Non-us business marketing essay

Business, Industries

Strategic Challenges and Problems in upcoming non-US marketsCompanies that compete globally in non US markets generally face two types of competitive pressures: pressures for cost reductions and pressures to be locally responsive.

International companies must cope with pressures for cost reductions. This is more so for industries producing items for exports for which price is the main competitive weapon. Pressures for cost reductions are also severe in industries in which the competitors are based in low-cost locations. Liberalization of the world trade environment is also expected to generally increase cost pressures because of greater international competition.

Countering pressures for cost reductions requires that a company minimize its unit costs. To attain this goal, the company has to base its value creating activities at the most favorable low-cost location anywhere in the world and offer a standardized product globally in order to ride down the experience curve as quickly as possible. In contrast, responding to pressures to be locally responsive requires that a company differentiate or customize its product offering and marketing strategy from country to country in an effort to cater to the different consumers' tastes and preferences, business practices, distribution channels, competitive conditions, and governmental policies. Since differentiation across countries involve significant duplication and a lack of product standardization, it raises costs. Dealing with these conflicting and contradictory pressures is a difficult challenge for the company, mainly because being locally responsive tends to raise costs. RESPONSIVENESS TO LOCAL NEEDS-POLANDPressures for local responsiveness crop up due to differences in consumers' tastes and preferences, differences in infrastructure, differences in distribution channels, and the demands of the host government. Consumers' tastes and preferences differ significantly between countries due to historic or cultural reasons.

This typically required entrusting the production and marketing decisions to local subsidiaries. Pressures for local responsiveness also cropped up due to differences in infrastructure and traditional practices among countries, creating a need to customize products suitably. This again required the delegation of manufacturing and production functions to local subsidiaries. Main issues that confronted the management of the companyNEED FOR GLOBAL EXPANSIONExpanding globally allows companies to increase their profitability which is not-possible to purely domestic enterprises. Companies that operate internationally : i) earn a greater return from their unique competencies; ii) realize location advantages by dispersing different value creation activities to those locations where they will be performed most efficiently; and iii) come down the experience curve faster than the competitors, thereby offering more competitive products to the consumers. UNIQUE COMPETENCIESUnique competencies are the unique strengths that allow a company to achieve superior efficiency, quality, innovation, or customer responsiveness. Such strengths are typified by product offerings that other companies find difficult to match or imitate.

Thus, unique competencies are vital for a company's competitive advantage. They enable a company to lower costs and also differentiate its product offerings. LOCATION ADVANTAGESLocation advantages are those that occur from performing a value creation activity in the most advantageous location for that activity- in whichever part of the world that might be. Locating a value creation activity in the most favorable location for that activity have one of two effects. It : i) lowers the costs of value creation, helping the company achieve a low-cost position or ii) enable a company to differentiate its product offering and charge a premium price. The basic assumption is that by dispersing its manufacturing and design activities, a firm will be able to establish a competitive advantage for itself in the global marketplace.

EXPERIENCE CURVEExperience curve refers to the systematic decrease in production costs that occur over the life of a product. Learning effects and economies of scale lie behind the experience curve and moving down that curve allows a company to lower the costs. Most of the sources of experience-based cost economies are generally found at the plant level. Dispersing the fixed costs of building productive capacity over a large output reduced the cost of producing a product. Hence the answer to riding down the experience curve as rapidly as possible is to increase the accumulated volume produced by a plant as quickly as possibleBusiness Strategies that that management implemented to turn around the companyCompanies use four basic strategies to enter and compete in the international environment. Each of these strategies has its advantages and disadvantages. International StrategyMost 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. 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.

Multidomestic StrategyPursuing 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. 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. Transnational StrategyOperations 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. 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. Lessons that could be drawn from this strategic turnaroundInternational expansion involves establishing significant market interests in new countries. Additional foreign markets provide additional sales opportunities for the firm that may be constrained by the relatively smaller number of countries at present exporting.

Firms expand globally to seek opportunity to earn a return on large investments such as plant and capital equipment or research and development, or enhance market share and achieve scale economies, and also to enjoy advantages of locations. Other motives for international expansion include extending the product life cycle, securing key resources and using low-cost labor. Expansion into foreign markets can be achieved through: Licensing: Licensing permits a company in the target country to use the property of the licensor. Such property usually is intangible, such as trademarks, patents, and production techniques. The licensee pays a fee in exchange for the rights to use the intangible property and possible for technical assistance.

Licensing has the potential to provide a very large ROI since this mode of foreign entry also does require additional investments. However, since the licensee produces and markets the product, potential returns from manufacturing and marketing activities may be lost. Joint Venture: There are five common objectives in a joint venture: market entry, risk/reward sharing, technology sharing and joint product development, and conforming to government regulations. Other benefits include political connections and distribution channel access that may depend on relationships. Joint ventures are favored when:• The partners' strategic goals converge while their competitive goals diverge;• The partners' size, market power, and resources are small compared to the industry leaders;• Partners' are able to learn from one another while limiting access to their own proprietary skills. The critical issues to consider in a joint venture are ownership, control, length of agreement, pricing, technology transfer, local firm capabilities and resources, and government intentions.

Potential problems include, conflict over asymmetric investments, mistrust over proprietary knowledge, performance ambiguity — how to share the profits and losses, lack of parent firm support, cultural conflicts, and finally, when and how when to terminate the relationship. Direct Investment: Direct investment is the ownership of facilities in the target country. It involves the transfer of resources including capital, technology, and personnel. Direct investment may be made through the acquisition an existing entity or the establishment of a new enterprise. Direct ownership provides a high degree of control in the operations and the ability to better know the consumers and competitive environment it requires a high degree of commitment and substantial resources. There are three major strategy options for international expansion: Multidomestic: The organization decentralizes operational decisions and activities to each country in which it is operating and customizes its products and services to each market. Global: The organization offers standardized products and uses integrated operations.

Managing Global Supply Chains to Enhance CompetitivenessLogistics capabilities make or mar global operations. Global operations involve highly coordinated international flow of goods, information, cash, and work processes. Setting up a global supply chain to support producing and selling products in many countries at the right cost and service levels is a difficult task. However the benefits of managing this difficult task has many benefits, which include rationalization of global operations by setting up right number of factories and distribution centers and integration of far-flung operations under a unified command to better manage inventory and order filling activities. Optimizing global supply chain operations can cut the delivery times and costs drastically and improve global competitiveness. Smart supply chain planning may result in locating facilities where they make the most logistical sense.

References1. Hamel, G,(2001) International Business: Environments and Operations, Harvard Business review.