A GloCal strategy won't work; unless you do

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A Glocal strategy won’t work; unless you do!

Presented by
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Today’s program

A Glocal strategy won’t work; unless you do!

Discussion Points:

- How do you answer the question, “Why do you want to go global?”
- Can you use the same strategy globally that you use locally?
- What is your Strategic Competitive Advantage?
- Have you completely identified & assessed the risks?
- Globally vs. internationally – what is the difference?
- What entry strategy will you use?
- How will you beat out “local” competition?
- If it costs 7 times more to find new clients than to keep existing ones...
How do you answer the question, “Why do you want to go global?”

- Nothing better to do
- No choice
- Demand
- Curiosity
- Option
- Other

______________________________________________
______________________________________________
______________________________________________
______________________________________________
The answer should be...

- The reason for being a global company is to leverage capabilities worldwide so that a long term competitive advantage is achieved that cannot be achieved otherwise
- Gain new customers
- Lower costs
- Leverage core competencies
- Diversify risk
- Move to an earlier point on the life cycle curve
Can you use the same strategy globally that you use locally?

- In order to compete successfully, we must consider
  - differences in culture
  - market conditions and
  - Demographics
  - Examples
    - Nestles in Africa
    - Disney in France
    - KFC in China

- Cost issues
  - currency exchange rates
  - labor
  - material
  - taxes or not

- Business Issues
  - Country risk
  - Business Friendly
  - Political Stability
  - Access to customers
What is your Strategic Competitive Advantage?

What is Sustainable Competitive Advantage?

- Sustainable competitive advantage is the focal point of your corporate strategy.
- It is an advantage that enables business to survive against its competition over a long period of time.
- It allows you to maintain and improve your company’s competitive position in the market.
- Examples include:
  - Innovation
  - Process
  - Labor cost
  - Worker productivity
  - Government regulations
  - Distribution costs
  - Business friendly government
Differentiation Focus

Differentiation

Cost Focus

Cost Leadership

Degree of product differentiation

High

Low

Narrow

Broad

Scope of Business Activities
<table>
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<tr>
<th>Strategic Objectives</th>
<th>National Differences</th>
<th>Scale Economies</th>
<th>Scope Economies</th>
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<tr>
<td>Efficiency in Operations</td>
<td>Exploit factor cost differences</td>
<td>Scale in each activity</td>
<td>Sharing investments and costs</td>
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<td>Flexibility</td>
<td>Market or policy-induced changes</td>
<td>Balancing scale with strategic &amp; operational risks</td>
<td>Portfolio diversification</td>
</tr>
<tr>
<td>Innovation and Learning</td>
<td>Societal differences in management and organization</td>
<td>Experience - cost reduction and innovation</td>
<td>Shared learning across activities</td>
</tr>
</tbody>
</table>
Have you completely identified & assessed the risks?

- Exchange rates
- Culture
- Lifestyle differences
- Demographics
- Income levels
- Diversify macroeconomic risks (business cycles not perfectly correlated among countries)
- Diversify operational risks (labor problems, earthquakes, wars)
Globally vs. internationally – what is the difference?

- A company is an *international* competitor when it competes in a select few foreign markets.
- It is a global competitor when it has or is pursuing a market presence on most *continents* and in virtually all of the world’s major countries.
What entry strategy will you use?

- Franchise
- License
- Multi-Country
- Global
- Strategic Alliances
- Domestic
- Export
How will you beat out “local” competition?

- Each country has a local market that is self-contained
- Competition in one country is independent of competition in other country
- Rivals competing in one country differ from set of rivals competing in another country
- Rivals vie for national market leadership
- Competitive conditions across countries are strongly linked together
  - Many of same rivals compete in many of the same country markets
  - Rivals vie for worldwide leadership
  - A true international market exists
- A firm’s competitive position in one country may affect its position in other countries
- Competitive advantage (or disadvantage) is based on a firm’s world-wide operations and overall global standing
• Customized competitive approach to fit each market
• Different product versions under different brand names, customized to fit buyer tastes in each country
  – McDonalds
• Production plants in each country
  – Producing products for that country
  – Using local suppliers where possible
• Marketing and distribution to local customs and cultures
• Transfer competences where possible
• Autonomous local managers
If it costs 7 times more to find new clients than to keep existing ones...

- Every study says…
- Frederick F. Reichheld, author of the widely read *The Loyalty Effect: The Hidden Force Behind Growth, Profits and Lasting Value*, showed that making loyalists out of just 5% more customers would lead, on average, to an increase in profit per customer of between 25% and 100%. Reichheld's analysis showed that the cost of acquiring new customers was **five times** the cost of servicing established ones.

Why do we feel we must go shopping rather than building relationships?
A final word of warning

- Profitability in emerging country markets rarely comes quickly or easily.
- New entrants have to be very sensitive to local conditions, be willing to invest in developing the market for their products over the long term and be patient in earning a profit.
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