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MULTINATIONAL COMPETITIVE STRATEGIES IN INTERNATIONAL LOGISTICS

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The aim of the paper is to present an approach for the development of the structure of international logistics system based on international competitive strategy of organization. International logistics strategies and the structure of international logistics systems by the implementation of multinational competitive strategies cost leadership and differentiation are described.

Key words: international logistics strategy, international strategy, multinational competitive strategy, international logistics system.

У статті подано підхід до розвитку структури міжнародної логістичної системи, що ґрунтується на міжнародній конкурентоспроможній стратегії організації. Описано міжнародні логістичні стратегії та структуру міжнародних логістичних систем шляхом здійснення цінового лідерства й диференціації міжнародних конкурентоспроможних стратегій.

Ключові слова: міжнародна логістична стратегія, міжнародна стратегія, багатонаціональна конкурентоспроможна стратегія, міжнародна логістична система.

Introduction. To be able to contribute to logistics strategy to achieve the planned competitive position of the international organization, it must be inferred from international competitive strategy. Specific international competitive strategy is obtained as a combination of alternatives in the international strategy and competitive strategy alternatives to the organization.

When selecting an international strategy typical two opposing alternatives there are. On the one hand can pursue the strategy of globalization in which international market is seen as a homogeneous unit. On the other hand can choose multinational strategy, where several countries are chosen as their differences are taken into account in adapting products.

When choosing a competitive strategy as alternatives the generic strategies of cost leadership and differentiation can be used. The third generic competitive strategy is not seen as a possible alternative in this case, since it represents a special case of the two strategies applied to one or more market niches. Niche strategies are seen as opportunities inherent within multinational strategies and cost leadership in multinational differentiation.

By combining the options of the international strategy and competitive strategy several alternatives of international competitive strategy are obtained, which can be deduced relevant international logistics strategies (Fig. 1).

Through the strategy of multinational cost leadership enterprise seeks cost leadership in a limited number of foreign markets. In this connection may be referred to as a niche strategy. Selected markets, however, require more or less adapt products to their specific national requirements.

International strategy	Global	Global Cost Leadership	Global Differentiation
	Multinational	Multinational Cost Leadership	Multinational Differentiation
		Cost Leadership	Differentiation
Competitive strategy			

Fig 1. Alternative to competitive strategy

Through the strategy of multinational differentiation enterprise seeks to specialize to selected international markets by implementing a differentiated strategy. Specific local market differences, however,

require some adaptation of the product in the form of additional secondary differentiation. In this case, the overall market is divided into several national markets, which offered specific products adapted to the country within a differentiated strategy.

Typical of international companies that before they could open the way for parallel implementation of the strategy of multinational cost leadership and multinational differentiation strategy. For this purpose a portion of the foreign market are offering products that are both low cost and tailored to national circumstances, while the other part of the market to offer differentiated products, which are also consistent with national specificities. This possibility is illustrated by the dotted line between the two lower quadrants of Figure 1. Since this is still the question of parallel proceedings in two separate international competitive strategies, this feature should be the subject of special attention.

International Competitive Strategy of multinational cost leadership. Similarly, the strategy in the global cost leadership multinational cost leadership strategy is also used in functional products with low value and constant demand. The high intensity of competition demands a willingness to supply. The multinational cost leadership differs in that organization only works on selected foreign markets and adapts its products to their national circumstances.

The cost of adaptation to local conditions should not contradict the successful implementation of the cost leadership strategy. Therefore, adapted to local specificities products should be characterized by a high degree of uniformity as minimum unification must relate to at least their basic structure, while the necessary adjustments should apply only to peripheral features. Under these conditions can take advantage of scale of transnational production and even national adaptation of products to withstand the competitive pressure to reduce costs. Unlike global cost leadership strategy trough this strategy only certain foreign markets are served, and therefore relatively small quantities are sold, and therefore the possibility of obtaining the benefits of international specialization in production is excluded.

According to the presented characteristics of international competitive strategy the multinational cost leadership international logistics strategy should be aimed at ensuring the most efficient mode of covering the whole territory delivery of locally adapted products to national markets. The basic structure of the international logistics system, which will contribute to the achievement of international competitive strategy of the multinational cost leadership, is shown in Fig. 2. The lack of an arrow to one of the quadrants means that the organization does not operate on the world market, but only on certain selected markets.

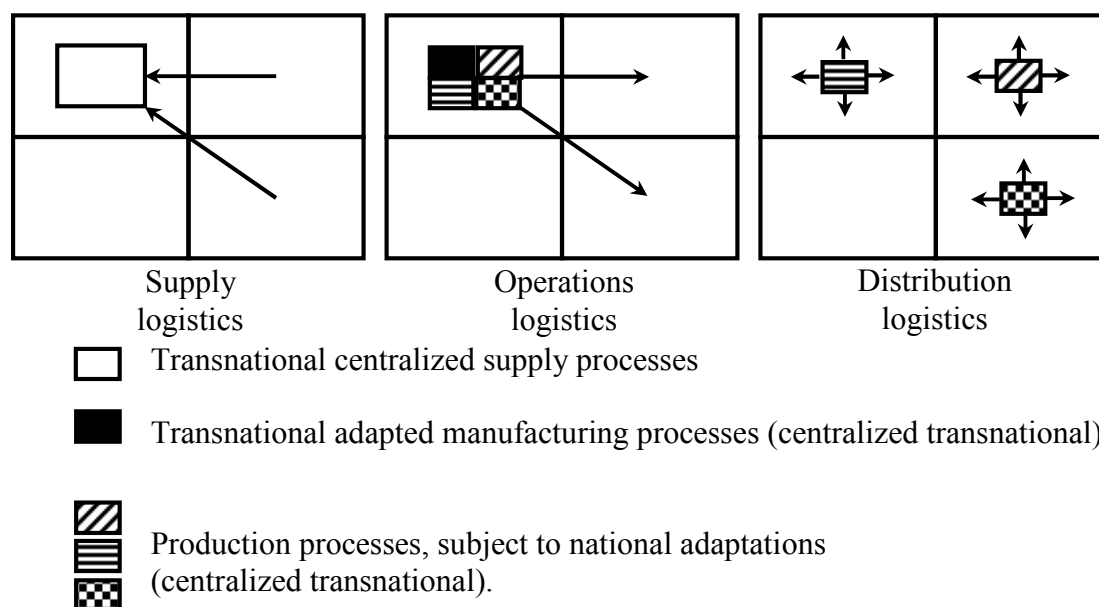


Fig. 2. The structure of international logistics system in international competitive strategy of multinational cost leadership

Various components and materials necessary for local adaptation of products can be obtained by transnational centralized unit by demand based calculation. Thus, supply logistics can realize advantages of scale at the international level and contribute to lower costs.

Differences in the characteristics of individual countries do not allow complete standardization of production. Unified basic configuration of the products allows transnational centralization of production,

through which they can obtain economies of relatedness of products, and hence the cost advantages. For this purpose it is still necessary to pass non-customized products together in as many operations of the manufacturing process. Adaptation to local conditions is made only at a very late stage of production, which also runs in the same centralized production unit (value adding postpone). Production logistics strategy for a multinational cost leadership strategy is very similar to the strategy of "centralized production". Alternatively it is also possible to carry out the final stage of the manufacturing process and so the national adaptation of products in the country in decentralized manner. Thus, as proposed in the strategy "decentralized assembly" or "decentralized manufacturing" and also as recommended in multinational differentiation without delivery time. Proper assessment of the advantages of the alternative can only be done in regard to specific product features and conditions of the domestic market.

Nationally adapted products are distributed by the local (specific to each country) centralized distributive units through effective intermediate and cross-docking warehouses. That ensures continuous availability of products on the foreign markets and reliable service to stable demand.

International competitive strategy of multinational differentiation. Unlike the global differentiation strategy in this strategy enterprise provides innovative respectively differentiated products only in selected national markets, therefore they are adapted to local conditions. In addition, product differentiation within the competitive strategy must take into account national differences in product requirements. Product demand is uncertain and the intensity of competition is generally low. Due to concentration on one market segment in the differentiation and because of the limited number of foreign markets may involve smaller volumes of production.

In the strategy of multinational differentiation must also make a statement whether the differentiation is based on the degree of innovativeness of the product or on the wide variety of customized options. The type of differentiation is directly related to the different requirements for delivery of the product market.

International competitive strategy of multinational differentiation without delivery time. Different foreign markets must be provided with reliable innovative, adapted to local conditions and designed specifically for these products. Supply chain needs flexibly and reliably to ensure readiness for covering the whole territory delivery to allow customers to make critical first purchase, similar to the global differentiation strategy without delivery time.

International logistics strategy that will contribute to the multinational differentiation strategy without delivery time is increasing flexibility and reducing the duration of the production cycle and response time in order to ensure readiness to supply foreign markets despite the uncertain demand. Fig. 3 presents the basic structure of the international logistics system by internationally competitive strategy multinational differentiation without delivery time.

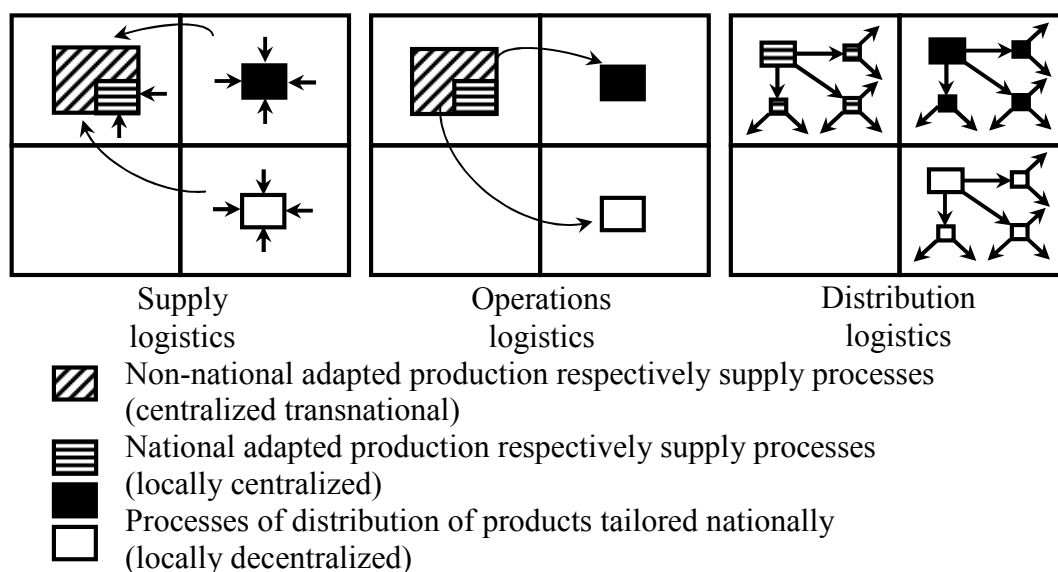


Fig. 3. The structure of international logistics system by international competitive strategy of multinational differentiation without delivery time

The delivered units of supply logistics are reasonable to divide into two categories, which define two different structures of supply. All materials and components that constitute the basic structure of the product,

which is the same for all countries, have to be delivered centrally to the international market through transnational centralized supply. Through this can be achieved certain advantages of scale and reduce uncertainty in part. Parts that differ in modifications for each country and are required in small quantities are supplied centrally to the specificities of the country, i.e. it is applied locally centralized supply. This allows building more flexible and closer ties with suppliers who have particular advantages in very large uncertainty, which characterizes the production of products tailored to local circumstances.

To obtain transnational advantages of scale in production, especially when they are hindered by small amounts for individual countries, it is necessary to pass the products through as many manufacturing operations non-customized and joint. Those stages of production processes by which adaptation of already configured basic products to local requirements takes place are placed on the foreign markets, allowing faster and more adequate response to fluctuating demand.

To ensure continuous availability of the product on the foreign markets, it is necessary to build also country specific decentralized distribution system consisting of several levels, as a global differentiation strategy without delivery time.

International competitive strategy of multinational differentiation with delivery time. Implementation of the strategy of differentiation through wide variety of tailored nationally products implies the existence of delivery time of these products. It allows the production costs of different options to retain an acceptable level for consumers. To reduce the maximum waiting time of customers, it is necessary products to build modular, as in the global differentiation strategy with delivery time, and to manufactured according to customer order within a partially standardized manufacturing process.

International logistics strategy in this case consists in combining the manufacturing (postponement of adding value) and geographical postponement at the country level. Production and distribution of desired national adapted products modifications will be implemented only after receipt of a customer order. The basic structure of the international logistics system in the international competitive strategy of multinational differentiation with delivery time is presented in Fig. 4.

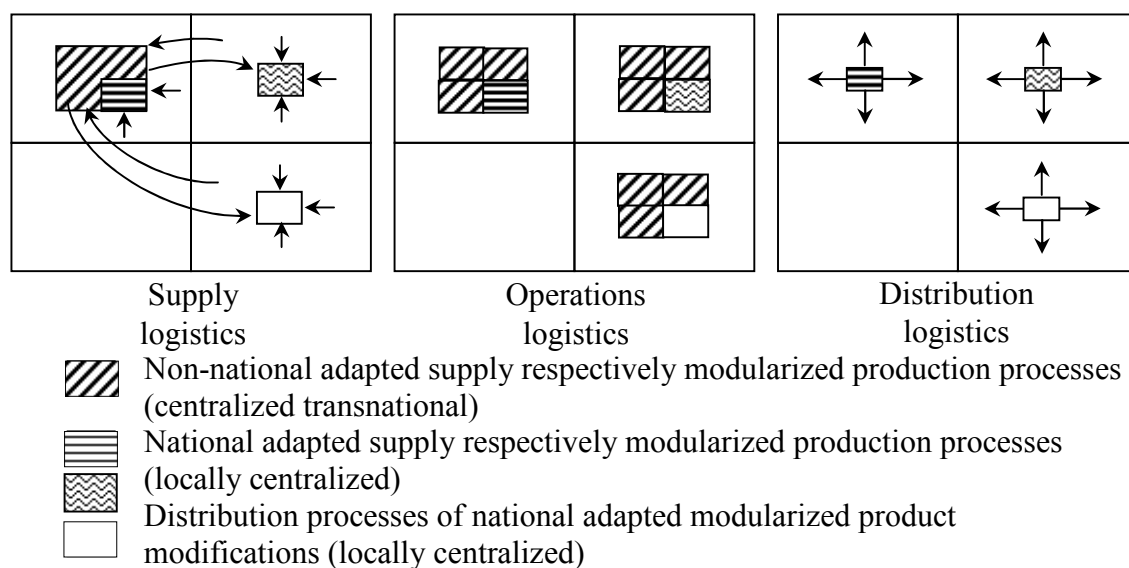


Fig. 4. The structure of international logistics system by international competitive strategy of multinational differentiation with delivery time

Product modules, parts and materials used in all versions and do not reflect the specifics of the country may be supplied centrally by the international markets (transnational centralized supply logistics) to get some effect of scale in procurement, and counteract the uncertainty. They then made available to local centralized supply units. Generally it is assumed that the implementation of transnational partly centralized supply is more cost-effective and that its benefits outweigh the disadvantages arising from the additional transport to local supply-stores. This can be justified by arguing that this strategy is applied to products belonging to a lesser extent to the functional type, but rather have high consumer value and are therefore less sensitive to increased transport costs. Modules and materials vary by modifications offered in their respective countries, come from the local markets through local centralized supply units.

At every foreign market production units are built. One part of manufacturing processes is unified and identical for all countries, and the other part is different and tailored to the specific products offered in the country. Therefore, production logistics is built on the principle of transnational decentralization (local centralization) which allows greater proximity to customers and as soon as possible delivery of differentiated products. Since this strategy made significant investments in production facilities abroad, it can also be classified to the international manufacturing strategy within the multinational management of organization.

Distributive logistics is also locally centralized, similar to operations logistics. Finished product nationally adapted versions are delivered directly from production units to customers.

Implementation of international logistics strategy in the context of multinational differentiation strategy with delivery time does not lead to the establishment of a unified international logistics system. Primarily oriented towards domestic markets more or less independent of each other logistics systems are organized that are tied partly due partly centralized transnational supply the same for all product modules, components and materials.

Conclusions. Within the multinational strategy an enterprise is also possible to implement on one group of foreign markets the cost leadership strategy and on the other markets strategies of differentiation. In this case the enterprise should first ensure high performance and flexibility on the other. Such a multinational mix of cost leadership and differentiation is possible when production applies the principles of modularity so that different variants can be produced with more or less cost savings. On this basis, it is possible in countries in which the multinational cost leadership strategy, offering only one modularized product modification through effective supply chain while respecting the local peculiarities. In other countries where applicable strategy of differentiation, may be offered a choice among several nationally adapted product modifications, which however implies that customers must wait a certain period of time for delivery of individualized products. However, it should be assumed that the combined multinational strategy is rarely effective, and is possible only under specified conditions.

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