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Question 1,

In considering an international marketing strategy that needs to be globally competitive what drivers would be relevant? In this regard discuss your strategy for global competitiveness. Apply your above discussion to a local product or service of your choice.

The global competitiveness of a product or service is highly depending on several factors and main on question of how you drive your product or service into the market with enough competitive features to manage the competition in the existing global market. In this point of view, there are several drivers that we need to consider and care of in driving our product. In simple words, the drivers would be the market, cost, government and competition. Going deep into each of these drivers would be straight answer to the question.

First relevant driver for international marketing will be the market itself. Market can be described as where all the buyers and sellers are together involved in trading the particular type of product. For example, if we are talking bout a car as our product, then our market will be the buyers, potential buyers, and other sellers of cars. The issue is mainly about sell, buy and compete. Markets are influenced by the trend and lifestyle of a particular community of target. For example, if we target global sales in Asia, then our market is highly influenced by the Asian people's lifestyle and current trend or better to be said as taste. For a particular product to be accepted in the current market, it should be first gain the trust of the buyers. The trust is involving the brand. Yes, this is another factor to be considered as driver to globalize marketing of the product. Having a brand together with the product won't be helpful without of global advertisement. Global advertising can be costly and it is very important for your brand to be recognized in the global market. Rather than this, market trend has shortened the lifecycle of most products. What you having today is not what you will be having tomorrow. This is the fact, today our product can be the best, but it's not for long, the lifecycle of our product are shorten due to the growing trend and change in the demand for more featured products.

Second driver would be cost. Cost is in everything. Now days there are no such thing as fully free. The cost is main factor of each and everything around us. Another word is money makes sense. International marketing is also about costing. The cost fully depending on the product development cost, advertising cost, research and development cost, and traveling cost for the product itself. When we export the product to another country, the product will be traveling from here to that country and this involves cost. We need to pay the export duty and tax. This cost can be cut down as the transportation increases and cost is lowered. This driver makes the product to be depending on all cost which it involves with and this is very important to decide whether our product will be accepted or not in the other country based on its cost competitiveness factor. It is a will know fact that a product can be competitive in the market as much as the product cost is lower and quality of the product promising. Taking back the previous example, assuming that we are going to market a local car internationally, once we have decided this, our product's global competitiveness is depending on our product's cost while this cost depending on the said driver which is the cost. This final cost involving all the cost factors mentioned earlier in this paragraph which is the transportation cost, export duty, tax and other cost. No business can run from paying this transportation cost, export duty and the tax when they come across marketing globally. Same applies to our product which car. We need to pay so much for marketing globally and therefore our product's price will increase when they reaches the foreign country. Our marketing power and product's competitiveness is driven by this cost factor.

Next driver would be the government. Both local government and foreign government play their important role in driving our product's global competitiveness. In general, I could conclude that many countries, encourages exporting and discourages importing. This is because there currency is traded in when export takes place while traded out when import takes place. Exporting will encourage growth of currency value rather than importing. Based on this factor, there are many countries around world which tries their maximum to drive out international products from trading in country. This is clear because there will be changes in tariff. The government will be trying to protect the local industries from being victim to global industry due to their global capability and strength. The concepts shows that a product can be globally competitiveness as the tariff barriers are lower. Government has the full power on the product or services whereas the can control tariff and apply barriers in many forms to protect local industry. Assuming our product is a car, this product will be facing varies form of barriers from the local government as well as foreign government. Let assume that we are having “Proton” Brand and we are trying to market our Proton branded car to foreign country which is United States. The United States country focuses mainly on quality of the product. If any of our products found to be defective, they will return all of our product stocks back to our country. What the United States government is trying to do here is, not only pretending to be quality concern for their citizen but also protecting their local industry by trying to play their maximum role in filtering global products. This is a disadvantage for our product and causing our product to lose or low in achieving global competitiveness. Therefore, the government is yet another driver in globalization.

And another driver is the competition. The global market is a widely opened playground for all sort of legal products to be traded. There is no one blocking no one. Each and all of us are competing in the global market. This is also a driver. When we do international marketing, we got to face many competitors which different capability and powering major share in the market for particular product sales. This is because many companies are developing their branches world wide centering their business. Therefore, when new competitor comes into the market, the other competitors will immediately push their business potential to maximum in motive of blocking the new comer. This is what the global competition is about. There is no stop for this competition. When we have decided to market our product internationally, automatically our product will be driven by the competitors. How much our product will be globally competitive is depending on how much competitors we have in market and their strength in powering the market. Coming back to our example, our Proton car, once we decided to market this car internationally, automatically our cars will be facing many more competitors. In local market, assuming we have 10 competitors but in international market, there will be 100 or more competitors. Our global competitiveness is depending on our competition and strength of each of our global competitors.

After studying the factors and drivers of global competitiveness, now we need to decide a good international marketing strategy. There is current 2 strategies, one is Pure

Multi-Domestic Strategy or Pure Global Strategy. Deciding on which strategy to follow is fully depending on our product's nature. Some products and business might suit well for Multi-Domestic strategy while some might only match with Pure Global strategy. If our product is soft drink, for example coca-cola, then I will choose multi domestic strategy as is it important for the product to be customized based on each country such as the language in the can and slogan of the coca-cola drink. But if we are talking about car global marketing then I will go for pure global strategy. Assuming we take car as our product and I suggest pure global strategy. In this strategy, I the product will be standard and same for all countries that we are selling it. Only the price will be different for each country. By this, we can assure than our product is world wide uniform and for competition factor, our competitors will be high and we can integrate across country and continue compete in the global market with same standard. This means, in Singapore we are competing with Honda and Toyota, and then in China also we will be facing the same competitor and will be competing with them using same standard. Although the numbers of competitors may vary from country to country but our competition will be standard level. Besides, pure global encourages centralized activity strategy. Means if we are producing advertisement, the advertisement will be same and standard for all countries. This ensures we can decide what to do when by just staying at one place. By this centralization, we can decide on increase or decreasing the advertisement in standard which will affect our market in all countries.

My conclusion is global competitiveness depending on drivers such as the market, cost, government and also competition. For this global marketing purpose we can adopt either multi domestic strategy or pure global strategy whereas they both are effective and productive strategies. Selecting one of them will be depending on the product's nature and capability. If we are marketing a car then I will suggest adopting pure global strategy. On the other hand, if we are marketing a soft drink then I will suggest adopting multi-domestic strategy.

Question 2,

Explain the effectiveness of Potter's Global Strategy and his approach to achieving a competitive advantage. Apply this strategy to a local product of your choice in a foreign market.

Michael Everett Porter is an American academic focused on management and economics. He is currently the Bishop William Lawrence University Professor based at Harvard Business School where he leads the Institute for Strategy and Competitiveness. His concept on competitive advantage; it is a function of either providing comparable buyer value more efficiently than competitors (low cost), or performing activities at comparable cost but in unique ways that creates more buyer value than competitors and hence command a premium price. And talking about global strategy, it can be defined as one in which a firm seeks to gain competitive advantages from its international presence through either a concentrated configuration, coordinating among dispersed activities or both.

Taking his word to more simplified version, we can say that a competitive advantage can be gained by offering more value to buyers comparing to our competitors. By thing, we are adding our self step ahead our competitors and gain more buyers. The fact is Porter focusing on making customers rather than just making money. This made his statement and strategy to be widely accepted and proven effective. The best of it is, most businesses on date are trying to empower his approach to gain competitive advantages. The motive behinds it is to win the market. Porter was straight to point that a product must have better value compared to our competitors to make it acceptable by more buyers. There are 2 concepts to gain competitive advantage from his point of view.

First is to be the cost leader. Our product's cost should be lower than our competitors to win the competition in current market. By cutting down the cost, we can ensure that our product is valuable and can reach many buyers. The lower your cost than your competitor, the high market you can steal from your competitors. When we lowered the cost, we can lower the selling price in the market. As the economic statement "decrease of price increases the demand". For example, assuming that we want to sell a MP Player, the market's low price is US Dollar 100 but we produce the same featured

MP3 player at much lower price at US Dollar 90. By this, the buyer compares our product with competitor's product and will identify our product is gives them better value in saving money for them. Therefore, they might buy our product and this enables us win the competitions. But we cannot push the market 100% to buy our product because there are other factors which can divert our buyers such as brand and royalty. This means, although we produce our MP3 player for USD 90 using brand "Dany" while our competitor produce MP3 and sells at USD 100 using his brand "Sony", then there will be buyers choosing "Sony" because of the brand and they believes that Sony provides more value rather than our product because they are differentiated.

Second is to be differentiated. As mentioned above, buyers are also concern about brands. This is the second concept of Porter in achieving competitive advantage. He mentioned that differentiating our product from our competitor will give us the competitive advantage. The value can be anything such as brand, trust, and additional features to the product. The practically explanation is, when we sell a product A while our competitors sells a product B which is also the same type of our product and giving us straight competition. To win the buyers, we need to add value to our product A better than our competitor. For example, we can give more worthy guarantee such as 30 days money back guarantee which will value add our product. Therefore the buyer the will choose the safe option of trading and accepts our value on the product A, we can win these buyers. This method is currently widely accepted in the market. Porter had mentioned that we can command a premium price to our product. If his words followed, we can increase small amount in the price of our Product A to give the value which is money back guarantee. Porter said it will be effective. I prefer to comment his words based on current market status. Here is the market situation; a hyper-market in Malaysia is selling board game, chess. There are many chess board available there one of it had the value which was mentioned above. Chess Brand A is RM10, Brand B is RM 13, and Brand C is RM 13. All of these chess boards look similar in design but different in price and value. Brand A and B do not have the value which is money back guarantee. But the Chess C has the value added and it is higher price comparing the competitors. When customers want buy the chess board, among the 3 brands, most of them choose Brand C which is actually high price. In the economic, we have studied that the logic that, "high price will cause demand to decrease while low price will cause the demand to increase”. But in practical Chess Brand C is high price but it is also high demand. Is this shows that the economic that we studied was wrong? None of us can give this statement but we might just answer it simply that “Porter said it right”. This is the fact, Porter’s approach and statement was right. Adding value to the product will win the competitors although we had imposed a premium price to provide the value. With this example, we cannot decline that porter’s approach toward gaining competitive advantage was correct.

Porter has his own way of teaching us the international market. According to his strategy, we must give priority and attention to configuration and co-ordination of organizational resources. By this, the business is advised to use the resources in a simple way without duplicating wasting resources. For example, if we have our Research and Development centre in Malaysia, and we are into international marketing tries to market in Japan then we should not have a R&D in Japan. We should only use our R&D resources in Malaysia to do all the research and development. We must be placed in one place and market to the world rather than placing our self in each of the country. This can help us to coordinate our existing resources to the need side without any waste or duplicates ensure our global business system are systematic and our world wide activities controlled and centralized. We can apply to strategy to a local product which is Proton Cars, assuming we want to market this car globally, then using Porter’s strategy, we should only place our resources at needed placed. For example, to market Proton car, if we know that we can produce it cheaply in China then our Production should only done in China. Thus we need a Research and Development centre, assuming the best place for this is United States then we only locate our R&D centre in that country. And our management will be in Malaysia. Therefore, we research and develop at USA, we produce at China, we market it world wide, and we manage all this process from Malaysia. Here is where the centralization works and makes our resources used at maximum and no waste.

Reference for Question 1,

1. http://www.tutor2u.net/business/strategy/global-business-global-strategy.html
2. http://www.gsb.stanford.edu/exed/msc/
3. Lecture notes

Reference for Question 2,

4. http://en.wikipedia.org/wiki/Michael_Porter
5. http://www.12manage.com/methods_porter_competitive_advantage.html
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