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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

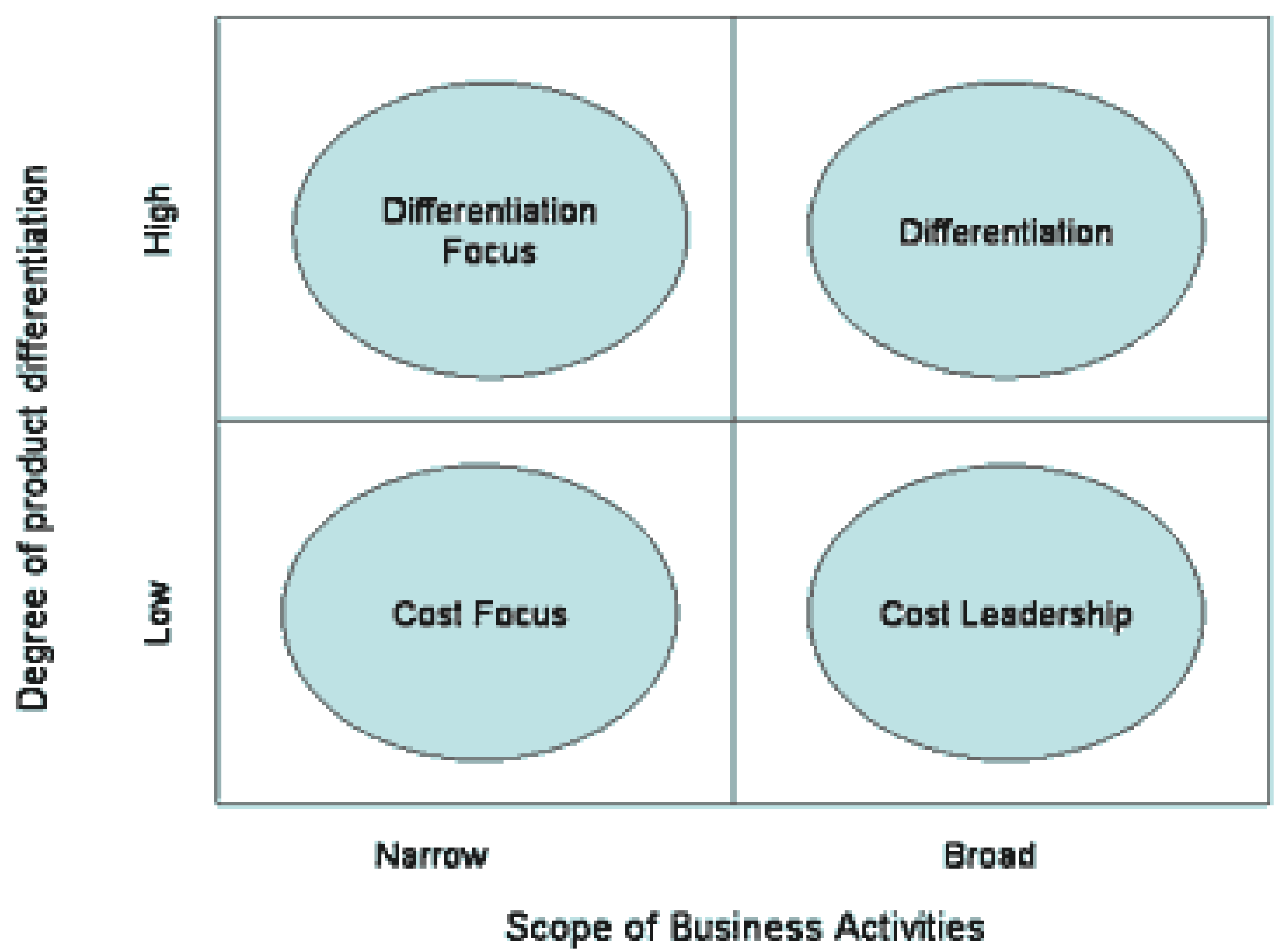
Can you use the same strategy globally that you use locally?

- 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 maintenance and improvement of your company's competitive position in the market.
- Examples include:
  - Innovation
  - Process
  - Labor cost
  - Worker productivity
  - Government regulations
  - Distribution costs
  - Business friendly government


Degree of product differentiation
High
Low
Differentiation Focus
Differentiation
Cost Focus
Cost Leadership
Narrow
Broad
Scope of Business Activities

Strategic Objectives	Sources of Competitive Advantage		
	National Differences	Scale Economies	Scope Economies
Efficiency in Operations	Exploit factor cost differences	Scale in each activity	Sharing investments and costs
Flexibility	Market or policy-induced changes	Balancing scale with strategic & operational risks	Portfolio diversification
Innovation and Learning	Societal differences in management and organization	Experience - cost reduction and innovation	Shared learning across activities

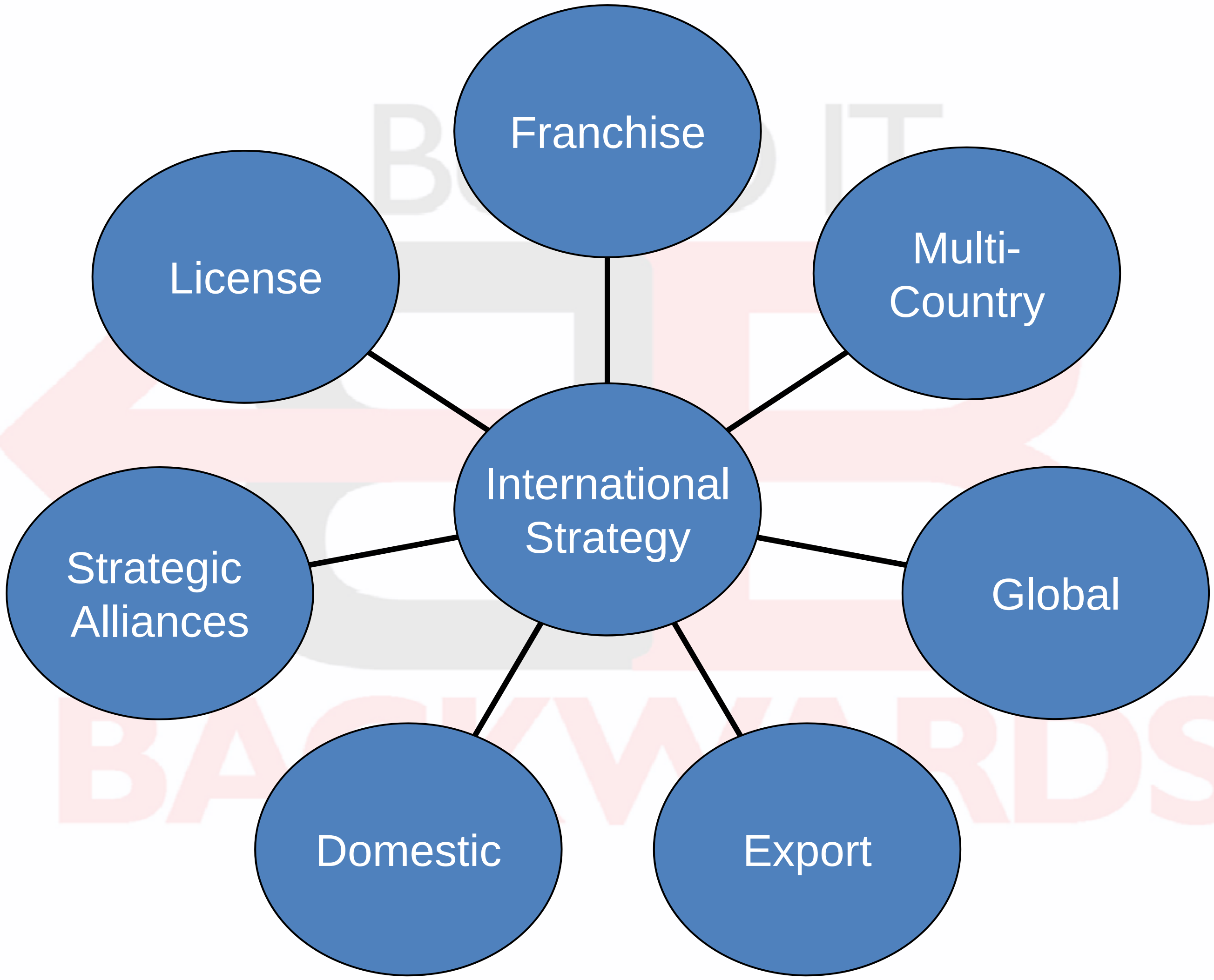
Have you completely identified & assessed the risks?

- 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?



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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