversification and integration that has increased the product on the market. China car industry in its frontier has also enjoyed the competitive advantage of high population it enjoys across the globe and protectionism policies.

Finally, China car industry also has employed the use of absolute advantage where they have been given a bigger ratio of resources that they use with other industries. This has justified its world attention that it gets from its competitors and across the globe, either in terms of competition or seeking the importing the goods.

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