Developing Firm-Specific Competitive Advantage: The Globalization of Markets

15.220 Lecture #7

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Hart-Milstein Typology of Markets

- Consumer Economy
- Emerging Economy
- Survival Economy

Strategies:

- *Identify a market segment within each type of economy that has the same needs and wants; OR*
- *Segment markets in each type of economy OR*
- *Exploit the differences across the economies to build competitive advantage that is **relevant, appropriable**, and **transferrable** across the three categories*

Key Indicators of Globalization in an Industry

- Market:
  - in each market, rising sales of products that are not produced locally
  - growing similarity of customer needs and tastes, either in general or in particular segments
  - growing importance of multinational customers

Key Indicators of Globalization in an Industry (cont'd)

- Value Chain:
  - increasing pressures for lower costs and greater efficiency/scale economies
  - falling impediments to cross-border trade (government regulation, costs of transport, etc.)
  - growing standardization of components/inputs (e.g. quality standards)
  - increasing similarity of structures and processes of distribution and marketing

Key Indicators of Globalization in an Industry (cont'd)

- Technology:
  - rising costs of technology development
  - growing diversity in location of "hot spots" – centers of excellence in technology development

Key Indicators of Globalization in an Industry (cont'd)

- Competition/Complementers:
  - industry dominated by same set of competitors in every major market
  - same companies providing complementary assets in every major location

What's Different about Emerging Economy Markets?

- Timing of entry: first-mover advantages
- Market assessment: grow with the market
- Product policy/positioning
- Partner policy

Roles in the Transnational Model

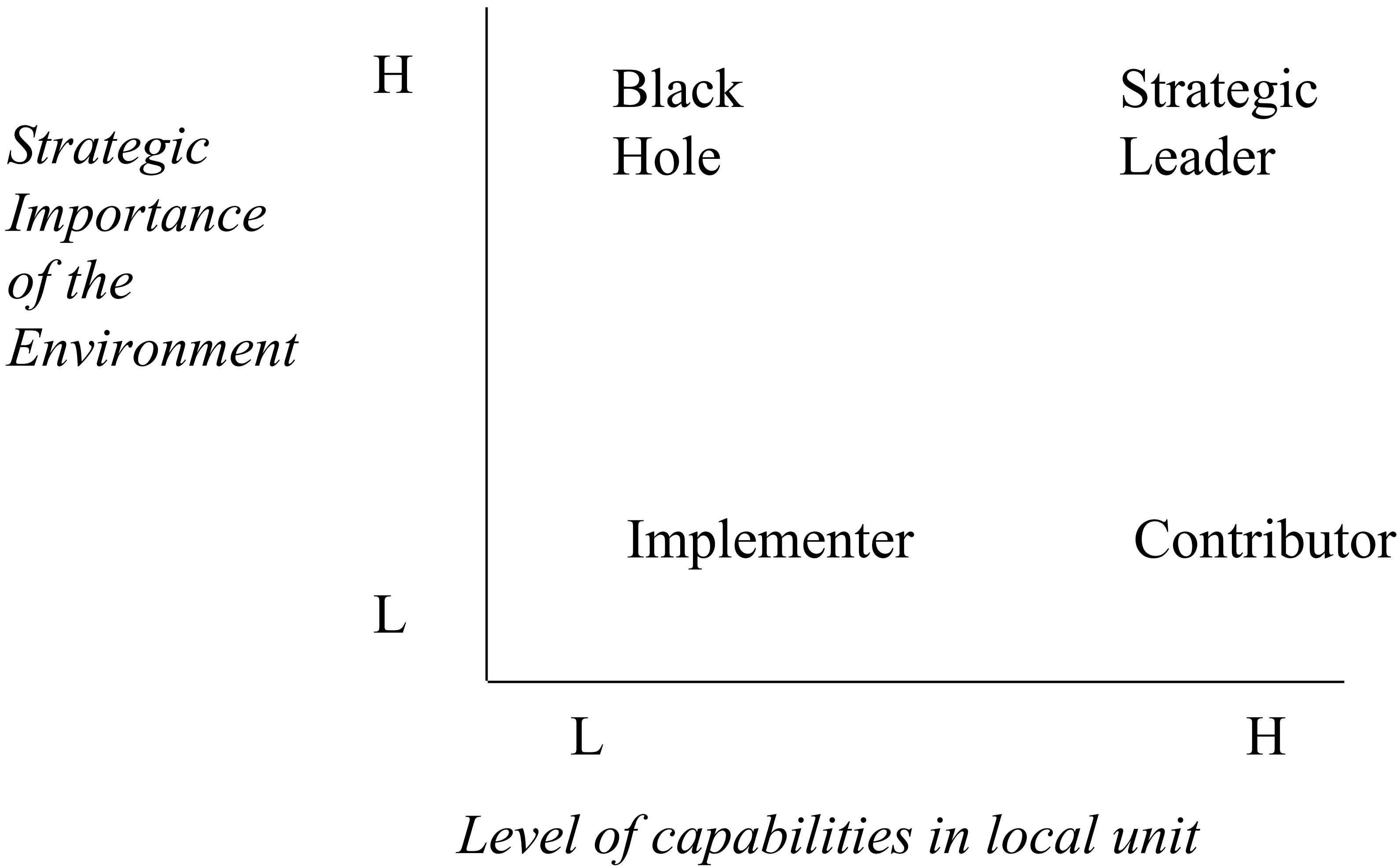
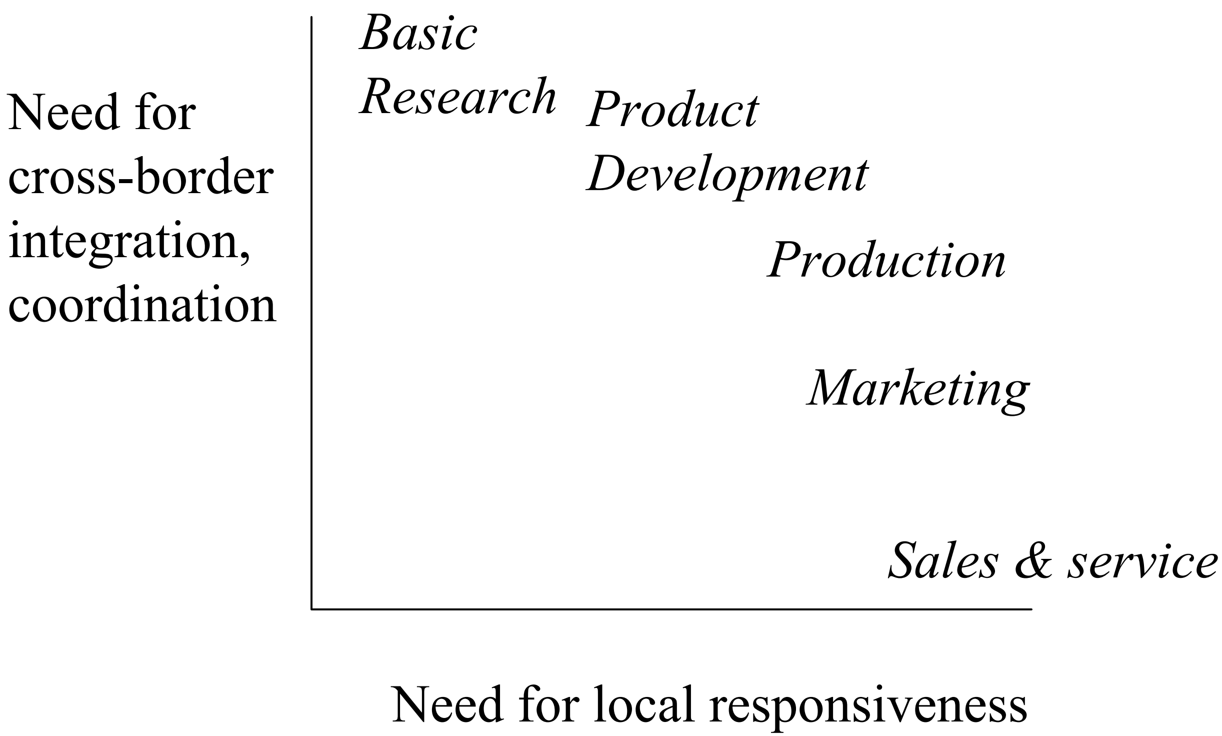
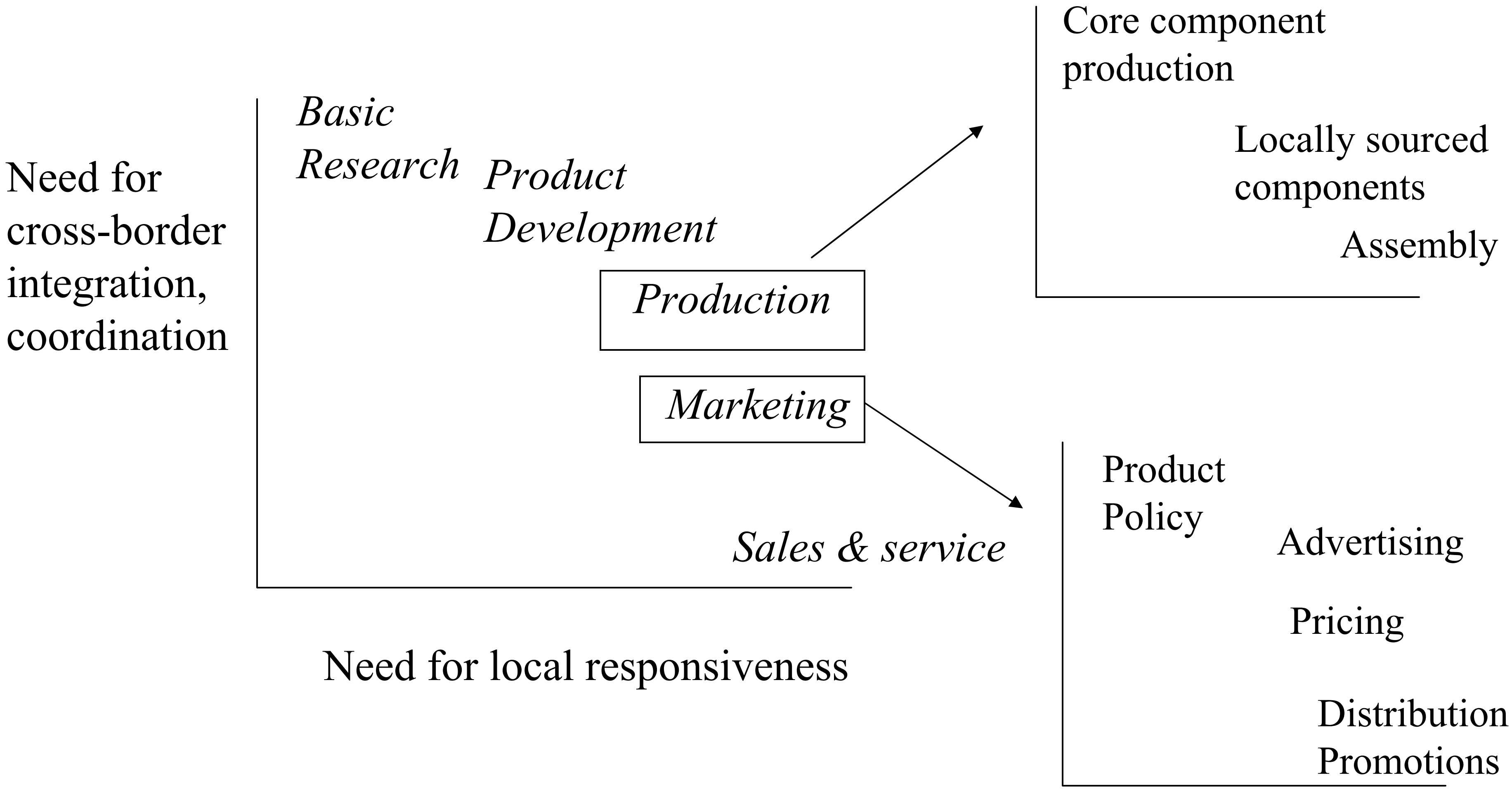


Diagram: Bartlett, Christopher, and Sumantra Ghoshal. Chapter 7 in Gupta and Westney. "Smart Globalization: Designing Global Strategies, Creating Global Networks."

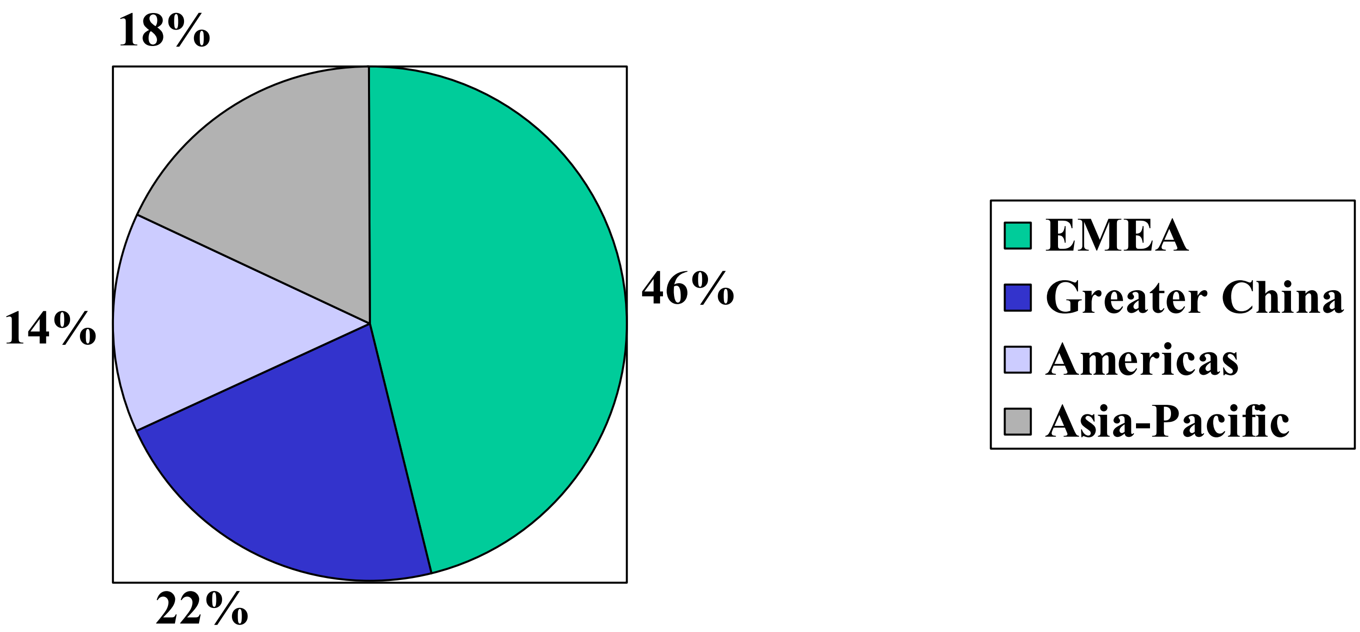
Global/Local Roles



Global/Local Roles



Acer's Sales Distribution by Geography 2001



Acer Organization Design

- Does not rely on ownership
  - JVs in key components, TI/Acer DRAMs
  - Distribution companies are free-standing, ACER has local partners in JV structure
  - No corporate HQ charges
  - Arms length pricing
  - Local autonomy re product mix, sourcing
- Control through brand name, key components, $$$

Acer Aspire: Concluding Observations

- Acer tried to build separate organization for marketing/local responsiveness (RBUs) and for production/efficiency (SBUs), and have knowledge networks follow a “pull system” on an “as needed” basis (like its production system)
- Problems: RBUs knew the market but didn’t know how to access needed knowledge in SBUs, didn’t have power to get it once they knew what they needed
- Case illustrates the difficulty of building cross-border networks and need for time and resources to build them

Positioning for Emerging Market Companies

Forces for Globalisation of Industry		Location-Bound	Business model leverageable in other markets
	High	Dodger	Contender
	Low	Defender	Extender

Competitive Advantage