

УДК 658.7

## GLOBAL COMPETITIVE STRATEGIES IN INTERNATIONAL LOGISTICS

**Dimitrov I.T.**, PhD, Assoc. Professor, Dean of Faculty of Social Sciences  
University «Prof. Dr Assen Zlatarov», Burgas, Bulgaria

*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 global competitive strategies cost leadership and differentiation are described.*

**Key words:** international logistics strategy, international strategy, global 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 глобальних конкурентоспроможних стратегій.*

**Ключові слова:** міжнародна логістична стратегія, міжнародна стратегія, глобальна конкурентоспроможна стратегія, міжнародна логістична система.

**Introduction.** International logistics strategy can contribute significantly to achieving the organization's competitive position. So 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.

There are three generic alternatives to competitive strategy. In this case alternatives the generic strategies of cost leadership and differentiation can be used. The third generic competitive strategy is not seen as a possible alternative, 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.

The four alternatives of international competitive strategy are obtained by combining the options of the international strategy and competitive strategy (Fig. 1). Of these alternatives relevant international logistics strategies can be derived.

Through strategy of global cost leadership the enterprise spending aims to offer its goods and services at lower prices globally. Foreign markets in which the firm operates, blurring their boundaries and are perceived as a whole, which offers a global product.

In global differentiation strategy in the international market differentiated strategy is fully implemented by offering global modifications of the same differentiated product.



**Fig. 1. Alternative to competitive strategy**

**International competitive strategy of global cost leadership.** The overall goal of cost leadership strategy is to offer similar to the competitor's product or service at a bargain price for the client. So when an enterprise chooses to apply the strategy global cost leadership, this means that it will seek to offer its products at the lowest price in the global market. Characteristic of organizations implementing this strategy is that they continuously improve all value-adding activities, aiming to influence the price elasticity of potential users.

The customer reacts particularly sensitive to the price of those products that are well known and regularly buy. Since he already has established expectations for product features, his goal is to get them against the lowest possible price. This type of products falls into the category of functional products, which are characterized by uniformly and securely search, such as for example in everyday consumed goods. In principle, this kind of goods has low value and therefore low profitability of sales.

To satisfy the high demand and relatively constant, the product must always be present in sufficient quantity of sales points. As the customer tries to satisfy their daily needs, he is ready to buy a similar but slightly more expensive product, if his preferred brand may not find commercially. A critical component of logistics services in this case is rapid resp. immediate willingness to supply. Delivery time no matter the client, usually because he is not willing to wait for product delivery.

These product and market characteristics lead to high intensity of competition between firms and hence extraordinary pressure to reduce costs. One way to cut costs is to organize efficient production of large quantities of standardized products. The success of the organization that strives to be a global leader in cost depends on how it will be able to utilize similar international product requirements through product standardization.

Due to the low profitability of sales all logistics activities must be done at minimal cost. So when the organization chooses to achieve its objectives through international competitive strategy of global cost leadership, then the international logistics strategy should be to ensure global readiness for delivery in terms of ensuring continuous availability of products at the sales points by means of a highly efficient logistics chain. In this connection it should use the principle of speculation, which achieves high efficiency and the strategy of pushing. To successfully implement the above-mentioned international logistics strategy, the basic structure of the international logistics system must be configured in the manner presented in Fig. 2.

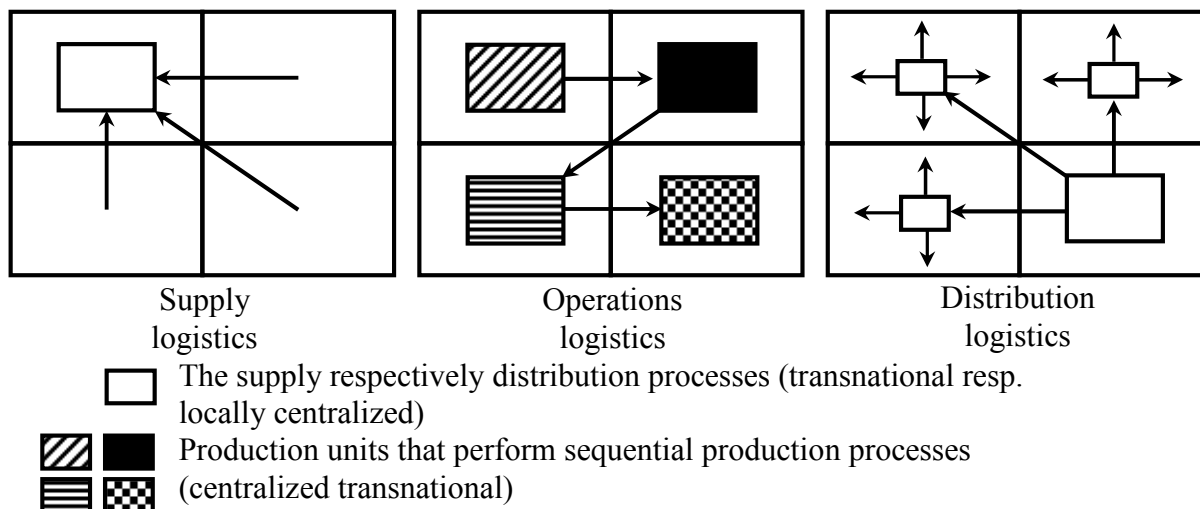


Fig. 2. The structure of international logistics system in international competitive strategy of global cost leadership

In order to obtain effects of scale the supply logistics should be centralized transnational. As a result of global consolidation of the quantities demanded supply of raw materials and parts are made in large volumes and high efficiency. This also ensures that the company will select the most profitable of all available international sources of supply. Stable and uniform search also allows building long term relationships with fewer suppliers, providing the lowest cost and highest reliability of supply.

Production logistics should also be centralized transnational in order to make maximum use of production-technical advantages of scale. Specialization of production units on each consecutive production processes leads to the formation of a peculiar production chain. It allows one hand on each of production units to gain advantages due to the international division (specialization) of labor, which would not be possible with full centralization, i.e. in a single production unit. A prerequisite for this, however there is a possibility to divide the overall production process of self-defined parts. On the other hand, this configuration of the production process allows an organization to take advantage of comparative cost advantages in different countries due to various factors such as cost and factor demand. Due to the large volume of goods produced in different specialized production units can also obtain effects of scale and experience. On this basis it can be assumed also that due to the large volume of production can be achieved optimal size of firm, which is necessary to realize economies of scale.

Separation of the entire production of several spatially separate production phases, however, entails the higher transport costs. On the other hand it is low-value products are particularly sensitive to transport costs,

implying a smaller radius of logistics activities. Taking into account the large volume of cargo and the possibility of effective consolidation in the transport process can be noted that transport costs are relatively important. Therefore, logistics range depends not only on the value of the product density, but on the total volume of goods passing through the logistics system. Therefore, increasing transport costs in this decision should always be considered in connection with the savings it generates in the production.

Distributions logistics is characterized by the need to compromise between the requirements for efficiency and maximum readiness for supply. To achieve broad coverage of the territory of foreign markets is necessary to organize as a transnational centralized warehouse, as well as several local centralized warehouses, reflecting the specifics of the country. Thus, on each target foreign market will arise one cross-docking warehouse at least that will enable efficient consolidation of local freight flows. In this case it is cost effective to use highly automated and thus particularly effective material handling equipment, and economical vehicles operating at maximum load. In the strategy of global costs leadership the production and distributive processes are clearly separated, as it does not apply the principle of postponement due to secure demand and global standardization of product.

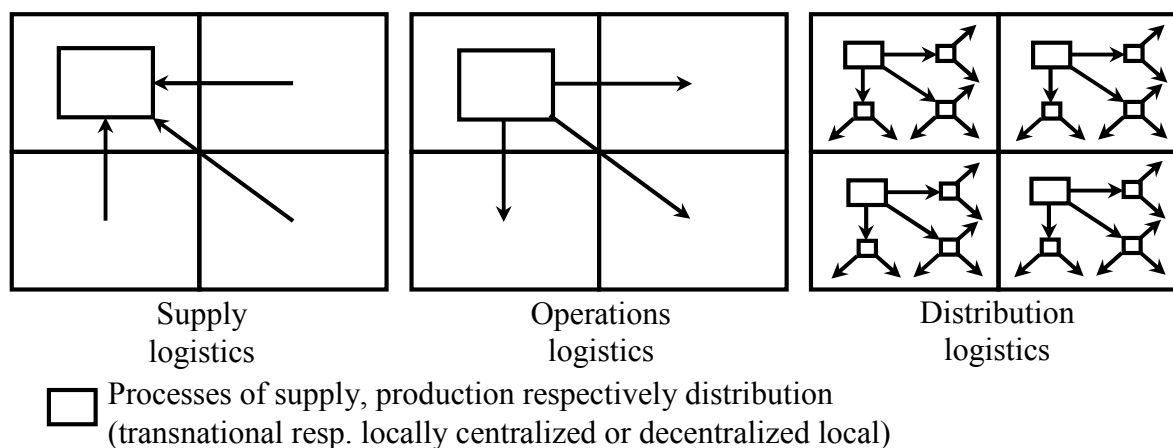
**International competitive strategy of global differentiation.** The strategy of differentiation, attributable to global product means that globally product is offered with unique features for which the customer is willing to pay significantly higher prices. With the increase in customer value of product characteristics that are beyond pure functionality, the user's behavior becomes less elastic. Lower price elasticity is characteristic of luxury goods and products with higher demand, which are purchased less frequently and in irregular intervals to consumer goods for daily consumption. Due to rapidly changing customer needs of this kind of products their demand can be classified as uncertain. Due to uncertain demand by differentiation strategy the enterprise should spend more resources, for example for better knowledge of unstable customer preferences in global market than by the cost leadership strategy. Innovative respectively differentiated products unlike functional products tend to have greater consumer value, and therefore are characterized by higher profitability of sales.

In the strategy of differentiation enterprise is faced with a weaker intensity of competition, so the pressure to reduce costs is lower. It follows that the main priority of the logistics system will be the necessity to achieve lower costs. Simultaneously, however, must be borne in mind that the volume of production will be less than the cost leadership strategy, as first defined product differentiation is directed only to a user selected segment of the world's single market and secondly, according to the above admission differentiated products are bought in larger intervals than standardized. In this regard, it is unlikely to obtain competitive advantages through international specialization of production processes as the global costs leadership.

In the differentiation strategy should be clearly noted in what will be expressed differentiation. This is necessary because different strategies of differentiation have different effects on production and distribution. Therefore, reactive supply chain should be looking for possibility of modularizing products and other flexible adaptation to fluctuations in demand levels. On the one hand the product may seem unique in the eyes of the customer because of its extraordinary quality and because of the wide variety of modifications. On the other hand, differentiation can be expressed in particularly high level of logistical services, such as short delivery times and offering additional services. For further simplification we will assume that differentiation will be based either solely on the characteristics of the product or the wide variety of customized options. This distinction is necessary, as is generally receive different logistics requirements. The first alternative is excluded the existence of delivery times for the innovative nature of the product and the consequent need for immediate product availability to consumers. In the second case is the existence of acceptable delivery times, as they are accepted by customers at the expense of having a choice of a large number of individual modifications. Furthermore, the delivery time even necessary, to achieve lower costs and production efficiency increased variety of product modifications.

**International competitive strategy of global differentiation without delivery time.** This strategy requires like the cost leadership strategy, immediate availability of the product to allow customers to immediately gain it after an appearance of necessity. Otherwise, the client can move to another product or to waive the purchase. It is indispensable the existence of high readiness for delivery of point of sale, such as the phase of introducing a new product on the market. Delivery does not matter insofar as the customer is not ready to accept any delivery times.

Supply chain must be able to respond immediately and unusual way to market changes, which provides flexibility to uncertain demand. For this purpose, each unit along the supply chain to create a buffer against uncertainty. In this case, international logistics strategy consists in providing the desired mode of delivery by reducing the duration of the production cycle and response time. In this connection, it is applied the pull strategy, in which market demand pull the products through the supply chain as the efficiency of logistics system goes further back to the flexibility. The basic structure of the international logistics system that supports international competitive strategy of global differentiation without delivery time is presented in Fig. 3.



**Fig. 3. The structure of international logistics system in international competitive strategy of global differentiation without delivery time**

Transnational centralization of supply logistics allows to obtain some economy of scale in the supply of materials needed to produce a global product, despite the small volume of a total production of finished products. Moreover, the overall centralization of the supply logistics can contribute to balancing the global fluctuations in demand of individual foreign markets. We must also build flexible relationships with suppliers, which ensure reliable supply of high quality products.

Due to small volumes international division of labor can not take advantage as global cost leadership strategy. Through transnational centralization of production is still possible to achieve effects of scale, because globally homogeneous product features allow a high degree of standardization. Also, as in the supply, centralized production logistics can pave the country-specific fluctuations in demand.

The need for reliable and complete provision of markets in conditions of high uncertainty requires building local decentralized distribution logistics at several levels, consistent with the specifics in each country. Traditionally, the accepted view is that the organization of several warehouses near customers provides a higher level of delivery service. In this regard, however, also states that compliance with the specified level of service can also be assured through prompt execution of orders and flexible use of faster transport subject to the effects of consolidation within the centralized maintenance of stocks. In the global strategy of differentiation without delivery time, however, this approach can not be used as a point of sale there should be ready for immediate readiness for delivery.

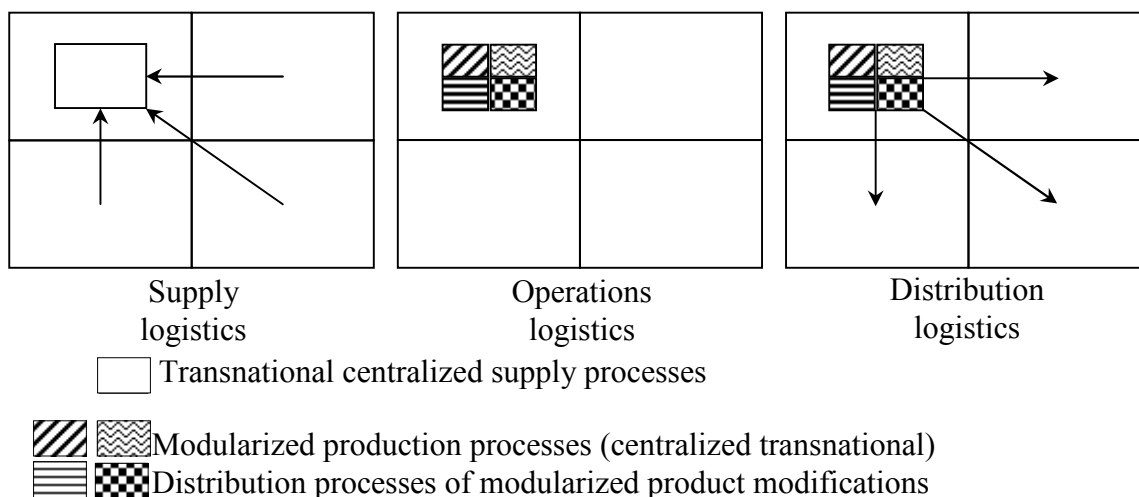
Although cost stock should maintain decentralized to the extent necessary, but in view of this uncertainty can be offset sufficiently, have very expensive ongoing storage and guarantee supplies to be distributed at all levels of the distribution chain. In this connection it is appropriate to build an additional warning system for particularly urgent and important deliveries. Since this strategy when it comes to global product and export markets require zero or very short delivery time, then in the logistics chain management principle of postponement can be realized in a limited range. Therefore, within the logistics chain no mixing of production and distribution processes.

**International competitive strategy of global differentiation with delivery time.** The strategy of differentiation by offering a wide variety of special customized product modifications may be implemented at reasonable cost only if the company introduced deadlines for delivery of finished products. If customers value in a greater ability to choose among multiple versions of the product than the ability to purchase without waiting a single product modification, they will also accept fixed term delivery of their individualized product. This option of differentiated strategy corresponds to the strategy type large postpone and large width of the product range.

Uncertain demand for the various modifications in this strategy can be controlled as the base product and its modifications are developed based on modules. That uncertainty is limited to individual product modules. Upon receipt of specific customer orders the desired product variant can be assembled by the modules within a standardized production process to meet the deadline for delivery. In this context, the focus of international logistics strategy is on the postponement of value adding on the global level, allowing the production and storage costs and the risk of fluctuations in demand can be kept within acceptable limits, despite the wide variety of product modifications. Fig. 4 indicates the basic structure of the international logistics system should be designed in application of international competitive strategy of global differentiation with delivery time.

Through transnational centralization of modules supply can be achieved limited advantages of scale. So we need to build flexible and reliable connections with few international suppliers of components or systems to which some of the uncertainty will be transferred to the earlier phases of the production process.

Manufacturing processes needed to manufacture a product modification should be implemented within a transnational centralized manufacturing logistics. This configuration allows for the partial manufacturing processes to produce positive effects due to standardization, however, that the product is customized according to customer requirements, to provide very short delivery times. Product differentiation in its options only after receiving customer orders, giving possibility to be caught all fluctuations in demand.



**Fig. 4. The structure of international logistics system in international competitive strategy of global differentiation with delivery time**

Distribution should also be centralized transnational as other functions. Delivery of finished goods to customers is done at the factory using fast vehicle. Therefore not be built distributive centers on particular foreign markets. In this connection, however using decentralized commercial and demonstration centers for the presentation of examples of products and acceptance of customer orders. The distribution logistics in the global differentiation strategy with delivery time could be assigned to direct exports in international management of organization. According to the presented features, however, an export strategy for some specific product features such as modular structure can be successfully applied also for the global management of the organization. Consistent application of the principle of postponement enables the production and distributive activities to be customized and personalized, which ensures effective and efficient provision of markets, even though uncertain demand.

**Conclusions.** Typically presented to international competitive strategies (global cost leadership and global differentiation with or without delivery time) are that they offer a product (possibly in several individual modifications) to global markets. In contrast the multinational strategies need local adaptation of products to the specific requirements of the national market conditions.

Formulation of international logistics strategy starts by choosing the international competitive strategy and specifying the foreign markets where the organization will operate.

Global logistics strategy is suitable for the international organization if it allows obtaining international benefits through international effects of scale or international division of logistics labor by implementing a common strategy in individual foreign markets. These benefits can not be achieved using several independent from each other logistics strategies.

The basic structure of the global logistics system should be geared primarily to global product market. Requirements to elements of logistics services, especially to readiness for delivery and to the delivery time and intensity of market competition are critical. Specific spatial location of logistics facilities within the already established base structure depends mainly on the physical characteristics of the product.

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УДК 330.131.5:658

## УДОСКОНАЛЕННЯ ОРГАНІЗАЦІЙНО-ЕКОНОМІЧНОГО МЕХАНІЗМУ ФУНКЦІОНУВАННЯ ОВОЧЕВОЇ ГАЛУЗІ

Андрусяк Н.О., к.е.н., доцент

Черкаський національний університет ім. Б. Хмельницького

*В статье рассмотрены пути усовершенствования организационно-экономического механизма функционирования овощной отрасли. По результатам проведенного исследования усовершенствован механизм хозяйствования, который предполагает тесную связь производства, переработки и реализации продукции.*

**Ключевые слова:** организационно-экономический механизм, овощная отрасль, ассоциация производителей, агроторговые дома, оптовый продовольственный рынок, агротехнопарк.

*The ways of the development of organizational and economic mechanism of vegetable branch's functioning is considered. As a result of this research economic mechanism which supposes close relations between manufacturing, processing and realization of products is developed.*

**Key words:** organizational and economic mechanism, vegetable branch, manufacturers' association, agrarian commercial houses, wholesale food market, agrarian technopark.

**Постановка проблеми.** Регіональний овочевий підкомплекс в умовах інтеграції до європейського й світового економічного простору потребує подальшого удосконалення організаційно-економічного механізму господарювання, який забезпечує тісний зв'язок виробництва, переробки і реалізації продукції, формування маркетингових та інформаційних структур, розвиток спеціалізації та концентрації виробництва, кооперації й агропромислової інтеграції. Тому актуальним є вирішення проблеми удосконалення організаційно-економічного механізму функціонування овочевої галузі.

**Аналіз основних досліджень.** Вагомий внесок у вивчення теоретико-прикладних аспектів ефективного функціонування організаційно-економічного механізму овочевої галузі зробили такі відомі вітчизняні вчені, як: В. Андрійчук, О. Бугуцький, В. Бойко, Г. Дмитрійчук, В. Збарський,