



International Marketing

BMA6100-20



From the last lecture

- Discussed the first step of international marketing : market attractiveness assessment.
- Learnt some market size estimation technique, such as the Funnel Approach.



What is in this lecture?

- Every firm needs to analyse its competitiveness. How should they do it?
- Define the concept of international competitiveness in a broader perspective from a macro to micro level.
- Discuss how firms develop competitive advantage in the international market.
- Discuss the factors influencing the firm's international competitiveness.
- Explain the steps in competitive benchmarking technique and provide relevant examples.
- Competitive benchmarking can be useful in Country Manager analysis.

Competitive Advantage : What is it?

It is about a concept that a product or service can be produced more efficiently than others due to a number of factors.



Competitive Advantage : Importance

What are the reasons that customers do business with you rather than others?

If a successful competitor offers a reduced price in a market, what does this tell you about spending habit in the market?



Understanding of a firm's competitive advantage

To understand firm's international competitiveness, analysis in three stages is required:

- ❑ Analysis of national competitiveness (the Porter diamond)- macro level
- ❑ Competition analysis in an industry (Porter's five forces)- meso level
- ❑ Value chain analysis- micro level:

(1) Competitive Triangle Model

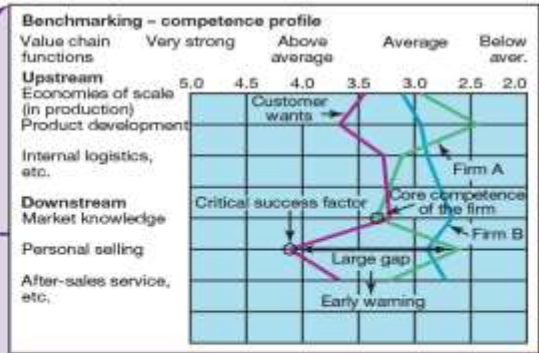
(2) Benchmarking



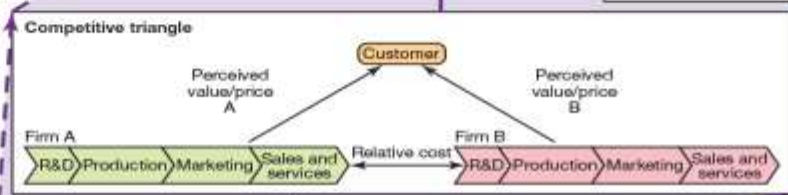
MICRO

MESO

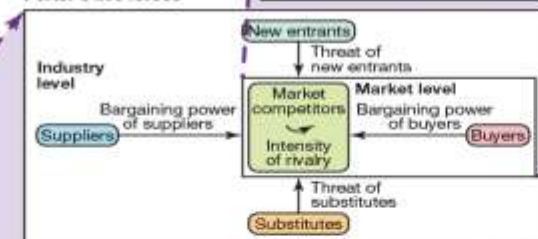
MACRO



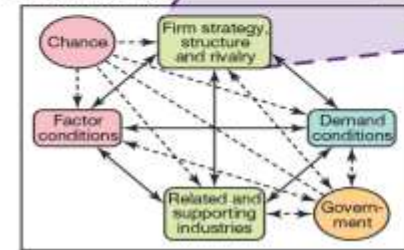
Section 4.4 Value chain analysis



Section 4.3 Porter's five forces



Section 4.2 The Porter diamond



Development of firm's international competitiveness

Porter's Diamond Model

The characteristics of the home market play a central role in explaining the international competitiveness.

Explaining elements are:

- Factor conditions
- Demand conditions
- Related and supporting industries
- Firm strategy, structure and rivalry
- Government
- Chance

Factor Conditions

- Basic factors nationally can provide competitive advantage internationally : climate, oil, minerals
- But also advanced factors: human resources (skills)
- Example: India is leading in IT industry due to advanced- and highly educated people specifically in Bangalore.



Electronic City in Bangalore



International Tech Park (ITPL) in Bangalore

Demand Conditions

- Firms gain competitive advantage internationally due to presence of high demand, large market size and high rate of growth rate in their home market.
- Examples:
- Sweden is a dominant country in the world in the high voltage distribution market due to high demand in the home market.
- The same situation applies in Solar Panels in Germany.
- Can you think of other examples?

Related and supported industries

- Competitive advantage requires presence of suppliers and related industries within a region.
- Able to attract labour in an industry.
- Examples: Local presence of shoe making machineries in Italy.

Firms strategy, structure and rivalry

- Porter believes that firms can develop competitive advantage internationally if there is fierce competitive environment in the home market.
- Example: Fierce competition in Germany between BASF, Hoechst and Bayer, makes Germany as a one of the leading countries in pharmaceutical industry.

Government

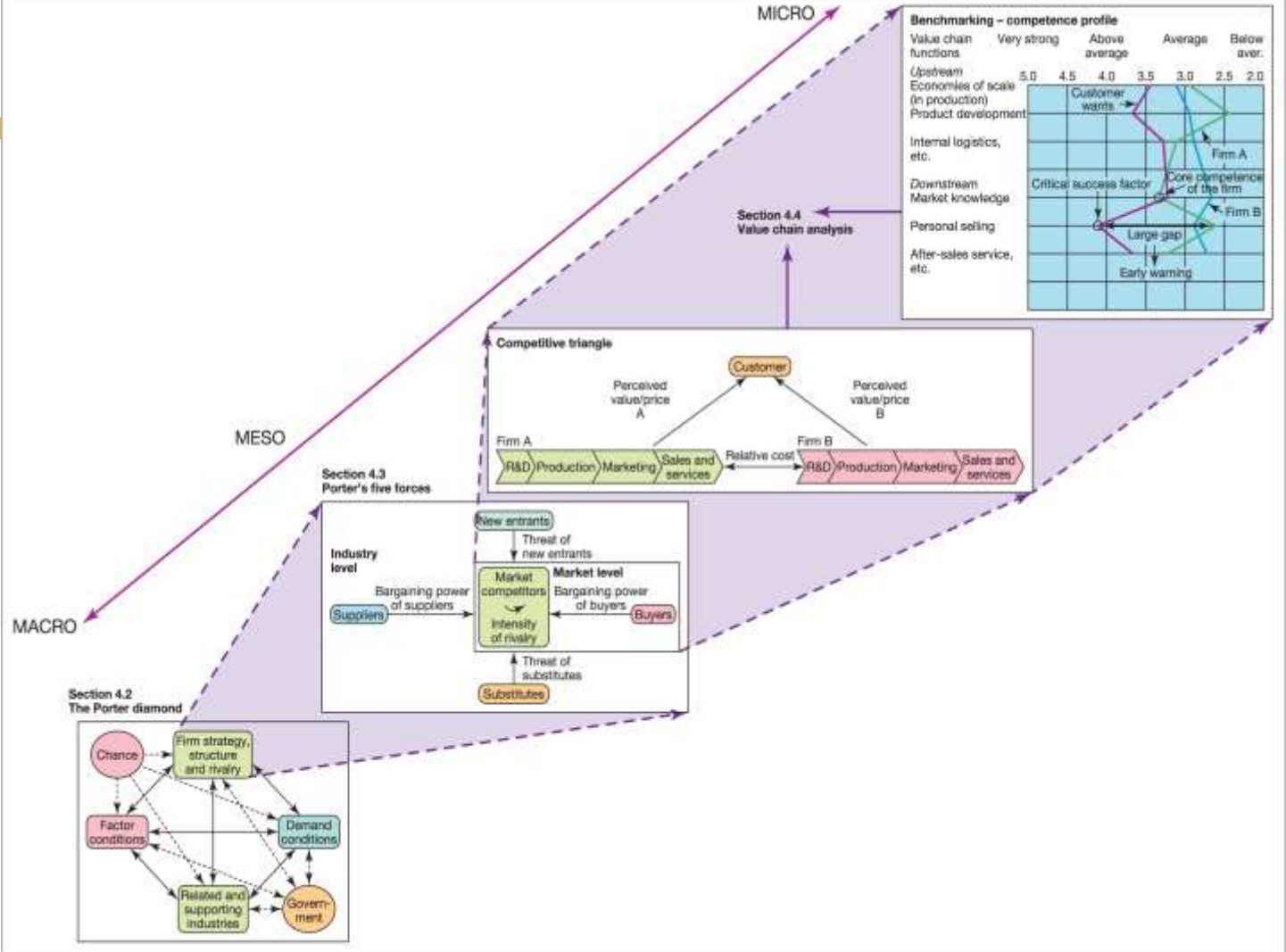
- Government policies are central in providing competitive advantage.
- Example: Indian government policy in liberalisation and privatisation of industries started from 1984 was a key factor in the success of Indian software industry worldwide.
- California's huge investment in technology and innovation: Silicon Valley.

Chance

- Competitive Advantage can happen due to random events.



The Y2K problem in 1999, increased demand for services of Indian software firms.



Competitive advantage in an industry

- At industry level, the Porter five forces model can be used (this is different than Porter's diamond model).
- The state of competition and profit potential in an industry depends on five competitive forces:
 - new entrants, suppliers, buyers, substitutes, and market competitors.

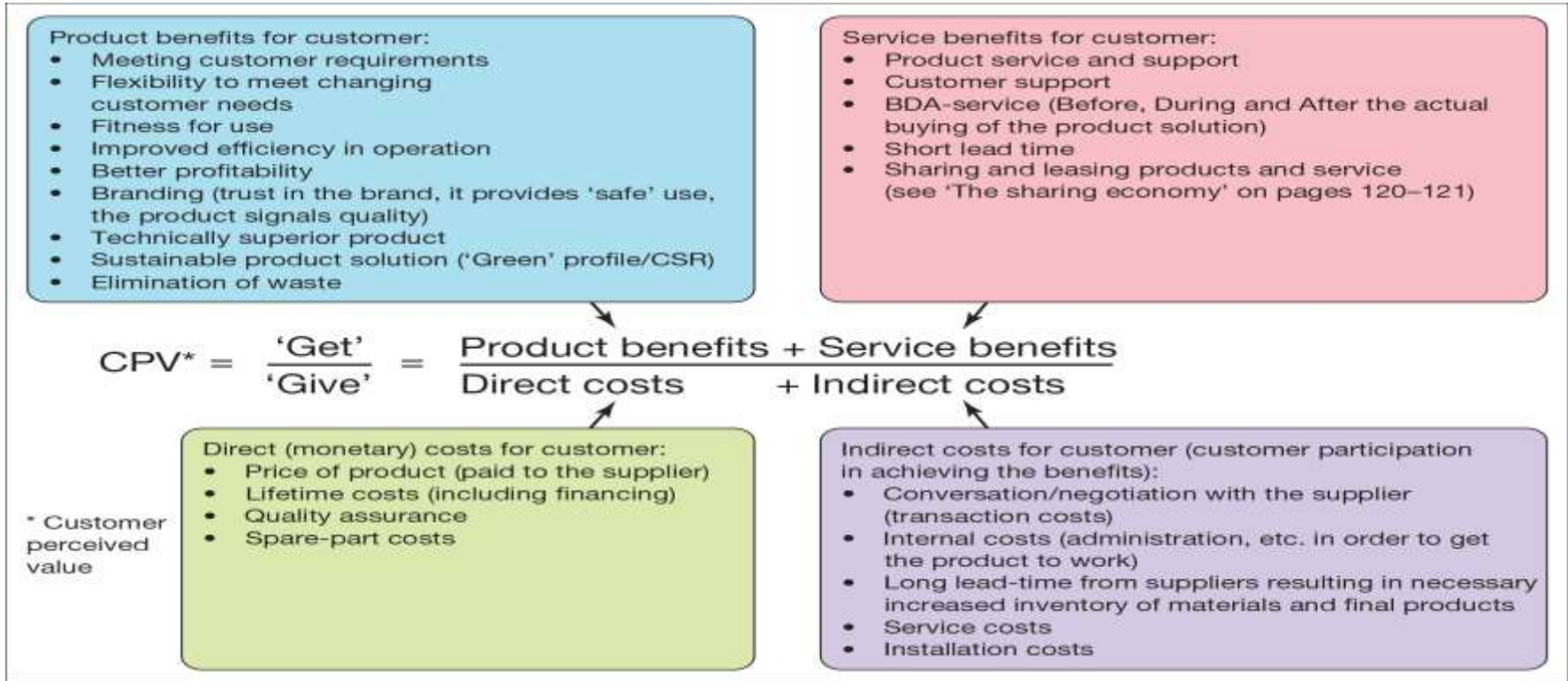
Value Chain

- 'A categorization of the firm's activities providing value for the customers and profit for the company' (Hollensen,2014).
- We are going to use this concept quite a lot in this module.
- Two techniques can be used:
 - Competitive triangle
 - Competitive benchmarking

Competitive Triangle Model

- Consists of a customer, the firm and a competitor.
- The firm or competitor 'winning' the customer's favour depends on perceived value offered to the customer compared with the relative costs between the firm and the competitor (Hollensen, 2020).

Illustration of customer value (perceived value)

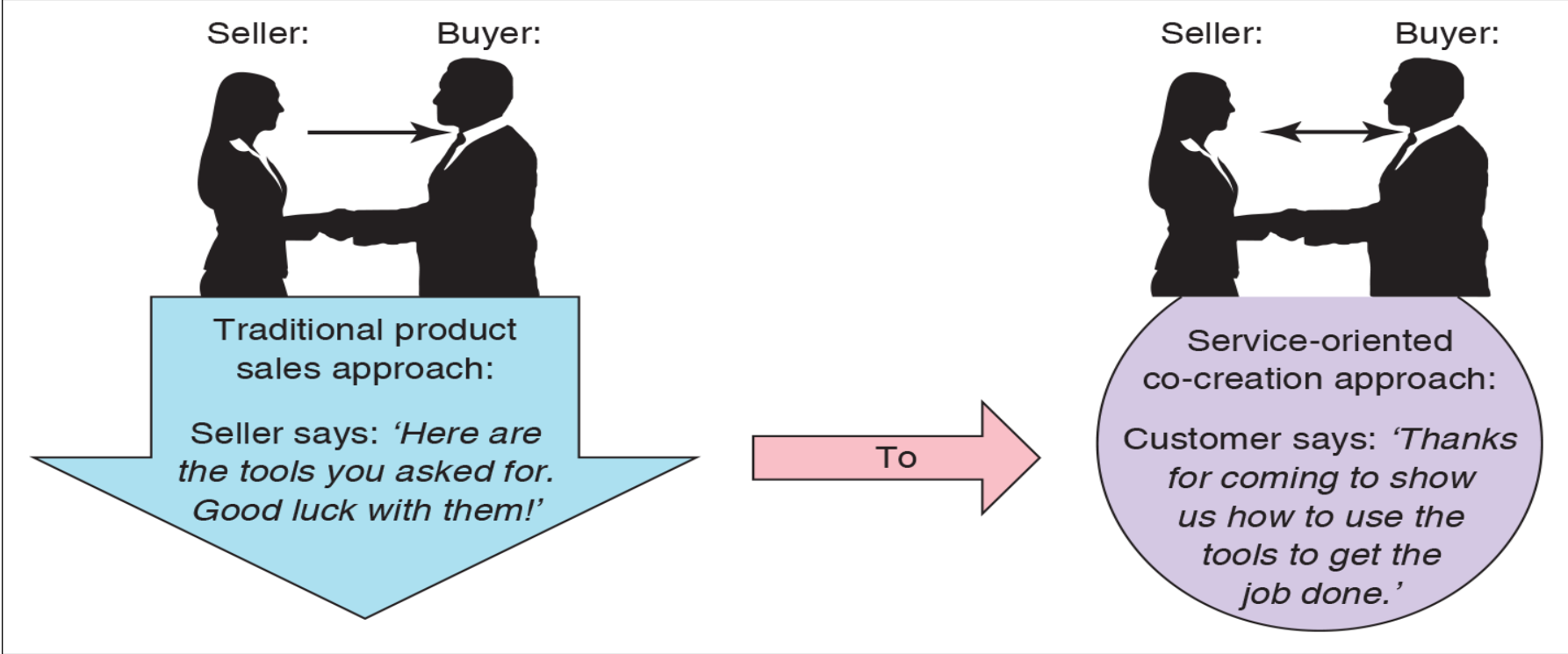


Hilti is selling the 'use' – not the product



Source: Nicholas Ratzenboeck/AFP/Getty Images.

Hilti's changing strategy from traditional product sales approach to a service-oriented co-creation approach



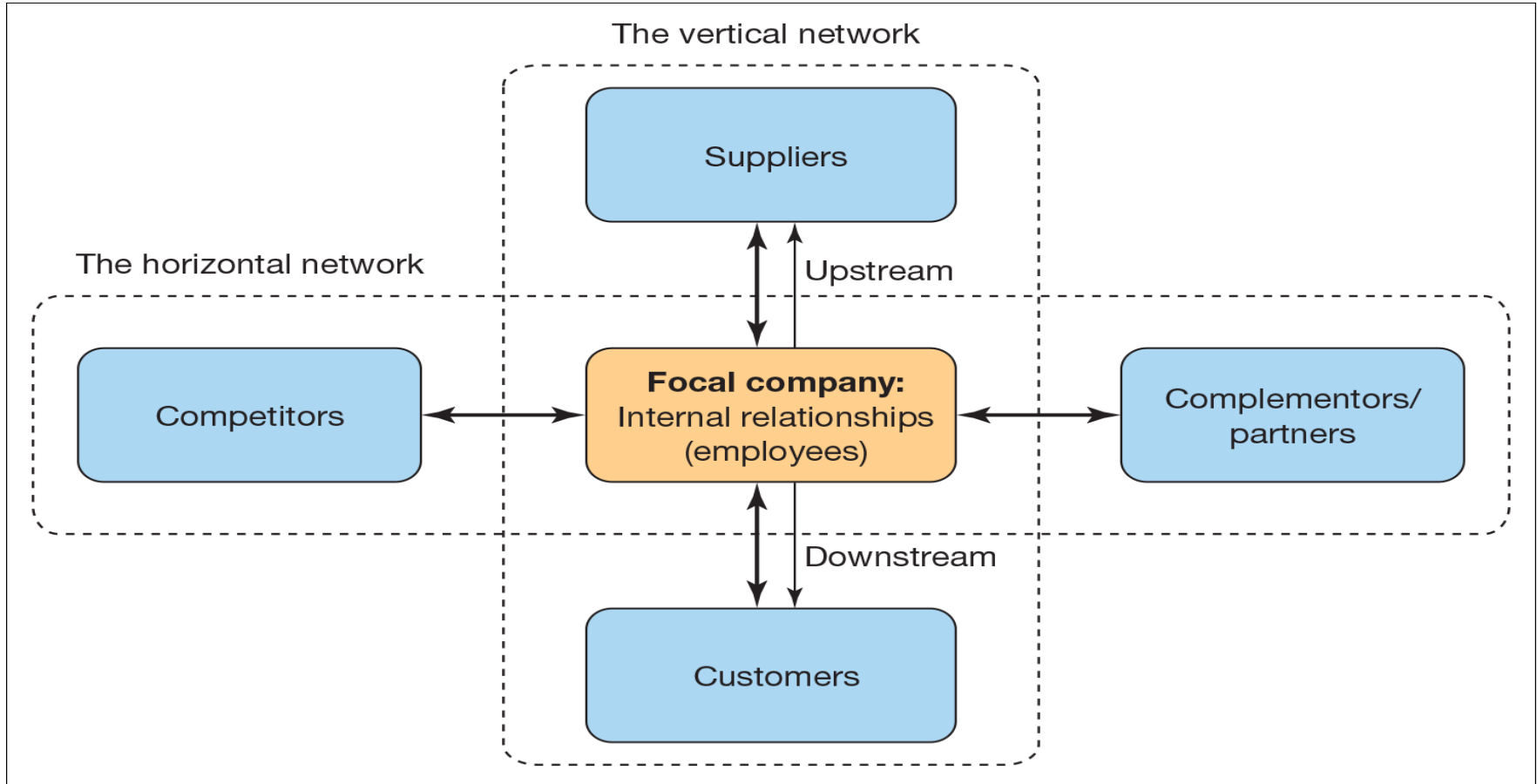
Examples of value chain functions (mainly downstream functions)	Customer Importance to customer (key success factors)					Own firm (Firm A) How do customers rate performance of our firm?					Key competitor (Firm B) How do customers rate performance of key competitor?				
	<i>High importance</i>			<i>Low importance</i>		<i>Good</i>			<i>Bad</i>		<i>Good</i>			<i>Bad</i>	
	5	4	3	2	1	5	4	3	2	1	5	4	3	2	1
Uses new technology															
High technical quality and competence															
Uses proven technology															
Easy to buy from															
Understands what customers want															
Low price															
Delivery on schedule															
Accessible for enquiries															
Takes full responsibility															
Flexible and quick															
Known contact person															
Provides customer training															
Takes account of future requirements															
Courteous and helpful															
Specified invoices															
Gives guarantees															
ISO 9000 certified															
Right first time															
Can give references															
Environment conscious															

Competitive Benchmarking Model



Other Models (To study as homework)

The value net



Value Net Model

A Company's value creation in collaboration with suppliers and customers (vertical network partners) and complementors and competitors (horizontal partners)

Check section 4.8 in Hollensen (2020, 8th edition, page 130)

Then watch the case study about William Demant Hearing Aids.

Finally.... The Blue Ocean Strategy Framework

Cost reduction

1. Which factors that the industry takes for granted can be eliminated?
2. Which factors should be reduced well below the industry standard?

Buyer value increase

1. Which factors should be raised well above the industry standard?
2. Which factors should be created that the industry has never offered?

