ANALYSIS OF KEY COMPETITIVE STRATEGIES EMPLOYED BY INTERNATIONAL COMPANIES

Korinnyi S. O. *Lecturer Ph.D. in Economics,*
Holianchuk A. R.

Ukraine, Zaporizhzhia, Zaporizhzhia National University

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ABSTRACT

Today there are plenty of companies that compete for customers' attention and loyalty. But some companies are successful and win in this battle, and others are being disappeared from markets. The reason of this is a successful or failing competitive strategy. There are a lot of factors that cause this choice and define its results. In the article there is provided a theoretical ground of types and key features of competitive strategies. It is proved with examples of companies that use them and the way they do it. There is also given an analysis of key factors that make these strategies and companies in general successful.

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Introduction. Today economies and markets are overflowed with goods and services. Customers have a possibility to choose and companies try to attract them by any means. Exploring the ways how they do this will let us understand the modern business world and key features of international markets.

Results. There are different kinds and levels of competitive strategies used by companies. First of all there should be determined a corporate strategy. It may be orientation on one kind of activity, related diversification and unrelated diversification. Then management of the company has to decide whether its competitive advantages come from cost leadership, differentiation of goods or focusing on a specific segment of market. After that there is defined a level of goods' customisation and the ways of their positioning and promotion on market.

If a company chooses the strategy of orientation on one kind of activity (or single-business strategy), it is going to work in one area and produce only one kind of goods or provide one kind of services [1, p. 571]. Among the world famous companies that use this strategy are Singapore Airlines and McDonald's. Singapore Airlines specialises on providing luxurious and comfortable flights. It develops strictly in this area and aims to be the world leader in introducing new technologies, fuel efficiency, high safety standards and as high customisation as possible. The company doesn't provide low-cost flights or any other alternatives. [2] Another global company McDonald's is famous for providing fast food. The menu may slightly vary in different countries depending on national traditions and taste preferences, but in the better part of cases it always includes beef burgers. The restaurants of this company are designed by one principle and characterised mainly by prompt service. They don't provide haute cuisine courses with delicate design and taste or usual restaurant courses. In every country it's possible to find there food that is convenient to be eaten on one's way and just with one's hands without a fork and a knife. The advantage of such strategy is a possibility to develop and continually improve products or services, using latest technologies and focusing on meeting customers' needs in the fullest manner. But the threat of its using is that a company becomes quite vulnerable to market changes and faces strong competition from substitutes. If its product or service becomes no more popular due to new inventions or new products, it is difficult for such company to change its activity [1, p. 571].

Related diversification implies operation in different but close to each other areas. One of the brightest examples of implementing this strategy is Disney company. It is famous for its movies and cartoons for children. They are shown on TV-channels of the company. The company builds entertainment parks for children that attract visitors by showing commercials on the channels, as well as using cartoon and movie characters in them. In turn, movies and cartoons are shown in the parks. All that increases sales of company's goods such as toys, cloth, sweets etc. This way Disney products and characters surround children everywhere and attract more and more. Among other advantages is lower dependency on market changes, reduction of risks if a company loses its competence in one market, scale effect and a possibility to use gained experience entering new markets. The disadvantage of this strategy is that it is difficult to control all processes and provide uniformity for activity in all areas. One more threat is that decline of one market may cause problems in related to it markets. [1, p. 571-573].

The strategy of unrelated diversification supposes operating in different markets and areas. It was very popular in 1960th. Among companies that use this strategy is Unilever. It is a multinational company producing goods in spheres like food and drinks, home care, personal care and water purifying. There are more than 400 brands of the company famous in a great number of companies, for example, Dove, Lipton, Domestos and Rexona. [3] The benefits provided by this strategy are the following: a holding company is able to accumulate more capital for development than any of its subsidiaries and there is a possibility to distribute this capital in necessary proportions; it lowers a level of risk, because if there is a decrease in one market, the company will have losses only in this field, while others will still generate profit; it is less vulnerable to competition on the part of other companies due to its size and operating in a number of markets. Despite all these benefits the strategy of unrelated diversification doesn't provide synergy effect i.e. a company can't use its advantages and experience got in one area to develop in another field. It is also difficult for a top management team to run a company, since they have to specialize on every market their company operates in. It requires extremely deep knowledge and a lot of resources to control and monitor activity of such company.

After this companies decide what is going to be their key advantage and source of benefits. It depends on type of products, target audience, countries, preferences of potential customers etc. According to this there are three ways of competing: providing the cheapest goods, providing goods with special features and providing a limited range of products for a specific market segment.

The first strategy is called cost leadership. Low prices are achieved thanks to well organised production process and big scale of manufacturing. But there will be almost no result without large distribution network. Among companies that use this strategy is Wal-Mart. It is famous for its low prices and discounts. There are 3 key factors that cause its success [4]:

- large sales volumes achieved by having 11000 stores, and only 4600 of them are in the US, in which customers can buy everything they need and at low prices;
- efficient supply chain system provided with own modern trucks, a great number of supplying centers and well organised routes;
- buying at low prices from suppliers that is reflected then in low prices for customers.

The strategy allows getting demand on the side of consumers but it also requires large scales, networks and capital turnover. The threat to companies like these is in the need of constant innovation and improvements, automation and optimisation that require remarkable investment inflows. Other companies that follow this strategy are Hyundai, LG, Acer, Suzuki etc.

Another way to win in a competitive battle is to create a product that can be well distinguished from others. This is a differentiation strategy. The manufacturers try to focus attention of customers on special features of their goods that are absent from others. It can be quality. For example, Rolex watches have a reputation of expensive and high-quality products and are more about image and status. The company supplies them only to a limited number of distributors in the whole world, sells them at the highest price and almost never provides discounts. [1, p. 575] The key reason for such policy is a brand and company image, because the real cost of these watches is much lower than they are sold for. Another bright example for this strategy is Apple. The company differentiates is products by design, software, additional devices and claims for high quality. One more component of the strategy is selling Apple devices only in Apple stores and repairing them without loss of warranty solely in Apple service centres. The software for them can be downloaded only from Apple sources. [5] As we can see the main benefit of differentiation is an ability to generate more profit over the real cost of goods due to company's image. But before that there should be spent a great amount of resources for creation of such brand. Among other companies that use this policy is Nikon, Calvin Klein, Samsung, Mercedes-Benz, Lexus etc.

Focusing strategy is the third way of dealing with competition. Companies choose to produce a limited range of products but they are able to meet needs of a specific target audience in the best way. The criteria for focusing may be geographical region, ethnical factors, level of income, tastes and preferences etc. This way companies try to tailor their products to consumers' needs. For example, car manufacturer Honda provides big and spacious vehicles for the Americans who prefer comfort. For developing countries it supplies cheaper cars that are able to be bought by locals. For those European countries where it is allowed to move with a higher speed, the company produces vehicles that can use this possibility. [1, p. 577] Japanese company Sony has recently also chosen a strategy of focusing. It is famous for manufacturing a great variety of electronic goods and household appliances. But the management of the company decided to focus on more profitable areas that require significant research and development part. It doesn't mean it won't produce goods like TVs and smartphones, but the better part of resources will be aimed at camera sensors, videogames and entertainment products. [6] The focusing strategy allows allocating resources in the most profitable sectors according to company's specialization. This way a company gets a chance to become a leader in this area thanks to its new developments and deep research activity. It requires investment engagement but is also able to generate profit.

One of the important components of a company's general strategy is a product strategy. A company that operates in international market and sells its goods at least in a couple of foreign countries has to decide whether to custom them to foreign markets or provide standardized products. According to this there are three possible approaches: ethnocentric, polycentric and geocentric.

If a company chooses ethnocentric approach, it is going to provide for foreign markets the same goods as for the domestic one. It means that it will apply the same price policy, promotion methods, and advertisement too [1, p. 804]. This approach is used by Ferrari. It exports about 95% of its cars to the countries of Europe, Middle and Far East, North America and Africa [7]. The key feature of these cars is a well-known and well-recognized in the whole world brand. That's why there is no need to change neither cars, nor promotion tools for other countries. The same approach is used by Chanel S.A. Products of this company are famous for being French and of a good quality. It is also a brand and people who buy it want it to be the same like in France. One of the benefits of such approach is low costs for entering a new market. But also it requires a strong brand. This way ethnocentric approach is beneficial mainly for companies with the world brand or for companies producing goods that do not vary from country to country.

Using a polycentric approach a company customs its goods and services to every market it operates in. In addition to that there are used different ways of positioning, promotion, pricing and advertising. The focus is made on maximal meeting customers' needs [1, p. 806]. Among companies that use this approach is Unilever. Some of its brands are global brands, i.e. they are present in all markets, and some are available only in specific countries. Moreover, one and the same product may have different name and logo from country to country. For example, produced by Unilever ice-cream is sold under different brands in 40 countries [8]. Sometimes this approach is used by Coca-Cola company. Taste of its drinks varies in some countries. For example, in Japan the soda "Sprite" does not contain lime, since people there prefer pure lemon taste [9, p. 287]. As we see, the key goal of this strategy is to meet customer needs and tastes as well as possible. It requires a lot of resources and costs both for production and promotion, but also helps to generate customers' loyalty and in perspective large income.

Geocentric approach implies supplying of standardised products to all markets. It also means that a company will use the same ways of promotion and positioning in all countries. [1, p. 808] One of the examples of using this approach is Starbucks company. It is possible to taste coffee of the same good quality in every country where it is present. In addition to coffee you'll also find good and careful service in every Starbucks' cafe [10, p. 6]. Another example is Coca-Cola company. Its soda tastes almost the same everywhere, has standardised packing and advertising that is easy to be recognised in every country. The key component of this approach is a well-known brand. But if ethnocentric concept is used when a product is associated with the country of its origin, this one considers the world as a one global market.

Usually international companies do not use only one approach. Quite often they combine one main concept with some elements of others. For example, Coca-Cola uses generally geocentric approach, but to be able to survive in some countries it changes its products customising them to local tastes and needs. Another example is Disney. Its entertainment park in Japan is absolutely identical to the ones in the US. The park creates American atmosphere and American style that are quite interesting for the Japanese to experience. Instead, in France and China Disneylands are very customised to local cultures including appearance of assistants and workers, decorations, language and even fairy tales. The reason is that people from these countries prefer national goods and services to foreign. [11] One more example is Mc Donald's. Previously its restaurants were always separate buildings. But now with appearing of a great number of malls and department stores it is possible to see them there too. As we can see companies always search for ways to reach their potential customers in the best way even if they have to make changes in their strategies.

Conclusions. Choosing a strategy is crucial for any company because without a strategy there is no way for developing. Analysing the strategies of international companies one can see that every company grounds on its competitive advantages. The key factors of their strategies are basic resources they have, whether it is human resources, R&D, well organised manufacturing and distribution processes, brand or history. And the one wins in competitive battle, which uses and develops these advantages.

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