

Chapter 2

Developing a Competitive Advantage

In the Preface and Introduction, we presented the most challenging conditions for the twenty-first century international marketer and pointed out the post globalization consumers' behaviors or needs. The essential point here is that in the twenty-first century the international marketer must first understand the need for information about international markets and must be able to use this information skillfully in international marketing strategies. This chapter is based on the Preface and Introduction: it presents a general model that articulates how information should be used to establish and maintain a competitive advantage in international markets.

Similarities or Dissimilarities

As mentioned earlier, international market information is extremely critical, but it is not quite enough. Receiving good market information and using it effectively are two different things. It is necessary to understand the basic behavior patterns of consumers. These behavior patterns are quite different in the current world market as opposed to two decades ago. Some of these behavior patterns can be identified readily. But, when attempts are made to identify consumer behavior patterns, the general tendency is often to concentrate on the similarities and to combine markets based on certain generalities. One of the most important points that needs to be made in this book is that effective marketing must be based on understanding important differences among international markets. Based on these differences, successful marketing strategies emphasize critical areas to satisfy consumer needs in the most effective manner. Satisfying the needs of international consumers depends strongly on understanding their behavior patterns. Satisfaction of consumer needs as indicated by their behavior patterns would enable the international marketer to create an international competitive edge or competitive advantage.

The Evolution of Competitive Advantage

The doctrine preceding the doctrine of competitive advantage was comparative advantage and was established by David Ricardo (Samli 1995). In essence, the comparative advantage doctrine maintains that, because countries are endowed differently in terms of their natural resources, the temperament of their people, and their general economic activities, certain countries can produce certain goods and services more efficiently than many others, and hence they develop a comparative advantage (Samli 1995). If the products and services of those who have established comparative advantage were to be traded among nations, all parties that are participating in these trades benefit. This has been the foundation of international trade for centuries.

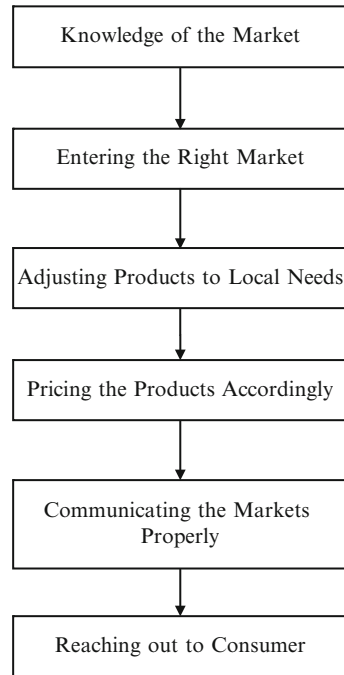
Around the 1990s, based on the Japanese practices Porter popularized, a newer doctrine which is named “competitive advantage” began to take hold. Porter’s position was that companies in the international arena are succeeding not on the basis of just cost, price, and productivity, but primarily on the basis of strategic superiority, which is based on powerful management decisions. Those international firms that have superior ability strategize their international activities based on not only efficiency but primarily on effectiveness. They are capable of providing exactly the types of products and services that are specifically needed, wanted, and desired in their carefully identified and targeted markets.

In Porter’s terminology, they not only exercise price leadership, proper differentiation, and focus, which is segmentation in marketing terminology, but they also employ strategic superiority (this author’s terminology). One remarkable industry illustrates this point. The Japanese auto industry can assemble a luxury car at just about one-fourth of the cost of assembly of the same car in Europe. The same industry can introduce new models into its production faster than anyone else. Finally, this industry sees to it that its cars have fewer defects than any other competitor. These statements were articulated as early as 1992 (Thurow 2002). Thus, the auto industry of Japan managed to provide the type of products which their target market desired. Some 20 years later, that industry is functioning as effectively as ever. This particular model has been used by Germany emphasizing its powerful engineering, by Italy promoting styling in apparel, and by France with its reputation in luxury products.

Japanese Competitive Advantage

What has been said about the Japanese auto industry can be generalized to indicate the essence of competitive advantage. Exhibit 2.1 illustrates how Japan developed and maintained competitive advantage in many product areas or industries. As seen in the exhibit, the Japanese analyzed the markets carefully and selected their target markets. They entered these markets not from the top, appealing to the upper layers of

Exhibit 2.1 The Japanese superiority



the market, but rather they aimed at mid- to lower-levels of market and acted accordingly. Once they targeted their markets, their products were either adjusted carefully to local needs or they innovated products that would be very suitable to local needs. Once the market targets and the products were ready, the Japanese used very calculated, localized promotional efforts. Since the Japanese aimed at middle class to lower-middle classes in their target markets, they charged low affordable prices and penetrated into those markets. Furthermore, they communicated with these markets, indicating the quality of their products and their prices. Finally, the Japanese marketing practitioners worked very flexibly with local distribution systems. They made products and supporting services (if any) extremely accessible for the consumers. This was and is the typical Japanese orientation that generated competitive advantage. In many markets this total orientation created a Japanese superiority (Samli and Czinkota 2007).

Current Status of Competitive Advantage

There are numerous dramatic changes that provide greater opportunities as well as greater challenges to international marketing practitioners who would like to succeed and continue in that successful performance.

First and foremost, it must be understood that there are more companies competing in international markets than ever before. And, they are cognizant of the fact

that they may all be thinking of strategic superiority. Thus, competition is much keener than before.

Second, there are constantly emerging new niche markets with specific needs and desires. These needs and desires must be examined carefully and must be considered as almost the key for success in these markets. Once again, international marketers need market information.

Third, many countries and many companies are innovating new products and services. As discussed in the introduction, the postglobalization consumer is used to having a large variety of products and services to choose from. To establishing and maintaining a competitive advantage, modern companies that are involved in international markets must be involved in introducing new products and services. Of course, marketing these new products and services require an ever increasing need for international consumer market information. It is necessary to emphasize that much of this required information is likely to be used to identify international consumer behavior patterns (Nwachukwu and Dant 1990).

A General Model of International Consumer Behavior

Although behavior patterns vary from market to market, a general model would provide a point of modification and departure in each market analysis. Exhibit 2.2 is the foundation of this book. The concept of international consumer behavior is discussed in some detail in Chap. 6.

The model begins with identifying culture as the key modifier of behaviors. In order to form or modify behavior, culture communicates with people and instills values in people. Those values provide the fundamental attitudes that form or modify behaviors.

Culture communicates with consumers in a number of ways. Based on cultural and other types of communications, consumers perceive a sense of value. That is modified with the levels of innovativeness that is being conveyed. In regard to a product, products, or brands, an individual has a value perception. The perceived value is created by the country of origin in terms of design prestige and workmanship related to the object in question.

In a more realistic sense, an individual also develops a quality of perception which relates to extrinsic attributes of the product in question. These attributes are formed partially by knowledge of where the product was actually produced and the reputation of that place or company. If the product is assembled in a different place than where its parts were produced, then the reputation of that place becomes a factor that may add or delete quality pointers.

Quality perception and value perception, separately or jointly, are further modified by the individual's physical involvement with that product, which may still be further modified by advertising and purchasing conditions. All of these factors together may be coined as "learning and resultant attitude formation" for the

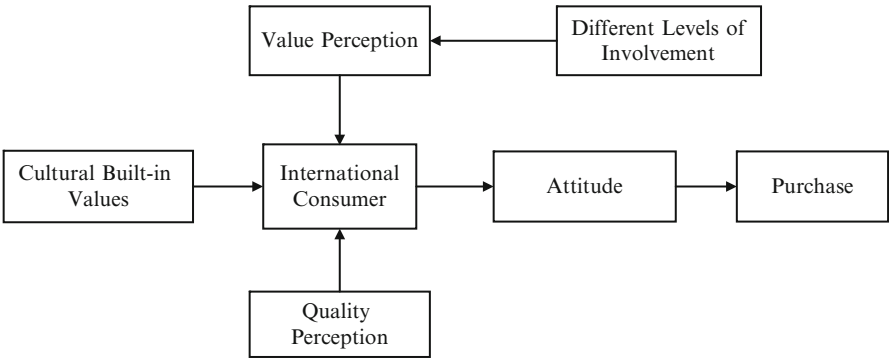


Exhibit 2.2 Elements of international consumer behavior

individual. All of these factors influence an attitude change, leading to the purchase of the product and perhaps product or brand loyalty.

This is a complex procedure, and it is very difficult to determine if any one of these influences is predominant or even which of these influences are more important than others. As was discussed in the Introduction, the modern consumer requires and receives a large amount of information. These bits of information may be received from conventional media or from social media. The model presented here, clearly, can be influenced by the firm if the types of information and their characteristics are specified. One more issue may be raised here: individuals are born into cultures. Cultural values are important and long-lasting, but the modern consumer may modify those values with the remarkable influence of constantly pouring information in order to develop a powerful international strategy. It is necessary to connect the consumer behavior model to the change in the culture.

A General Model of Achieving Strategic Superiority

All international attempts deal with achieving a strategic superiority, which basically means establishing a successful venture and the market power to compete with all comers. Naturally, the whole process begins with receiving substantial international market knowledge. As Exhibit 2.3 illustrates, once enough information is generated, the company will be in a position to segment the markets it is considering and then target one or a few segments. It is critical that the company enters the target market successfully.

Any target market most probably has multiple layers identified, signified, or constructed by economic conditions and consumer behaviors. Here it is critical that the company positions itself reasonably and successfully. Certainly, if Wal-Mart is in England, it is not going to compete with Harrods. Once the positioning is established, the firm must be able to differentiate itself from other competitors in such a way that its target market understands what it is accomplishing.

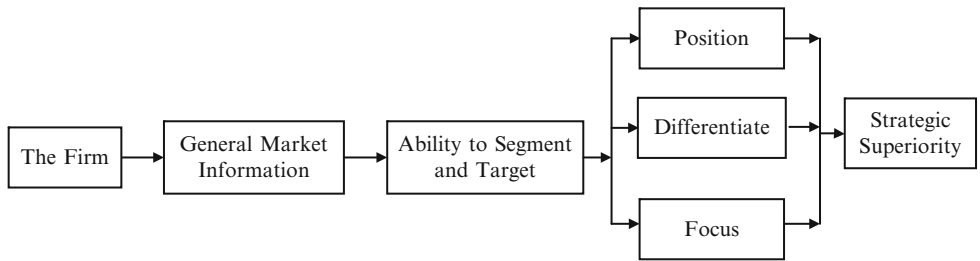


Exhibit 2.3 Achieving strategic superiority

Finally, it is extremely critical that the firm maintains its target, its position, and its differentiation by focusing on these issues and is not sidetracked or change every few months or so. This is why, say, Toyota has been so successful. It has a nice market superiority strategy and focuses on it.

Resurgence of Traditional Cultures

In the Introduction it is stated that, as globalization continues, two layers of cultures become more and more noticeable. While globalization is creating a global culture based on the homogeneity of products that are made available, pockets of traditional cultures are also emerging, and this situation is making large groups of people bicultural. The challenge for the international marketer is to determine just how far each culture will go and to ask whether there will be a balance between the two. Certainly, knowledge regarding these two questions would enable international marketers to develop a general orientation as part of the strategy.

Three Critical Points for International Marketers

1. Marketing the products and services they need rather than selling the products we have is a losing proposition.
2. The Japanese experience must be a critical model to follow.
3. Developing a competitive advantage is the essence of developing a successful international marketing activity which is based on understanding international consumers.

Summary

Successful international marketing is based on knowing consumer needs and catering to these needs carefully and successfully. This whole process calls for a powerful strategic plan of action that will create a competitive advantage. It is

mentioned that international trade has moved from comparative advantage to competitive advantage. A brief discussion of how the Japanese developed their competitive advantage is presented. Finally, in order to construct a super international marketing strategy a general theory of consumer behavior is presented. This theory can be, in fact *must* be, modified and adjusted in every market for a variety of products and services.

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