

# Strategic and International Management

## – 5. Competitive strategies

# Strategic and International Management

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## Agenda

- 1 Foundations of management
- 2 Stakeholders, objectives, and governance
- 3 Strategic decision making and performance
- 4 Strategy analysis
- 5 Competitive strategies**
- 6 Strategy implementation

# Strategic and International Management

## Agenda

### 5 Competitive strategies

walk to talk  
↳ do what you say

#### 5.1 Competitive advantage and generic competitive strategies

↳ most important concept ✓  
6

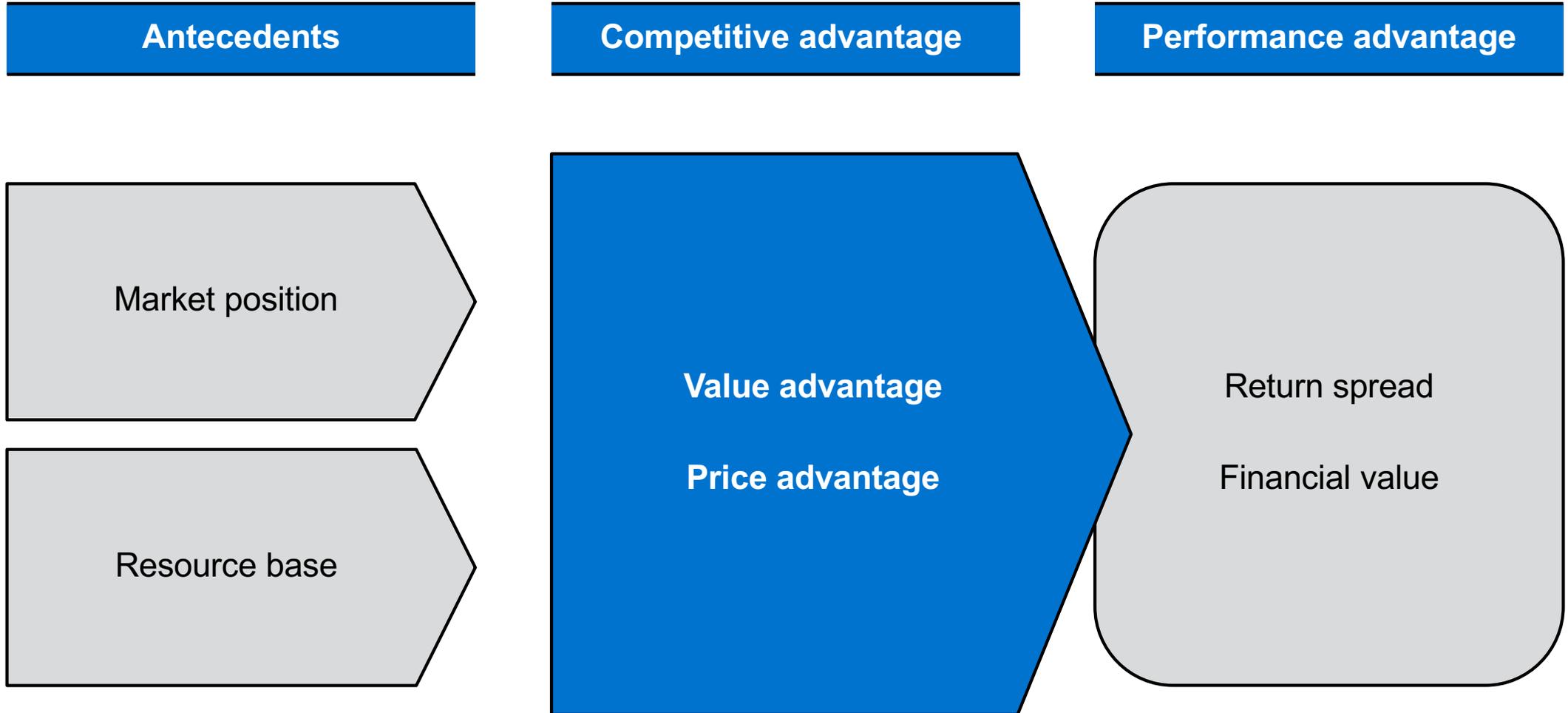
#### 5.2 Five elements to form a strategy

#### 5.3 International market (entry) strategies

## Learnings

# From resources and positioning to competitive advantage to performance advantage is the core of strategic thinking

Strategy and antecedents of performance advantage *Relationship between what we want to achieve*



→ most important one

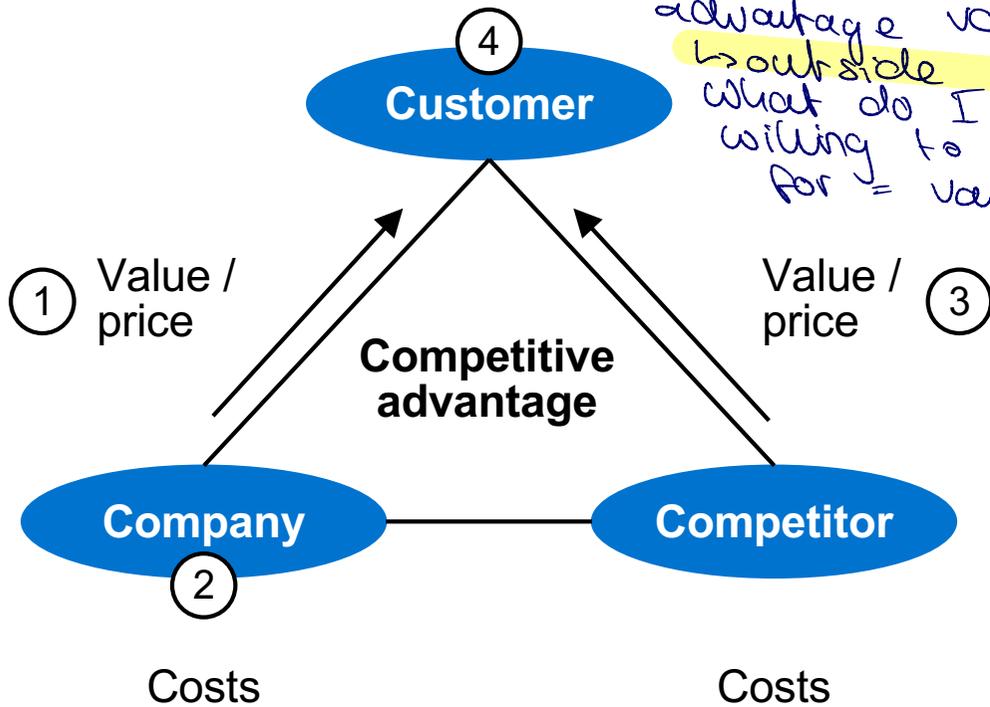
# A competitive advantage is created if a company's service to its customers is superior to that of its competitors

Nature and characteristics of competitive advantage

↳ assumed from a technical feature to a competitive advantage → inside out perspective ↓ ⇒ nur customer kann entscheiden ob competitive advantage vorliegt  
↳ outside in  
↳ what do I get / willing to pay for = value

does your company has a competitive advantage? what is your competitive advantage?  
→ coloured display → can change really quick. no one needed a coloured display, but you just need a phone

## Characteristics of competitive advantage



- ① The company creates value for its customers (value / price ratio greater 1)
- ② The realized price is above the company's costs
- ③ The value / price ratio of the company is superior to the value / price ratio of its competitors
- ④ The area where the company provides superior value is
  - Perceived by customers
  - Important to customers
  - Defendable against competitors

2. what does customer has to pay = value/price

Competitive advantage is outside-in: Customer decide what's an advantage → Value is what a customer is willing to pay for. Too often, managers have an inside-out: Assuming technology feature is comp. adv. Contrary to price, value is subjective. assessment of customer of value price ratio vs. value of price of competitor vs.

$$\left( \frac{V}{p} \text{ you} \right) \text{ vs } - \left( \frac{V}{p} \text{ competitor} \right)$$

advantage  $\Rightarrow$  comparison of two things

Company tries to create competitive advantage

$\hookrightarrow$  competition = defending, keep competitive advantage

z.B. Nokia, Blackberry, Blockbuster  
(outcompeted by Netflix)

# Why do companies with good strategies lose them?

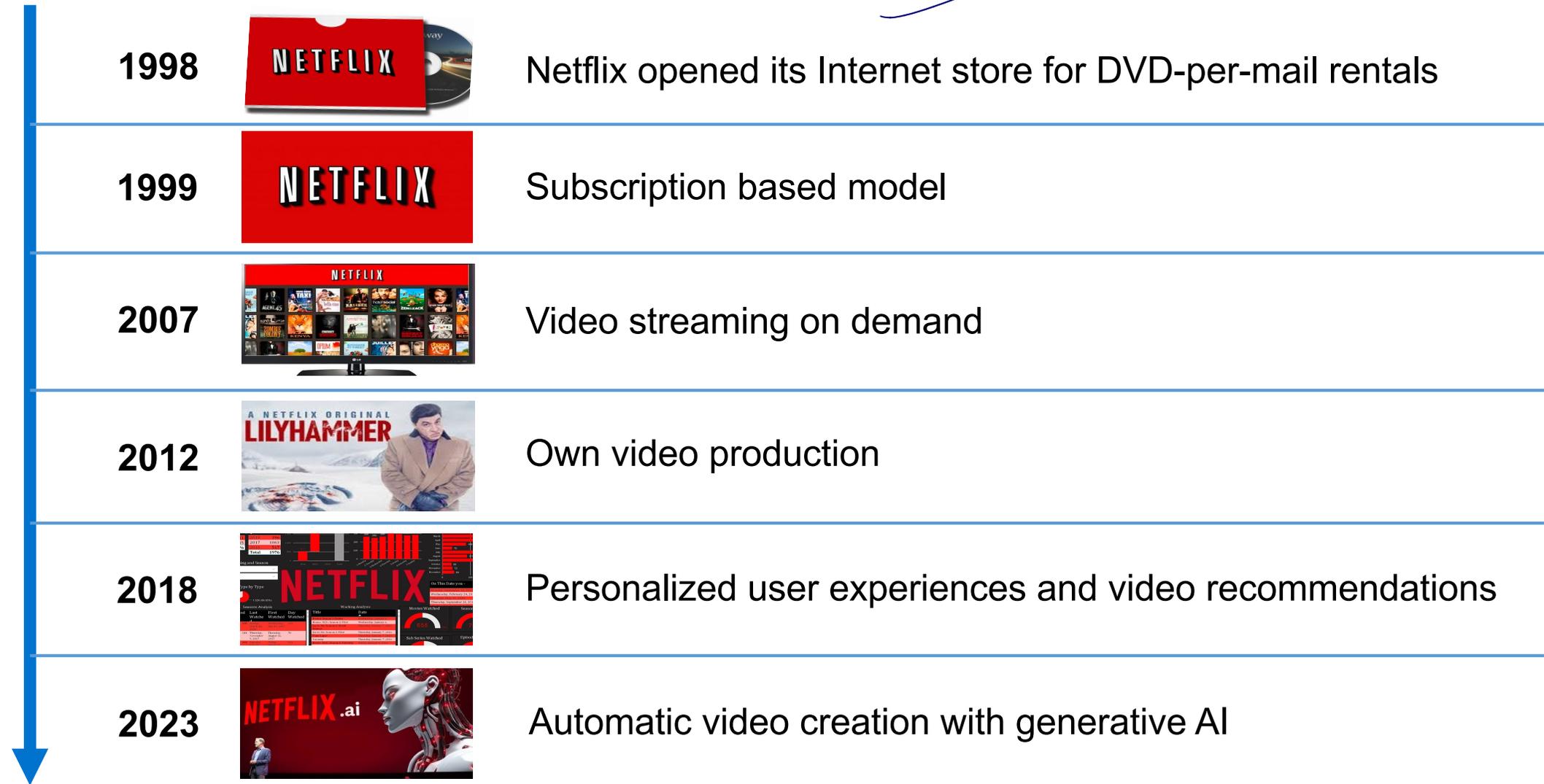
Reasons for loss of 'good strategy'?

- innovation by others => about competitors (competitors)
- loss of connection with customers (customers)
- no investments (investment)
- technological change (technological environment)
- energy prices (environmental)

- competition: innovation by others
- customers: different preferences
- investment: no risks taken
- technology env.:
- environment: energy prices

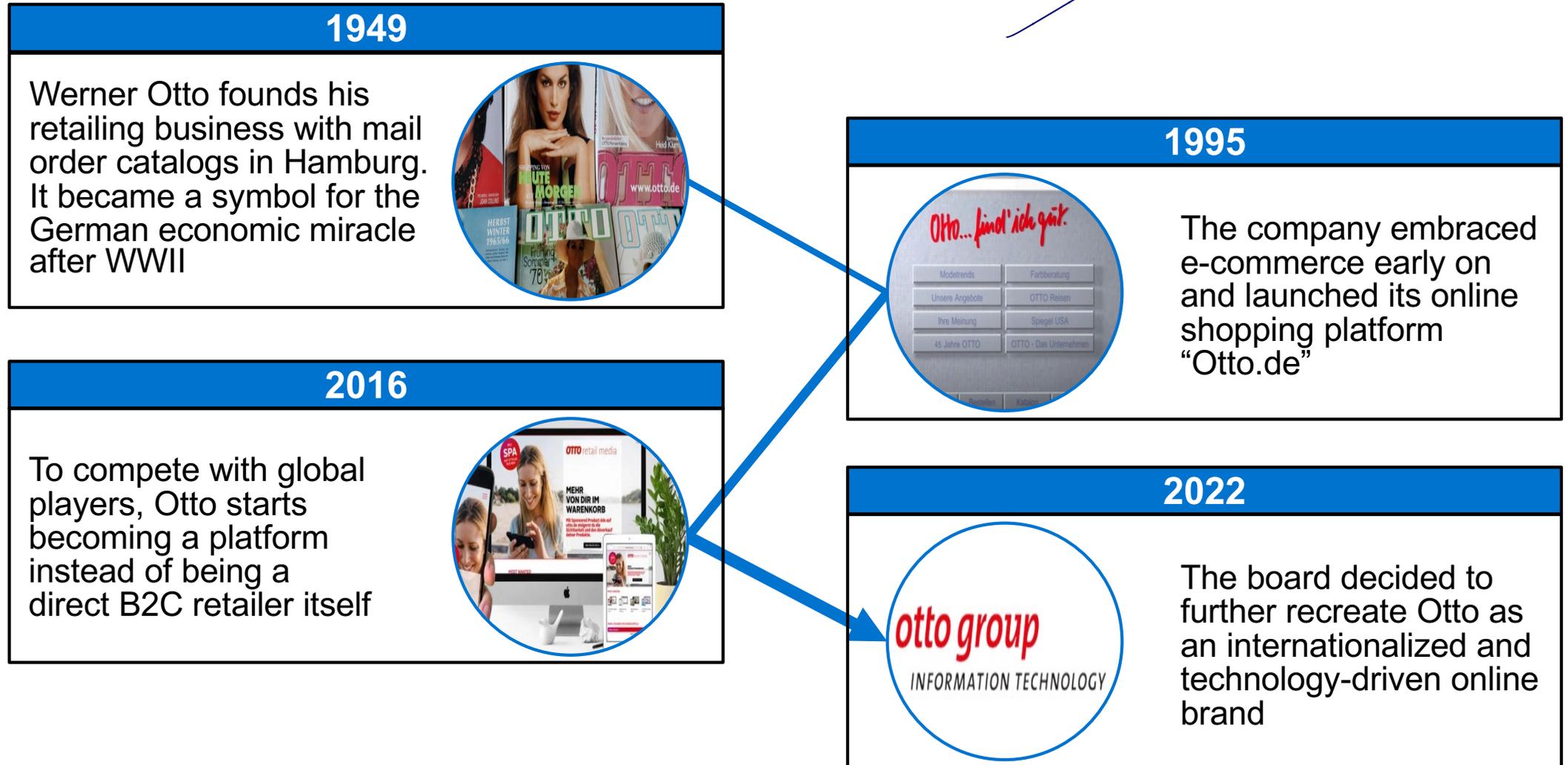
# Netflix is the master of business model transformation

## The Netflix case



# Over time, also Otto initiated multiple business transformations

## The Otto case



## Exercise: If you have one wish free. Which competitive advantage would you like your company to possess?

I would like my company to possess a... competitive advantage  
timeless, **sustainable** -> is fiction,  
are not sustainable, temporary nature



# Attackers make market leaders losing their position

Classic examples

*durchlesen*

Industry	Former market leaders	New market leaders
Smartphones		
Industry Robots		
Digital camera market		
CRM-Software		

# Will attackers make market leaders lose their position?

Additional examples

*durchlöcher*

Industry	Current market leaders	New market leaders?
Aero-Space	 	  
Watches	  	 
Cargo & Carriers	  	 
Travelling	 	 
Automotive	  	  

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#### 5.1 Competitive advantage and generic competitive strategies

#### 5.2 Five elements to form a strategy

#### 5.3 International market (entry) strategies

#### Learnings

↳ self explained  
examples  
examples not  
relevant, deepening  
of understanding

# What is strategy: Five elements that form a whole

5 components

**Arenas: In which markets do we want to be active in?**

→ positioning

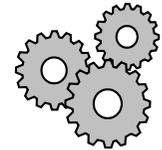
**Differentiators: Which competitive advantages do we want to achieve?**

→ value chain system

**Vehicles/Systems: What is our operating system?**

→  
**Economic Logic/Financials: How will we obtain revenues and profits?**

**Staging/Timing: What will be our speed and sequence of moves?**



# In which markets are companies active in?

Example 1: McDonald's

*selection of markets, characterized by different elements, 5 sources*



Company	Markets	Competitors
---------	---------	-------------

	<p><b>Fast food restaurants</b></p> <p><b>Restaurants in general</b></p>	<p><b>Burger King, Pizza Hut, Subway</b></p> <p><b>Maredo, Marché, Mövenpick</b></p>
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# In which markets are companies active in?

## Example 2: Google



Some products	Markets	Competitors
	Search engines and advertising	Microsoft Bing, Yahoo!
 Google Classroom	Education	Moodle, Eloomi, Coursera
 Chromecast	Home entertainment	Apple TV, Amazon Fire TV, Sky
<b>GOOGLE WORKSPACE</b>	Online workspace	Microsoft Teams, Zoom, Skype
 Android  Chrome	Web and phone services	iOS, Internet Explorer, Firefox
 Google Pay	Financial services	Apple Pay, PayPal
 Google Assistant	Personal assistance	Alexa, Siri, Huawei
 Google Play	Games and apps	Facebook, Sony, Apple
 Maps	Navigation	Apple, TomTom, Garmin

**Five forces determine the attractiveness of an industry**

determine market profitability

Element 1



→ forces new competitors enter the market, destroy other barriers destroy success

**Potential entrants**

Threat of new entrants

→ how much power to request quality and reduce price  
**Bargaining power of buyers**

→ determine cost position  
↑ higher bargaining power = higher price

**Suppliers**

**Industry competition**  
= intensity of rivalry  
Rivalry among existing firms  
higher destroy lower is profitability

**Buyers**

Bargaining power of suppliers

Threat of substitutes

**Substitutes**



# Success requires a clear and precise market positioning ...

Example: BMW



**Performance heritage:** BMW stands for dynamic driving and engineering excellence  
*"Sheer driving pleasure"*



**Technological innovation:** The *Neue Klasse* embodies BMW's shift toward software-defined, electric mobility and cutting-edge innovation  
*"Digital. Electric. Circular."*



**Sustainable luxury:** Premium design and innovation is explicitly tied to circularity and lifecycle impact  
*"No premium without responsibility"*



## Automotive Ranking by the British YouGov Institute for Germany, 2025

Rank	Brand	Score
1	BMW	11.1
2	Audi	9.2
3	Mercedes-Benz	8.4
4	Toyota	7.3
5	Skoda	7.0



# ... because a poor positioning can quickly become fatal

Example: Infiniti



## 1989 – 2010 Infiniti's promising beginnings

- Founded in 1989 as **Nissan's premium division** to compete with Lexus, Acura, BMW
- Early reputation for **refined V6 engines**, design innovation (e.g., FX45, G35 Coupe)
- Infiniti's **U.S. sales** hit an all-time record of 136,401 in 2005

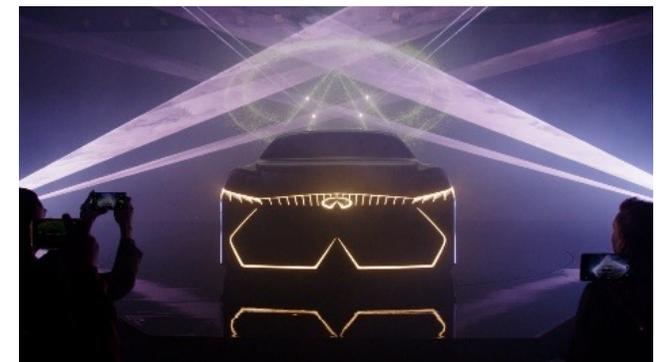


## Since 2010 strategic shift and brand erosion

- **Frequent leadership changes** (five global presidents since 2012) → lack of continuity
- **Confusing positioning**: back and forth between Japanese heritage, global premium, and tech-forward luxury
- **Underinvestment and delayed electrification**: first fully electric model postponed to 2026, long after Lexus, BMW, and Tesla
- **Geographic retreat**: exited Western Europe (2020); weak presence in China
- **Global sales collapsed**: from ~230,000 units (2018) → <130,000 (2024) (-43%).

## Present consequences: a brand stuck in the middle

- “Years of underinvestment, shifting leadership, and an unclear product vision have left Infiniti **struggling for identity**.” (Newsweek, 2025)
- **Current share in the U.S.** premium segment <2% (vs. BMW ~18%, Lexus ~15%)
- 2025 “Vision Qe” concept signals **another repositioning attempt**; no product proof yet



Element 2



Two generic competitive strategies are to be distinguished

value - price ratio

Generic competitive strategies

Competitive advantage  
(Better value/  
price-ratio)



Assumption

Strategy

Const. price

Quality leader

/Differentiation

Better perceived value

=> assumption, keep price stabil and create more value = quality leader approach (vgl. Chapter 4)  
/oder differentiation

Const. value

Price leader

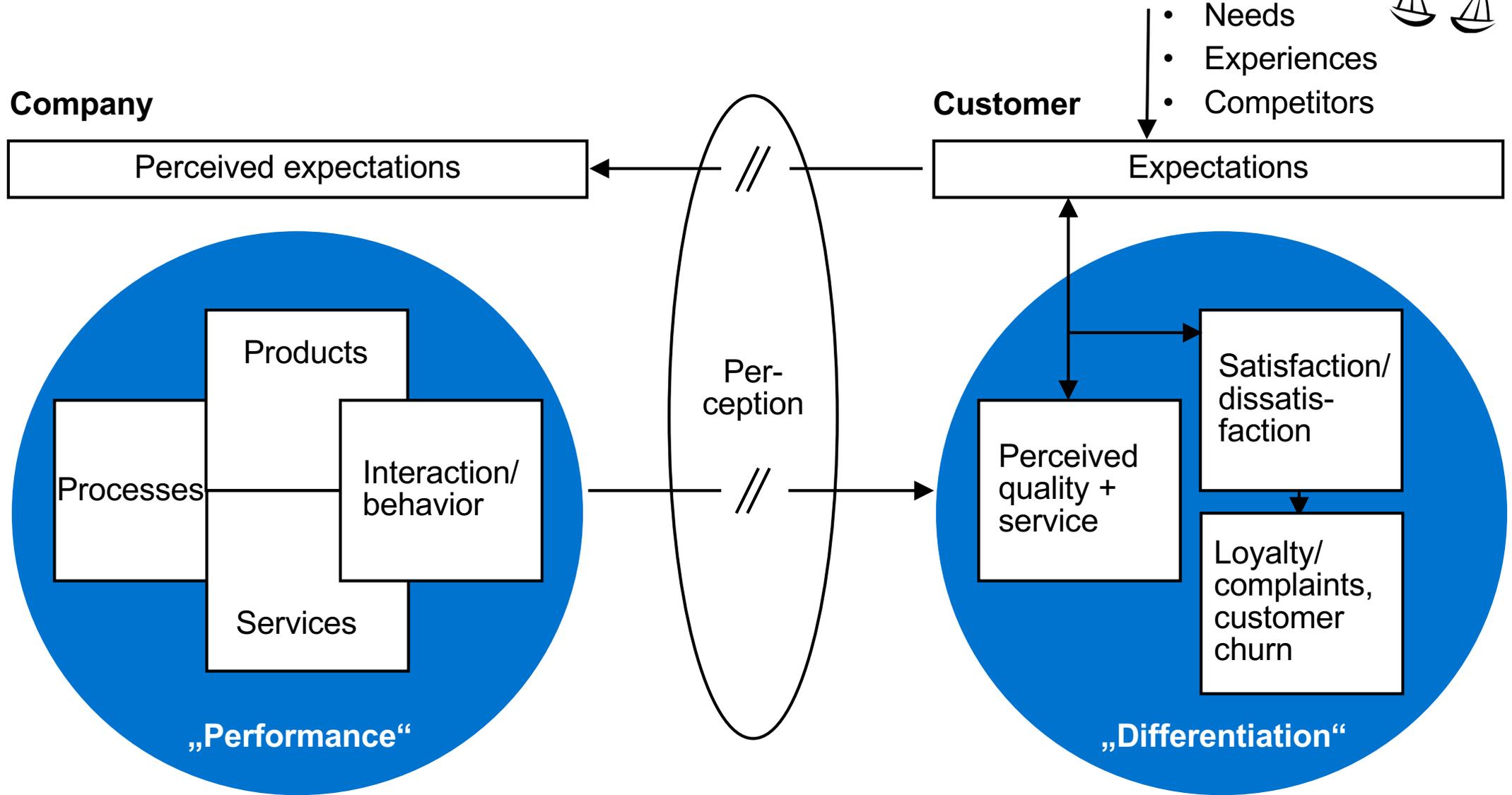
(cost leader needed to be one)

Better prices

keep value constant, go price down, price leadership/ (vgl. Chapter 4)  
-> requires cost leadership

# Differentiation occurs in the interaction between companies and customers

Interaction of companies and customers

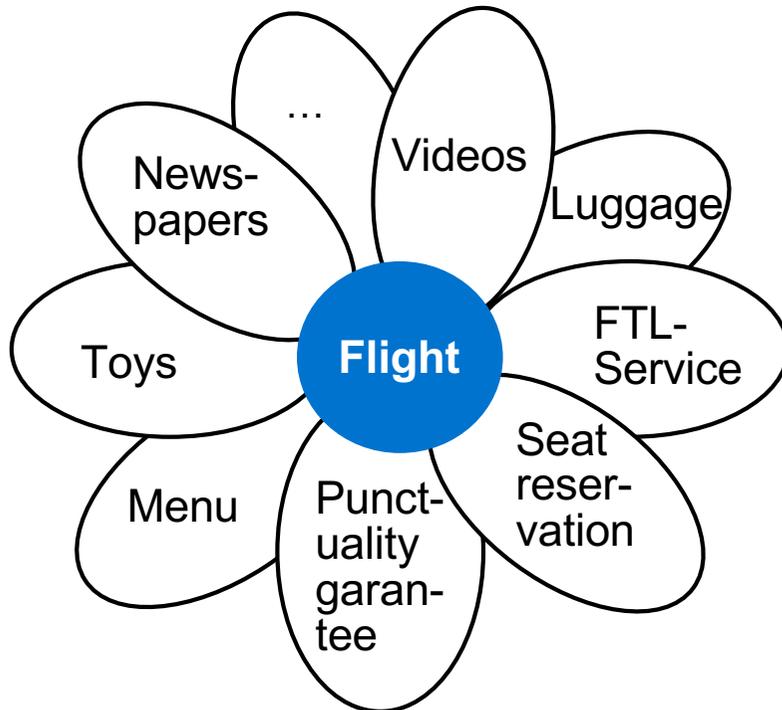


# Price leadership strategies gain in importance in many markets

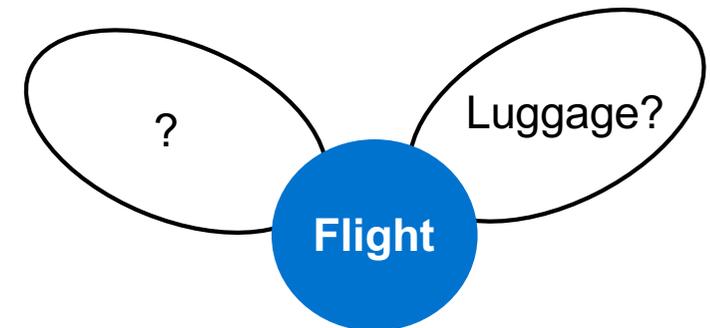
Strategy alternatives and product concepts in the airline industry



## Traditional product



## Price leadership





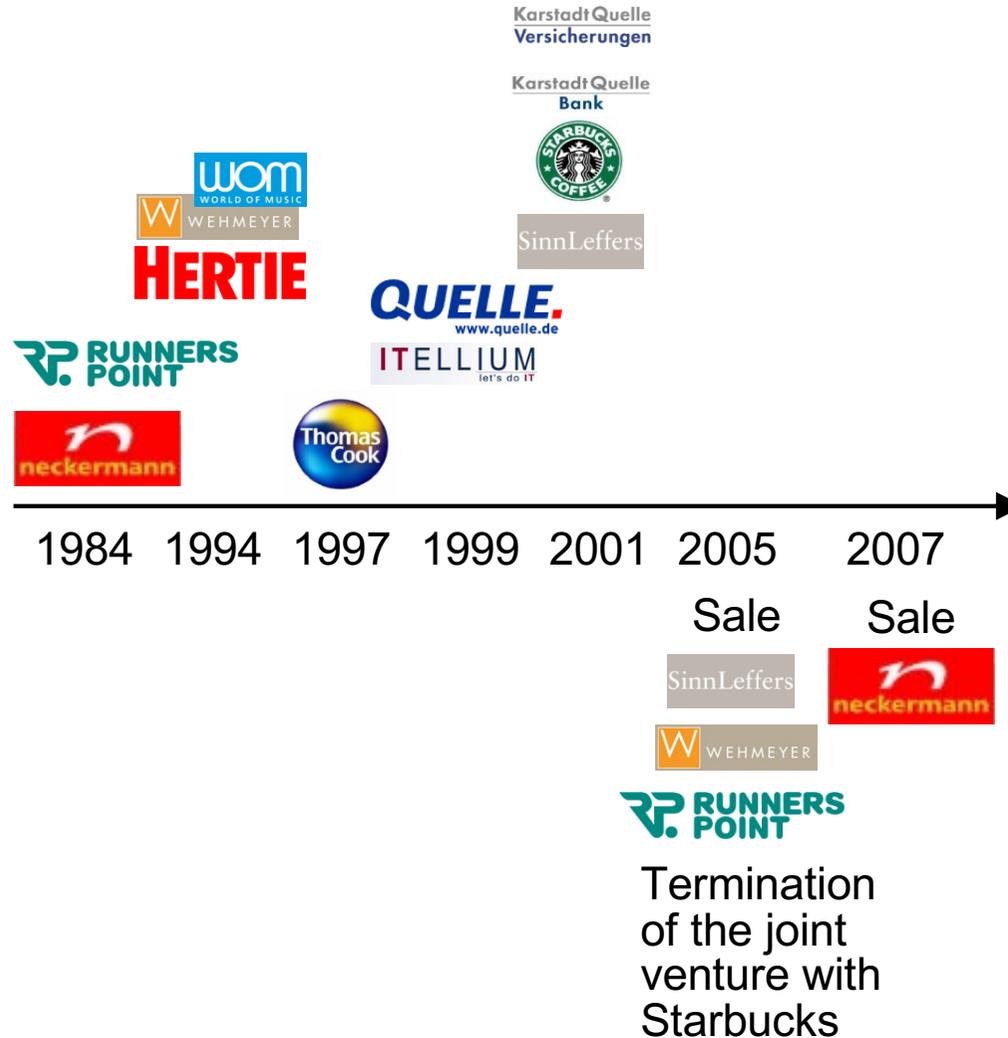
# „Stuck in the middle“ positions should be avoided

Example: Karstadt-Quelle (Arcandor AG)

Boutique and department store with mass products

Highly diversified, but competitors are specialized

Forgoing internationalization



## Consequences

Share price development 2002 – 2009



2009: Declaration of insolvency proceedings

2010: Investor Nicolas Berggruen acquires Karstadt

**Exercise: Pick a company of your choice. Which competitive strategy does this company pursue? Which company in the same industry pursues the opposite strategy?**

# IKEA's business system is significantly different

*Element 3*

*differentiators on one hand, processes on the other hand*

*what business process, value chains you realize competitive advantage business system*



Self-selection by customers      Limited customer service

Outsourcing of logistic processes      In-house design      Smaland      Restaurant      (Online) Catalog

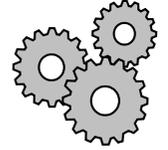


Self-assembly by customers      Warehousing      (Online) Configuration

*have to have stock limited stock modular system some parts for different types of furniture modularization what is core of processes!*

*Resonderheit*

*effects on value chain: had to wait 12 weeks to get it delivered  
IKEA: pick it up right away -> ensure availability  
easy to assemble, clear instructions, supply system they can rely on 100%, limited space*



# Important questions to be asked when designing business systems

**Vertical Integration**

**Which value creation functions should be bought, which should be self-generated?**

**Economies of scale**

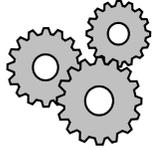
**How is it possible to achieve a sub-proportional development of costs?**

**Support**

**Which sales-related supporting functions are necessary?**

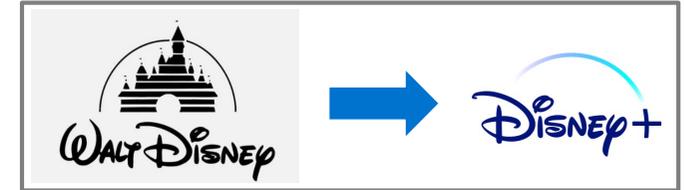
**Differentiation**

**How is it possible to perform single functions in an innovative way?**



# Business system - Examples

Vertical Integration



Economies of scale



Support



Differentiation



4. Element economic logic revenue model + profit model

**SIM.TUM**  
Strategic and International Management



# Examples of different revenue models

4 different revenue model

## Pay-per-use



## Membership model

pay for access



## Cross-subsidy of complementary goods

low price / cheap access, lock in effect base technology,

complementary goods → priced high

incompatibility Voraussetzung

Dadurch keine competition!



## Two-sided market model

↳ you pay with data freedom economy! Different currency → Data & attention, sell it on a different market



what do you pay for when you buy bread? ownership rights (alles andere preconditions or motives) pay right to own the bread  
eat it, resell it, throw it away, level up

# What determines your margin model?

Two different approaches

↳ profit of the last unit

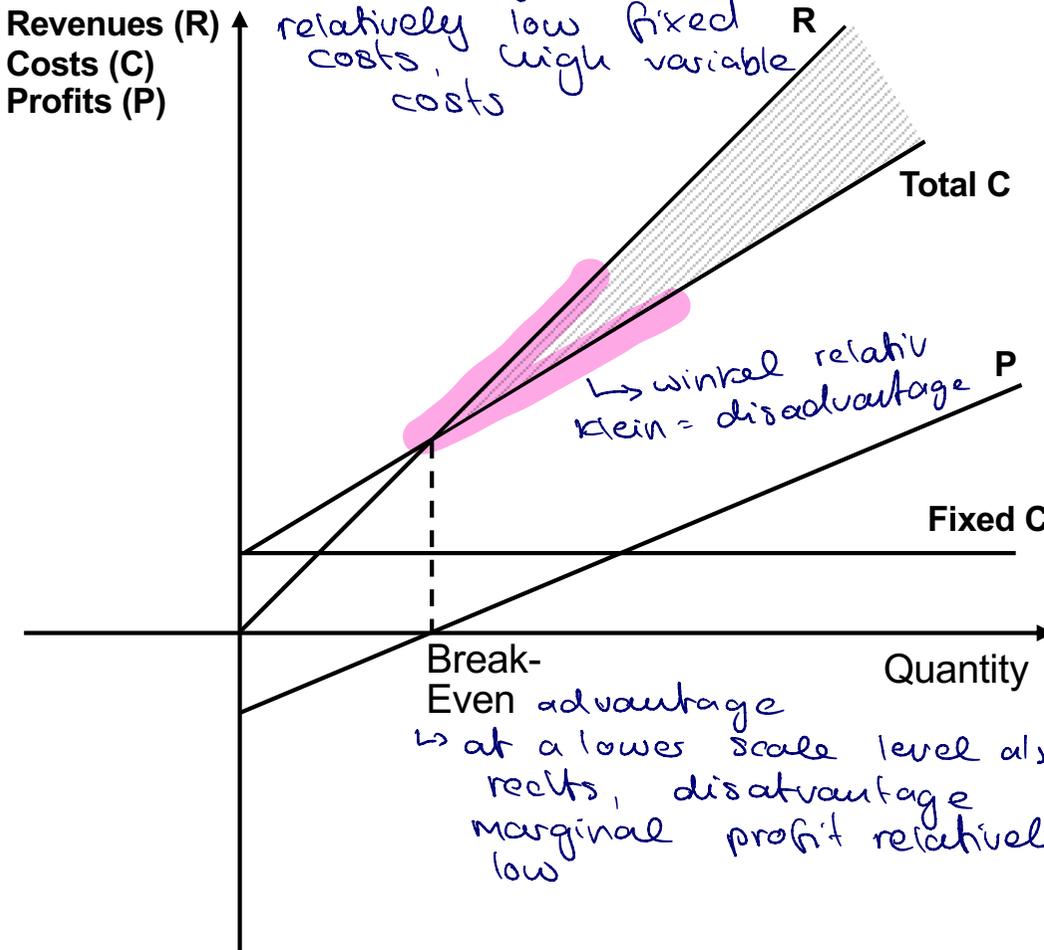
↳ retail f.e. Aldi, Lidl

Revenue curves identical

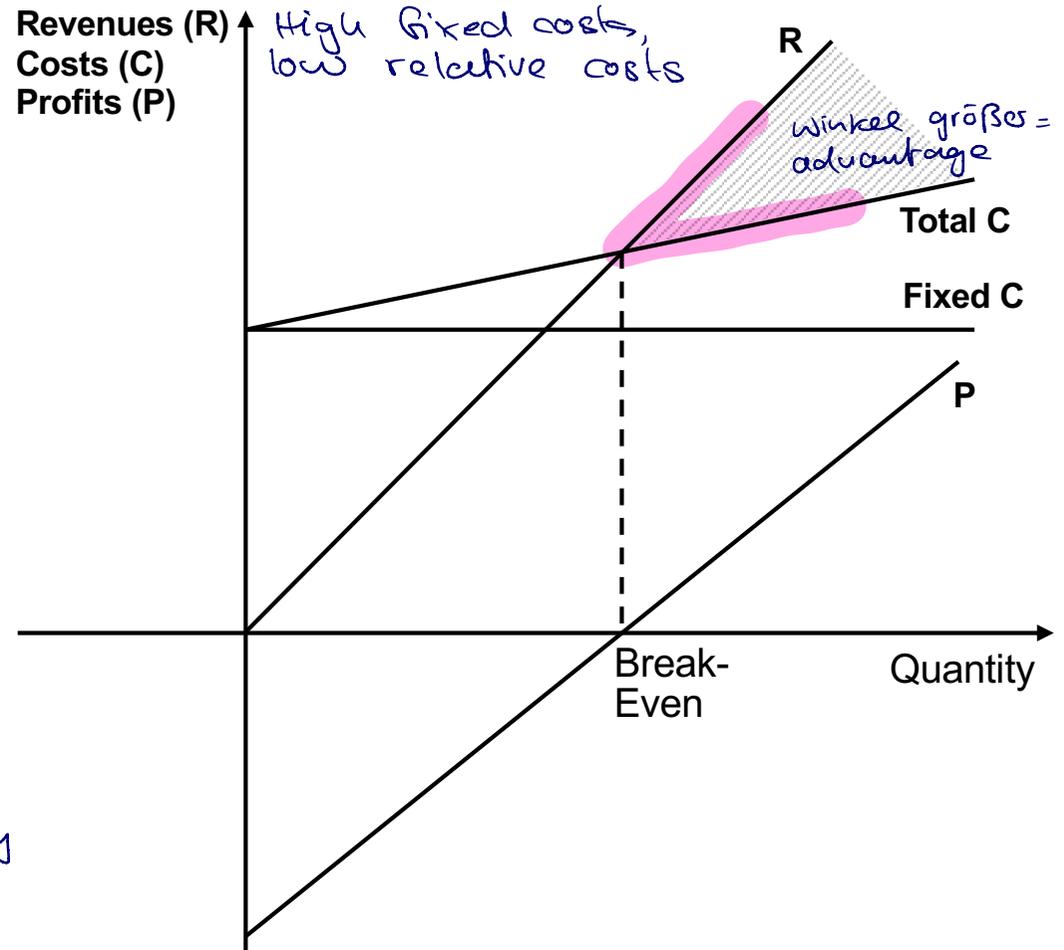
↳ f.e. pharma, software



## “Low-Margin-Model”



## “High-Margin-Model”

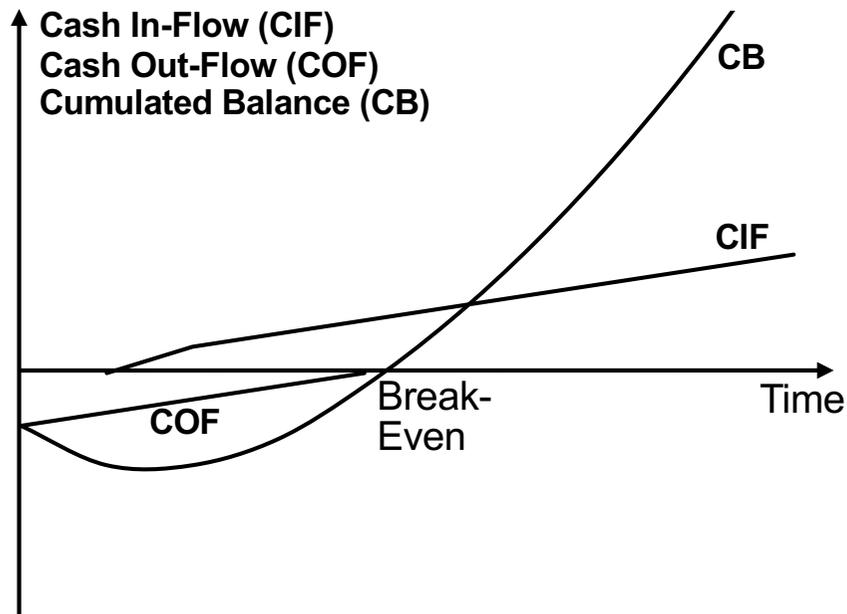




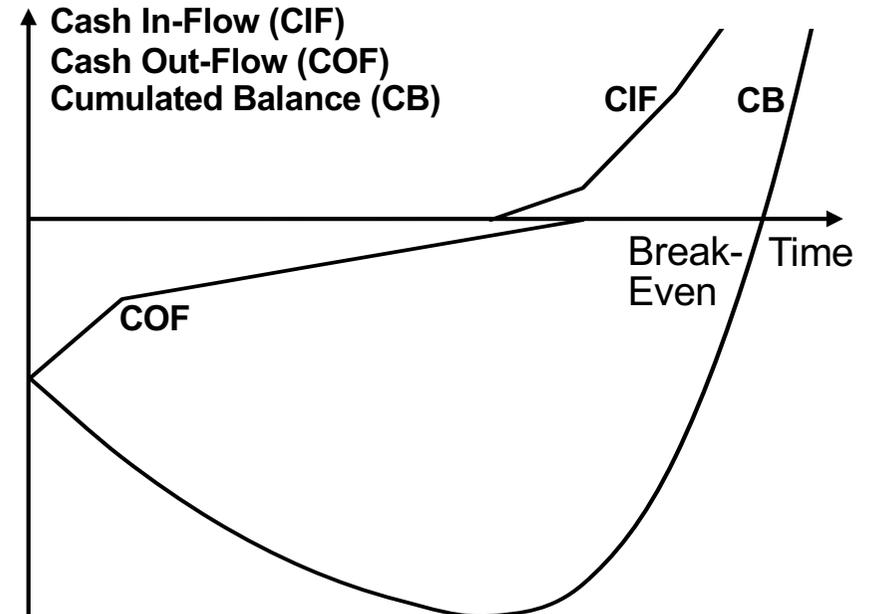
# Industries differ in the length of investment periods and subsequent cash in-flows

Example of cash in-flow and cash out-flow models

## Short investment period



## Long investment period

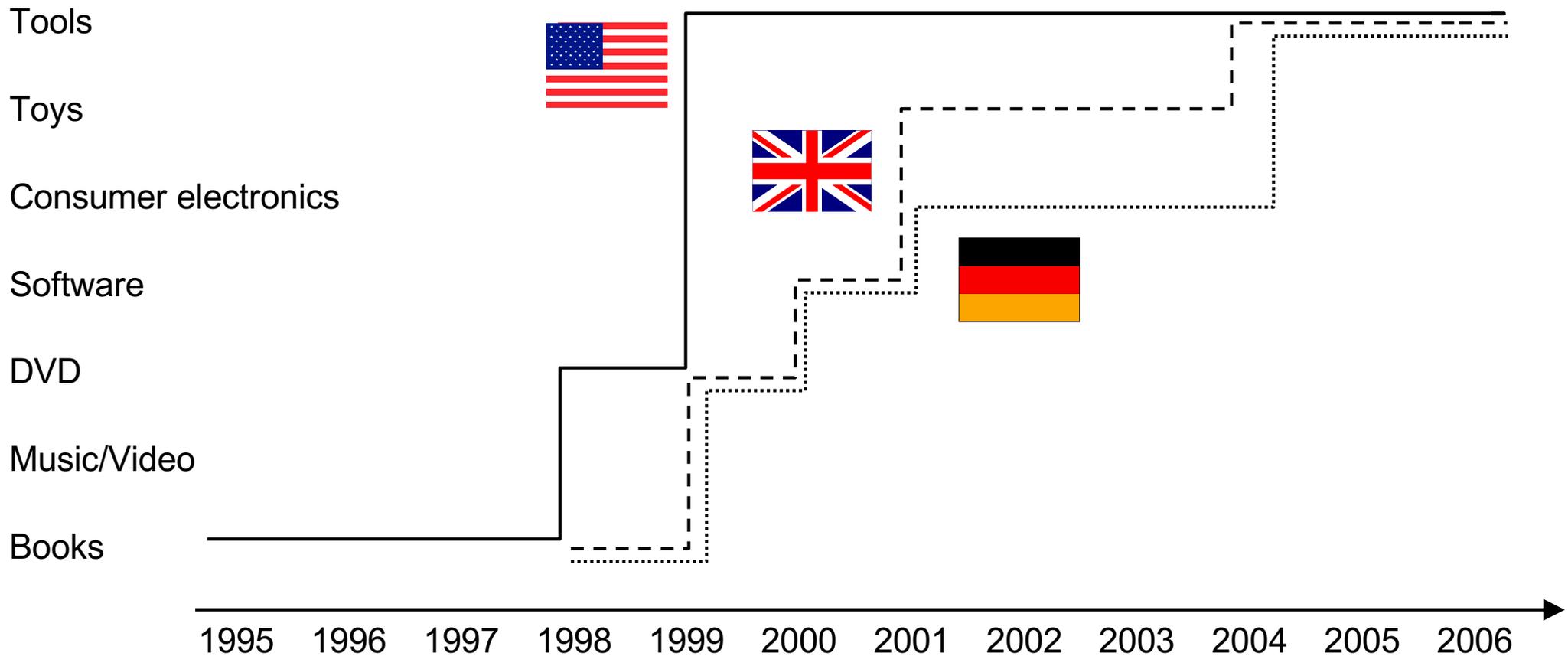


**Exercise: Please characterize the economic models of the competitors in the industry you picked before. Which economic model would you install?**



# Is there a rationale behind this sequence?

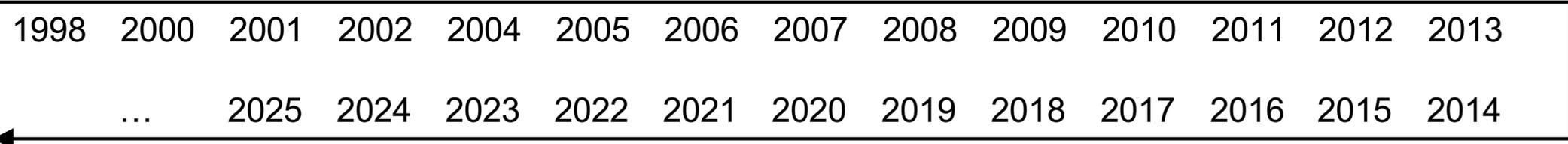
Sequential introduction of products in different markets, the example of Amazon.com (selection)



Source: [http://media.corporate-ir.net/media\\_files/irol/97/97664/Goldman\\_Sachs\\_Final.pdf](http://media.corporate-ir.net/media_files/irol/97/97664/Goldman_Sachs_Final.pdf)

# Is there a rationale behind this sequence?

Example Google (excerpt)

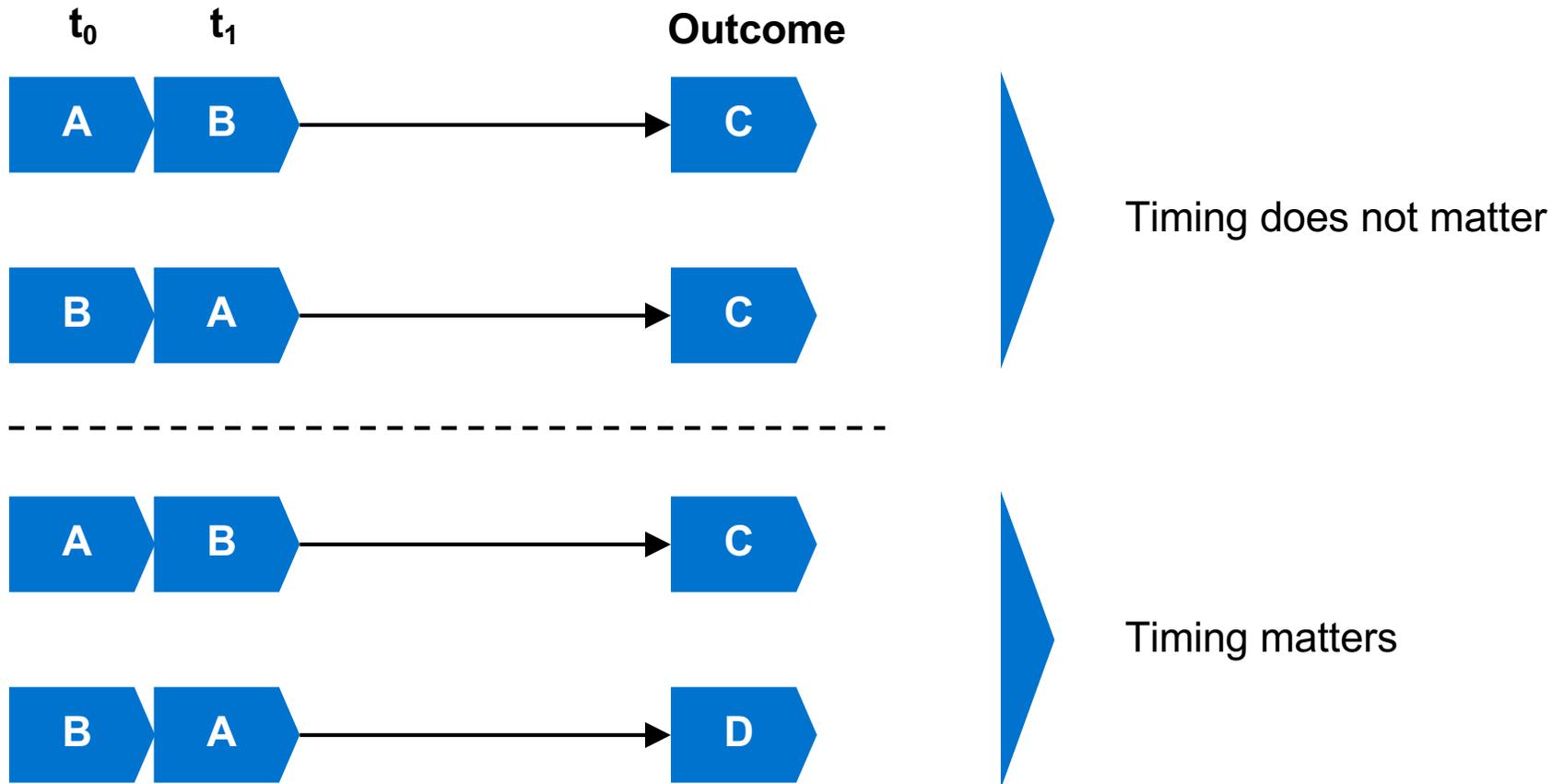


Source: [www.google.com/corporate/history.html](http://www.google.com/corporate/history.html)



# When does timing matter, and when does it not?

Sequence of actions and outcome



# Introduction of Polestar

Swedish manufacturer of electric and hybrid cars



Founded in 1997 as a JV between Volvo (Sweden) and Geely (China)



Originally established as the outsourced car-tuner for Volvo vehicles



In 2017, Polestar presented its first self-developed car and underlined its strong global growth ambitions

# Applying the five elements of strategy for Polestar

 <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-weight: bold;">Arenas</div>  <ul style="list-style-type: none"> <li>• <b>Electronic / hybrid premium</b> vehicles</li> <li>• <b>Tesla as role model</b> and biggest competitor</li> <li>• Special sales and production <b>focus to Chinese markets</b></li> </ul>	 <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-weight: bold;">Differentiators</div>  <ul style="list-style-type: none"> <li>• <b>Digital first:</b> new digital customer journey and online buying process</li> <li>• <b>Nordic, modern, and minimalistic</b> car design elements</li> <li>• <b>Innovative image</b></li> <li>• <b>Luxurious showrooms</b></li> <li>• <b>Transparent, sustainable, and ethical</b> firm principles</li> </ul>	 <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-weight: bold;">Economic Logic/Financials</div>  <ul style="list-style-type: none"> <li>• <b>Fixed price</b> revenue model for product <b>sales</b></li> <li>• <b>Subscription-based</b> revenue model for <b>leasing</b></li> </ul>	 <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-weight: bold;">Vehicles/Systems</div>  <ul style="list-style-type: none"> <li>• <b>Built-to-order:</b> cars get only manufactured after official order placements</li> <li>• <b>Asset light:</b> usage of multiple company assets of Volvo</li> <li>• <b>Global from the beginning:</b> global company image and infrastructure (incl. usage of Volvo assets)</li> <li>• <b>Polestar as prototype:</b> Volvo can easily test new car formats without risks to its own brands</li> </ul>	 <div style="background-color: #0070C0; color: white; padding: 5px; text-align: center; font-weight: bold;">Staging/Timing</div>  <ul style="list-style-type: none"> <li>• Polestar <b>started</b> entirely on the <b>Volvo infrastructure platform</b></li> <li>• <b>Increasingly independent</b> R&amp;D as well as marketing <b>activities</b></li> <li>• Company <b>target of market expansions</b></li> <li>• <b>Extension of product mix</b> with new SUVs and sports cars until 2024 (Polestar 3,4,5 &amp; 6)</li> </ul>
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Source: <https://creativesupply.com/de/resources/polestar/>; <https://medium.com/ymedialabs-innovation/3-ways-polestar-is-paving-the-way-as-a-digital-first-electric-vehicle-company-9fa60b0726c1>

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#### 5.2 Five elements to form a strategy

#### 5.3 International market (entry) strategies

↳ most markets

### Learnings

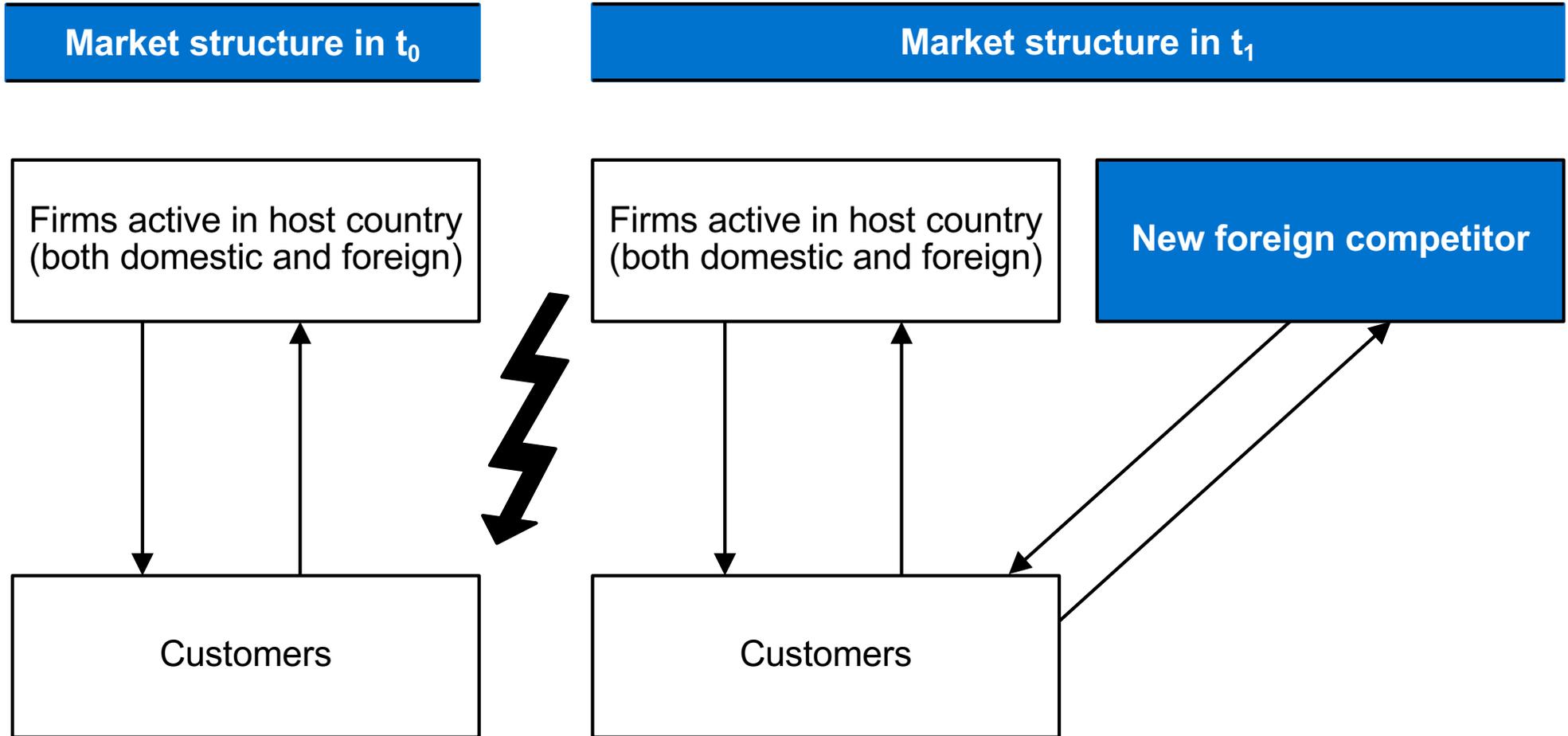
what is internationalization?

# Foreign market entry disturbs existing customer relationships

disturbs market equilibrium in a host market

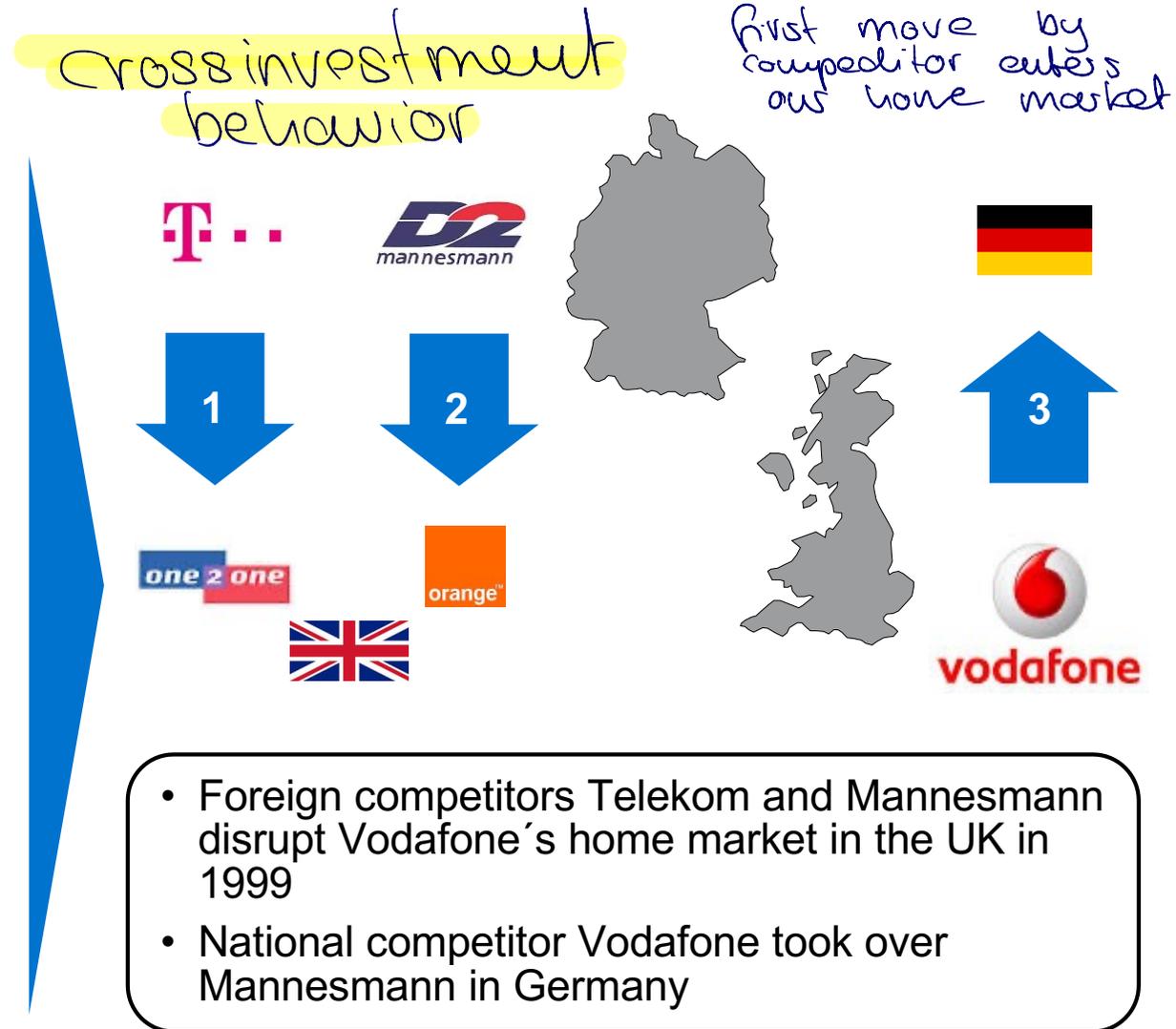
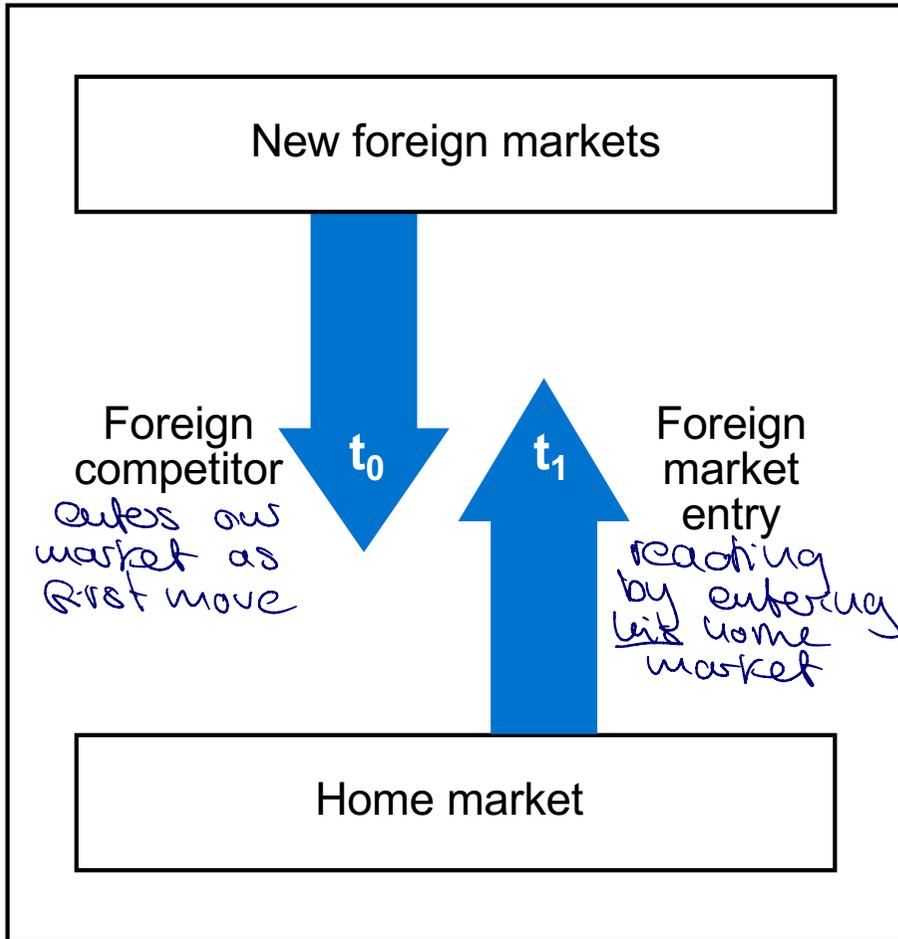
Change of market structure by foreign market entry

Company goes into host market => tries to get into the relationship of customers > competitors, tries to change it



# Foreign market entry can be triggered by foreign competitors themselves

Reasons for foreign market entry (1/4)



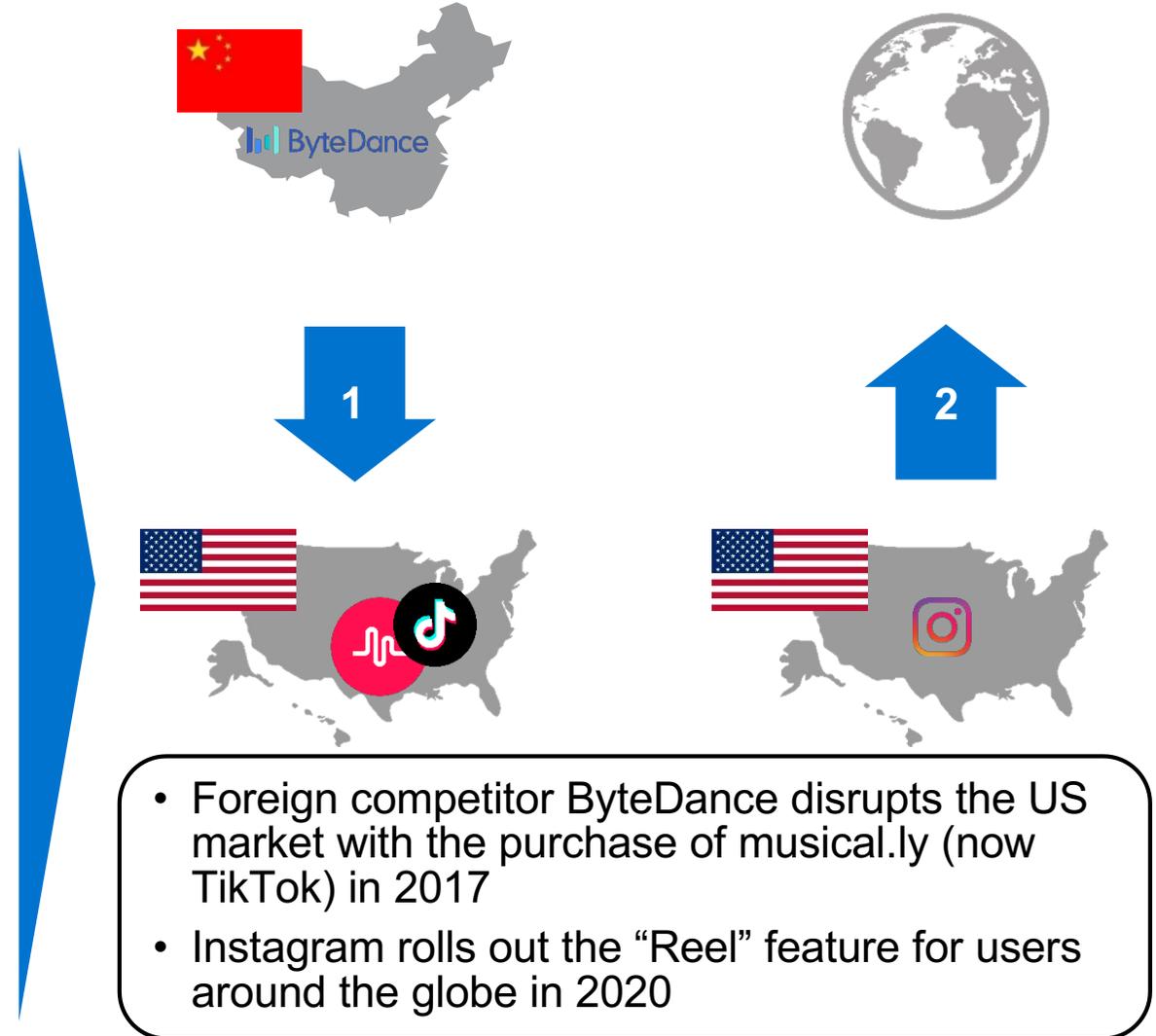
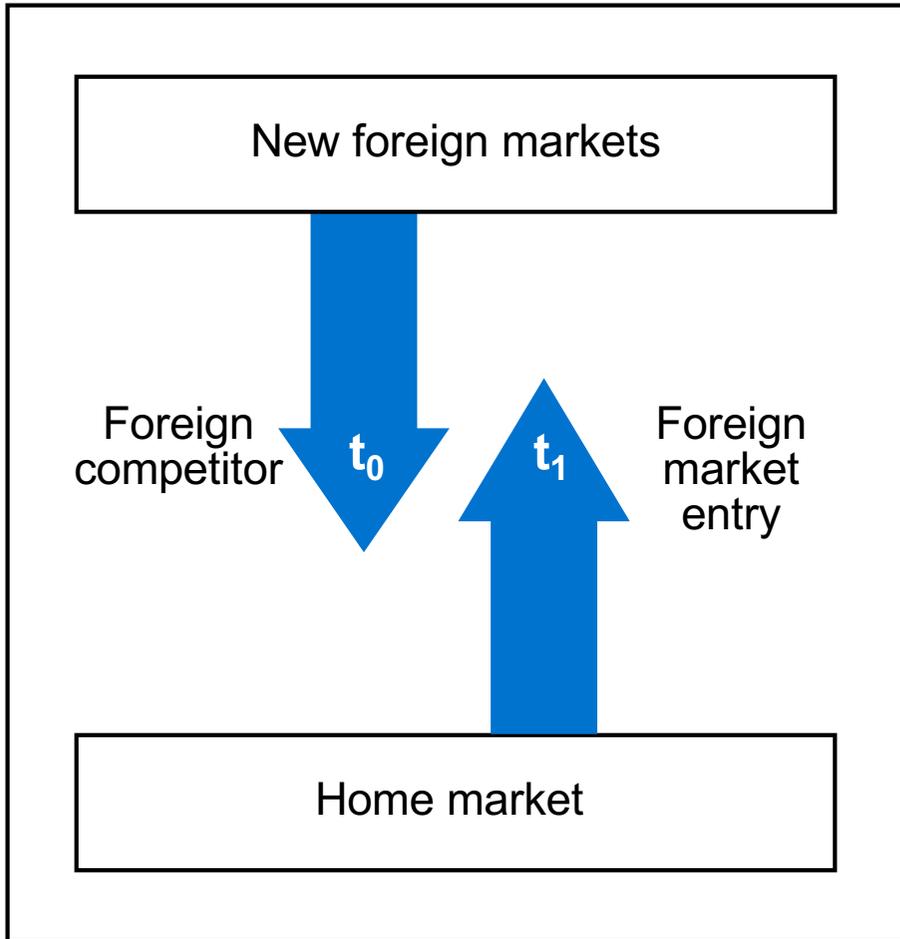
<sup>1</sup> takeover announcement, June 1999, <http://www.telekom.com/unternehmensgeschichte> (10/07/2014)

<sup>2</sup> takeover announcement, October 1999, Höpner & Jackson, 2006, p. 148

<sup>3</sup> public bit, 23<sup>th</sup> November 1999, Höpner & Jackson, 2006, p. 148

# Foreign market entry can be triggered by foreign competitors themselves

Reasons for foreign market entry (1/4)



- Foreign competitor ByteDance disrupts the US market with the purchase of musical.ly (now TikTok) in 2017
- Instagram rolls out the “Reel” feature for users around the globe in 2020

<sup>1</sup> TikTok: The story of a social media giant, Tidy & Galer, August 2020, <https://www.bbc.com/news/technology-53640724> (14/10/2025)  
<sup>2</sup> Reels announcement, August 2020, <https://about.instagram.com/de-de/blog/announcements/introducing-instagram-reels-announcement> (14.10.2025)

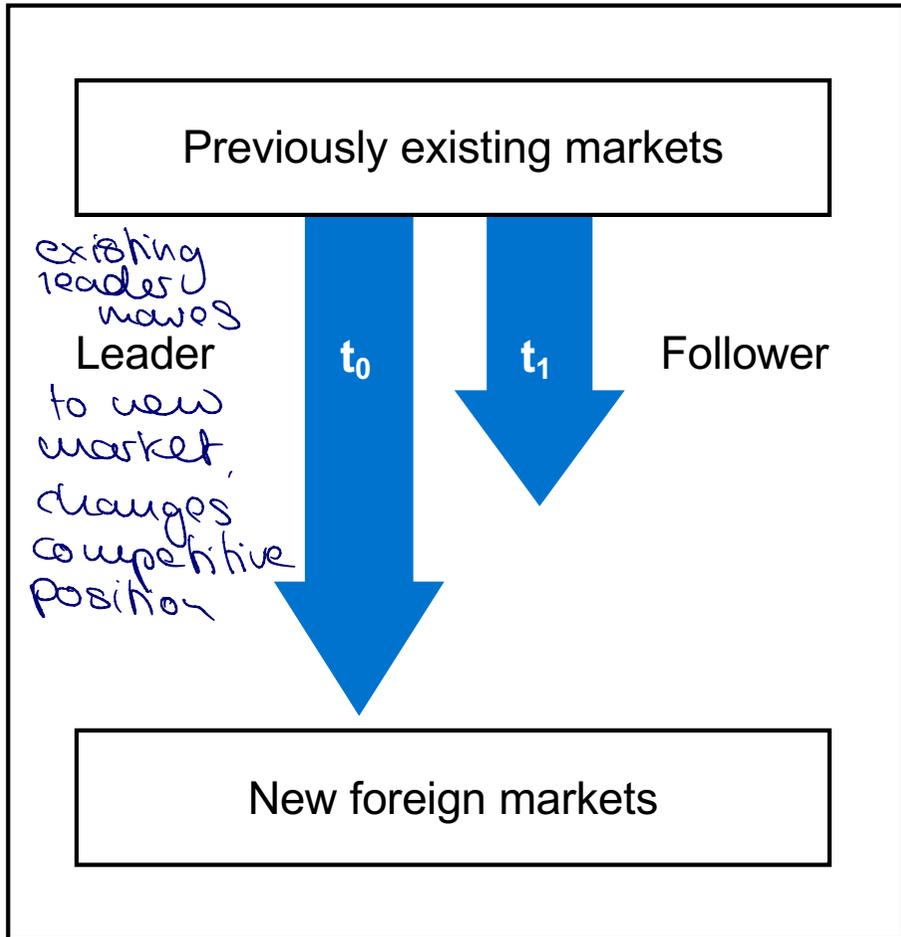


# Foreign market entry can be triggered by domestic competitors

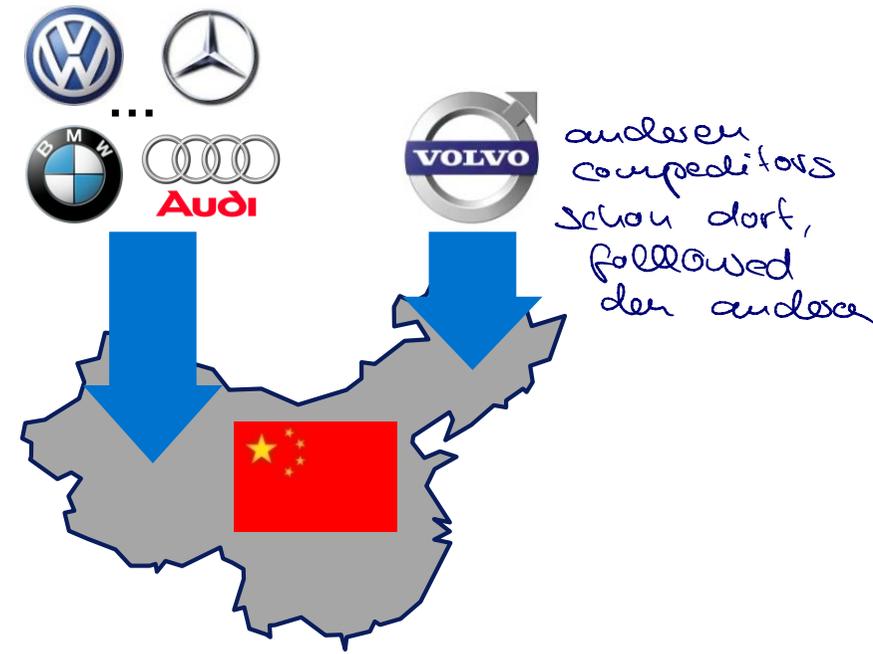
Reasons for foreign market entry (2/4)

follow the leader  
behaviour

new host market, more scale  
more fix costs decrease

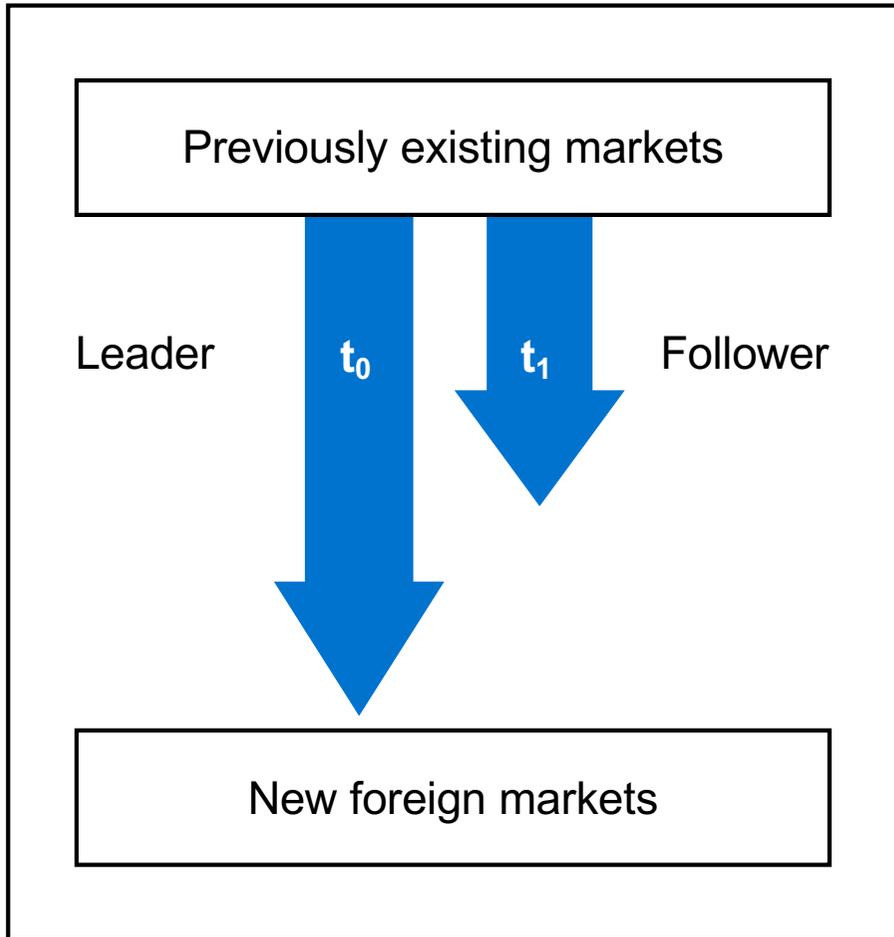


**“Local production is the key to remaining competitive in China. We have no alternative, because our competitors are already producing in China.”**  
*Fredrik Arp, CEO Volvo, Handelsblatt, 03/20/2006*



# This holds also true the other way round in the case of the Chinese Automotive industry

Reasons for foreign market entry (2/4)



“Changan said in March that it plans to enter 10 markets across Europe this year with electric vehicle models. [...] Changan joins a number of other Chinese automakers that have already launched sales in Europe, including BYD and Chery.”

*Reuters report, July 2, 2025*



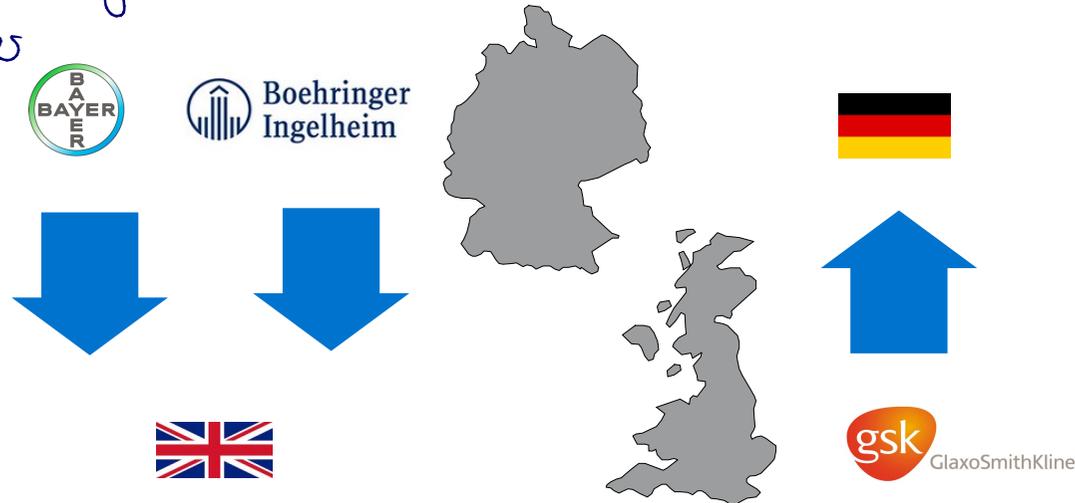
Source: <https://www.reuters.com/business/autos-transportation/chinas-changan-plans-european-factory-executive-says-2025-07-02/>

# Foreign market entry can be necessary as a consequence of business model design

business model

Reasons for foreign market entry (3/4)

hohe fix costs  $\Rightarrow$  high scales  $\Rightarrow$   
 going to another  
 market

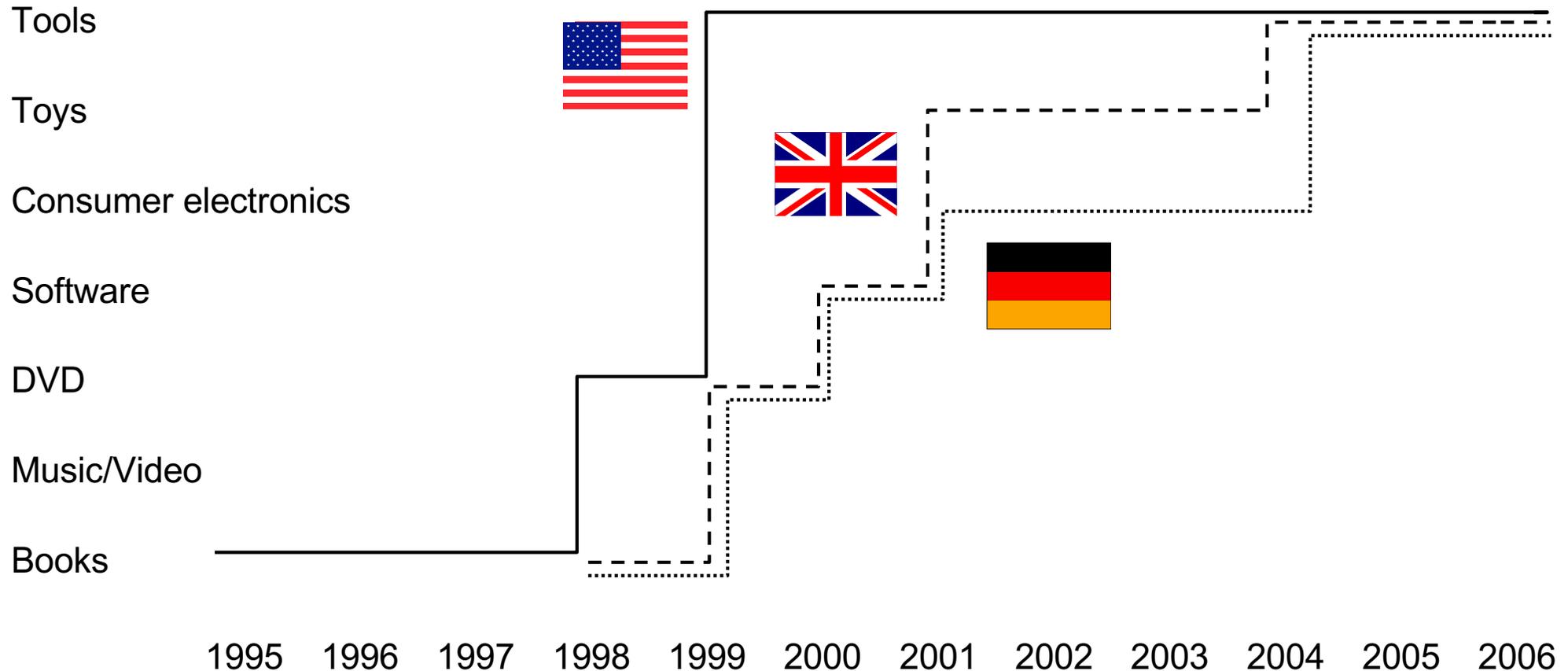


- Pharmaceutical companies (e.g. Bayer AG; Boehringer Ingelheim; GlaxoSmithKline) develop new drugs which takes considerable degrees of investment and research
- Due to foreign market entries they can realize economies of scale

# Foreign market entry can be a proactive expansion resulting from firm specific advantages

Reasons for foreign market entry (4/4), sequential introduction of products in different markets, the example of Amazon.com (selection)

*firm specific advantages*



Source: [http://media.corporate-ir.net/media\\_files/irol/97/97664/Goldman\\_Sachs\\_Final.pdf](http://media.corporate-ir.net/media_files/irol/97/97664/Goldman_Sachs_Final.pdf)

# Elements of market entry strategies

## Overview

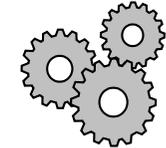
**Arenas – Target market selection: Where to enter?**



**Advantages – Target market customization: What to offer?**



**Vehicles – Entry mode: How to enter?**



**Timing – Market entry timing: When to enter?**



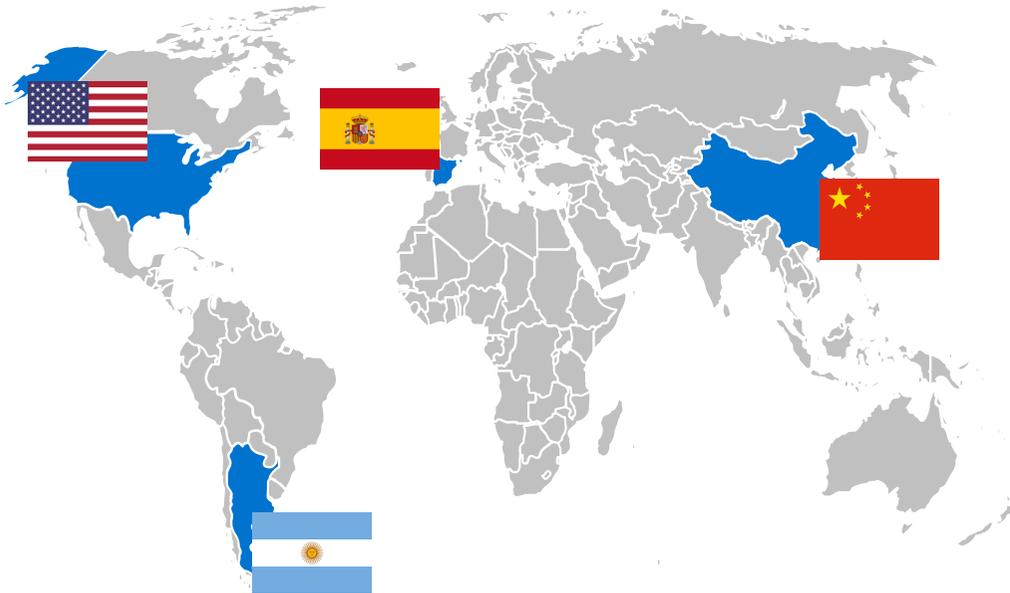
**Economics – Target market business case: How to profit?**



*→ which markets should I enter*

# Target market selection is a weighting of market potential against entry barriers

Factors influencing target market selection



1

Institutional factors

▶ Is it legally possible to enter? *→ are we allowed?*

2

Market potential

▶ Is the revenue potential attractive?

3

Competitive barriers

▶ Is the potential share attractive?

4

Liabilities of foreignness

▶ How dissimilar is the target country?

*How able to enter target country*

# Target market customization depends on need for local responsiveness and economies of integration

Factors influencing target market customization

How should I enter?

customisation specific needs to new market



differs or don't differ from offering in other host markets or local market

**Economies of integration**

-> is it profitable sachem auf anderen host market ausübten

high

low

<p><b>Global (integration) strategy</b></p> <p>not required to customize but you gain (homogen)</p> <ul style="list-style-type: none"> <li>• Brand</li> <li>• Value proposition</li> <li>• Price <small>e.B. Cola, iPhone</small></li> </ul>	<p><b>Transnational strategy</b></p> <p>↳ automotive industry</p> <ul style="list-style-type: none"> <li>• Polycentric</li> <li>• Centers of excellence</li> <li>• Variety plus standards</li> </ul>
<p><b>International strategy</b></p> <ul style="list-style-type: none"> <li>• "Out of home region"</li> <li>• International as sales</li> </ul>	<p><b>Multinational strategy</b></p> <p>↳ customize offering</p> <ul style="list-style-type: none"> <li>• Brand</li> <li>• Value proposition</li> <li>• Price</li> </ul>

low

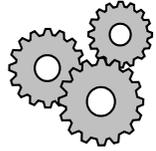
high

**Need for local responsiveness**

-> different auforderung

Framework by

Source: adapted from Bartlett/Ghoshal, 1989



# The outsider firm has to become an insider

## Adaption



### Outsider

- A step into a new product or regional market with different environmental settings to the existing portfolio
- Lack of market-specific knowledge

**Gaining market-specific knowledge by acting within the various environmental settings**

**Becoming an insider in a new area:**

- with a partner
- without a partner

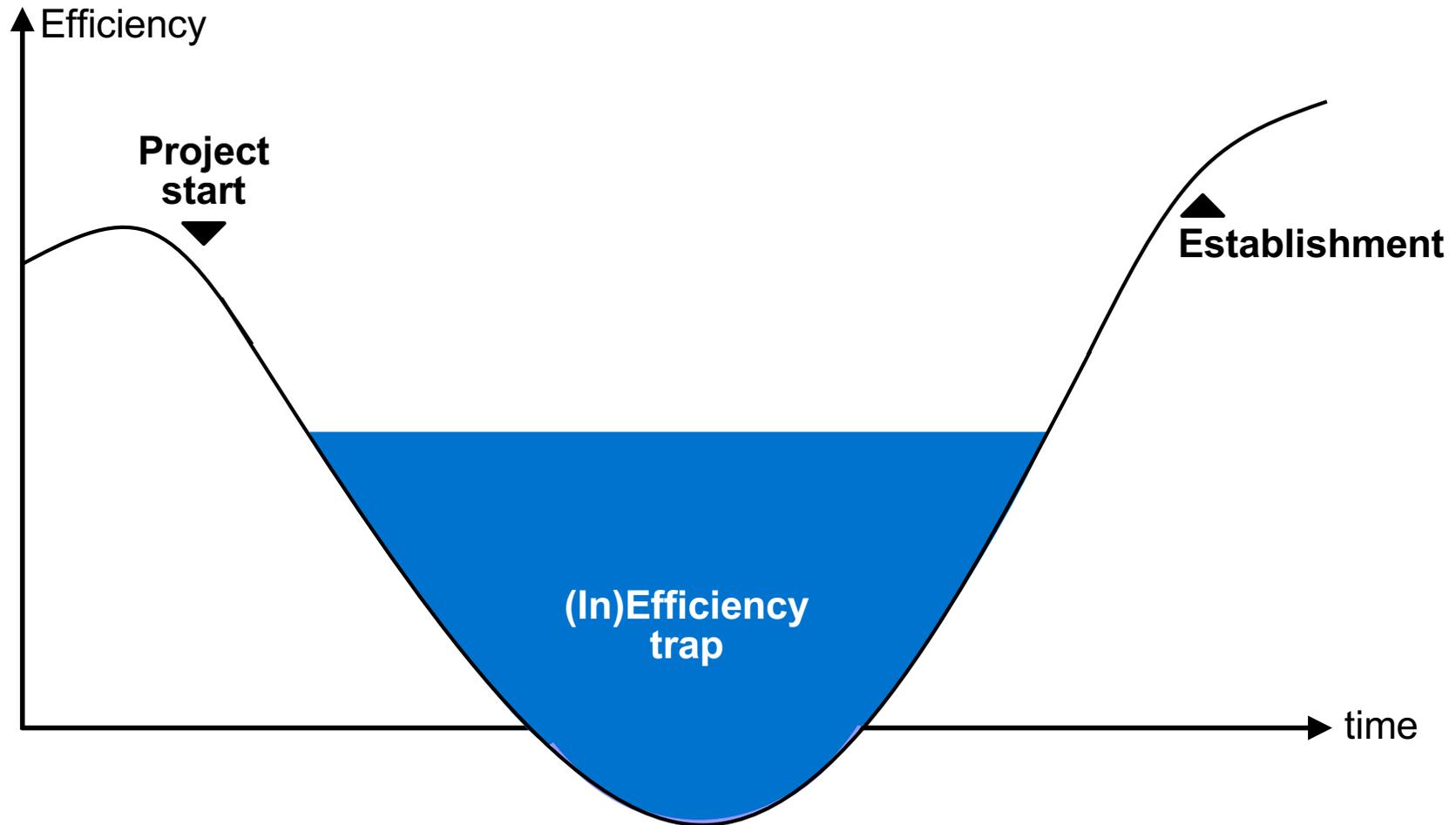
### Insider

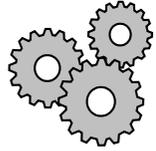
- Generated knowledge may enable a firm to use its specific advantages in the new settings
- Market-specific responsiveness



# Typically, a growth project comes with an inefficiency trap

Efficiency over a project duration



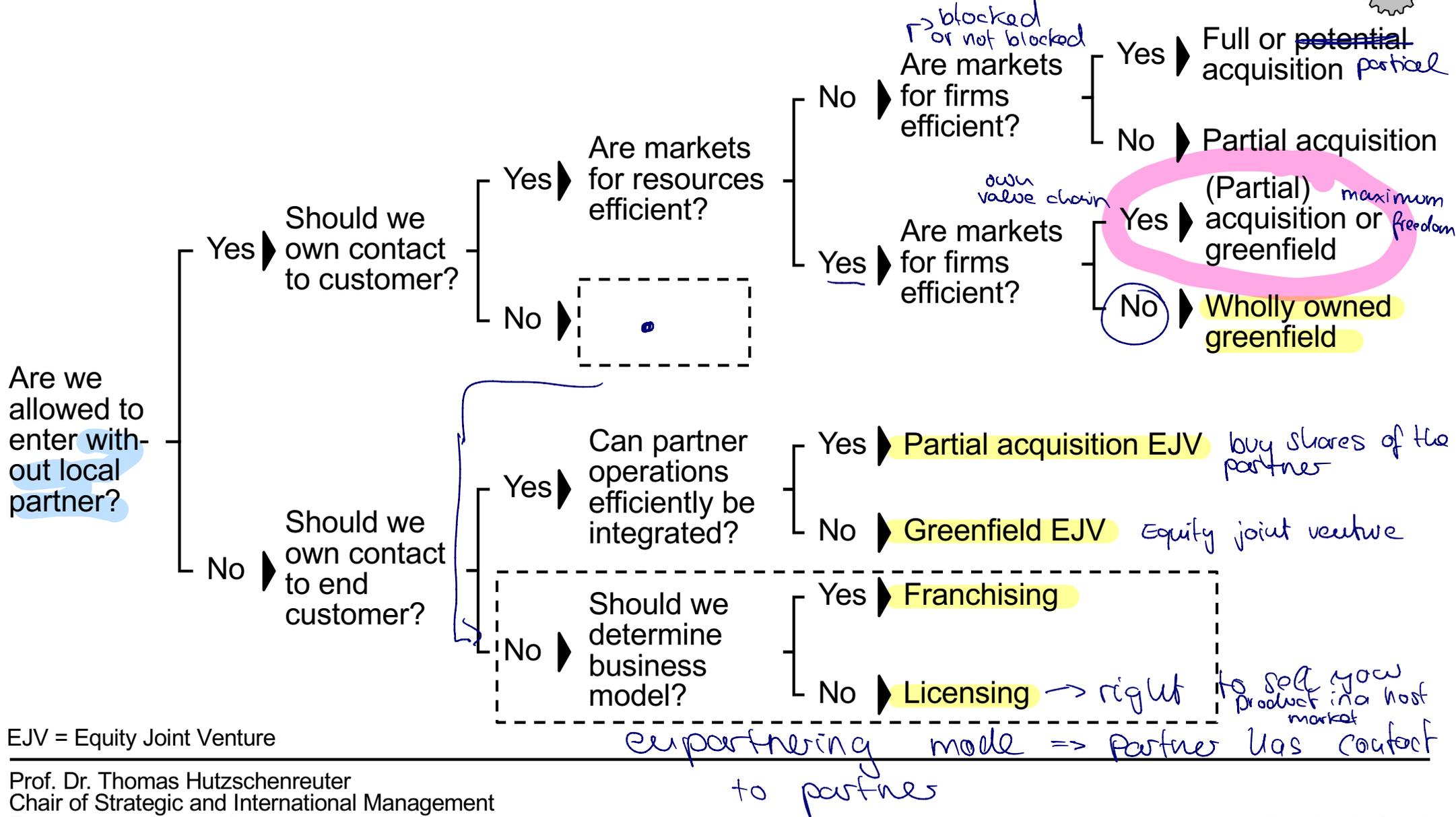


# The choice of entry mode depends on a cascade of local circumstances

Logic tree of entry mode choices

*→ depending on host market*

*with which mode to enter a foreign market*



# Partner modes come with the question of whether I get what I hope for and at what price

Opportunistic behavior?

## IN FOREIGN WATERS YOU WILL NEED A LOCAL PARTNER.

Speed?

Akbank is Turkey's most valuable banking brand and offers you a network of over 900 branches nationwide, exemplary cash management expertise, advanced IT infrastructure, and high transparency.

Akbank has a rating of Baa3 from Moody's and BBB- from Fitch for long-term deposits. Above all, it is our local banking know-how that will make us your most valuable business partner in Turkey.

Managerial control?

Risk?



Access to customers, resources, knowledge?

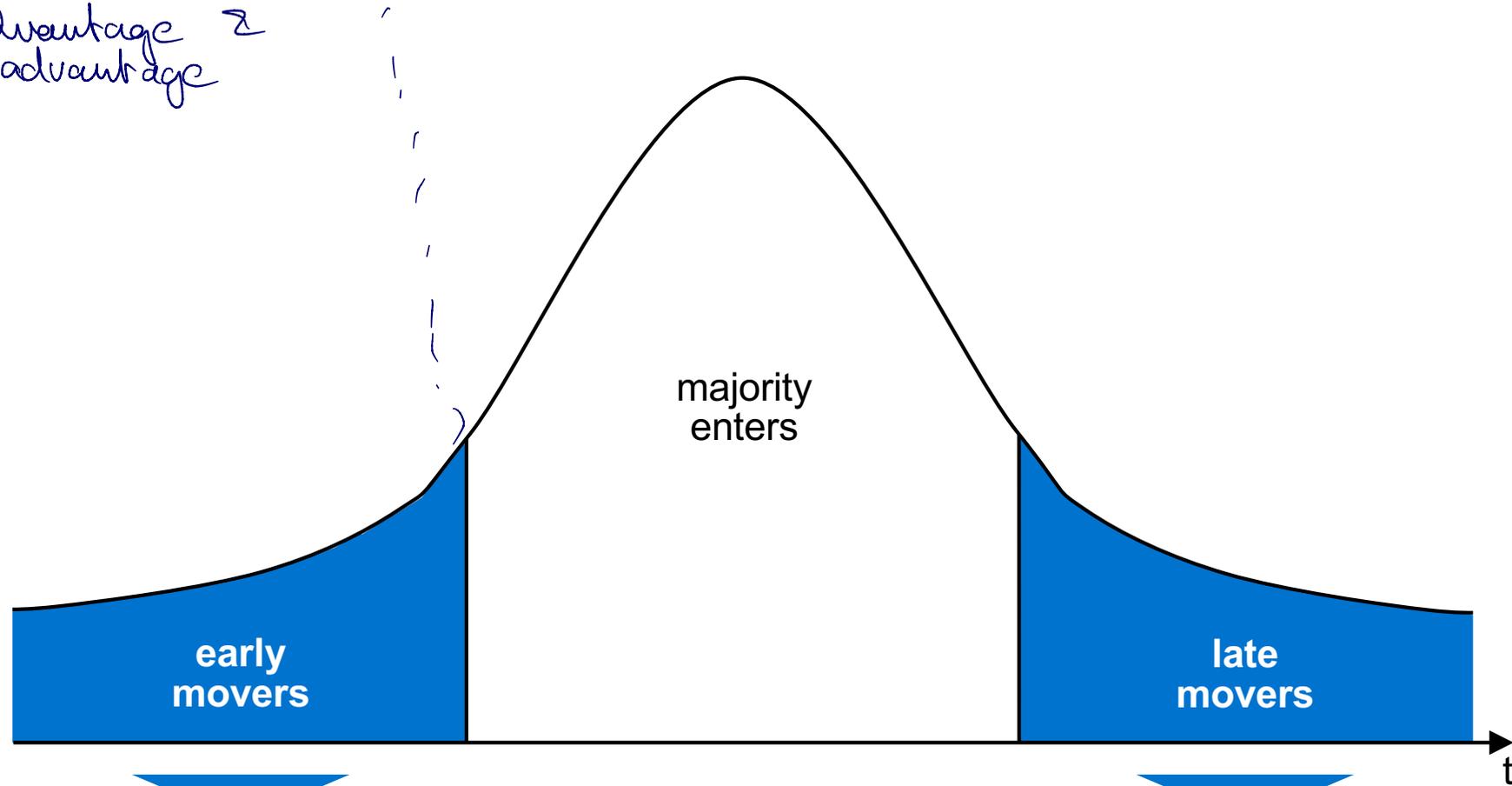


# Market entry timing depends on the existence of first-/late movers' (dis)advantages

*not all competitors enter market at the same time*

Concept of timing

*advantage & disadvantage*



early movers' (dis)advantages

late movers' (dis)advantages

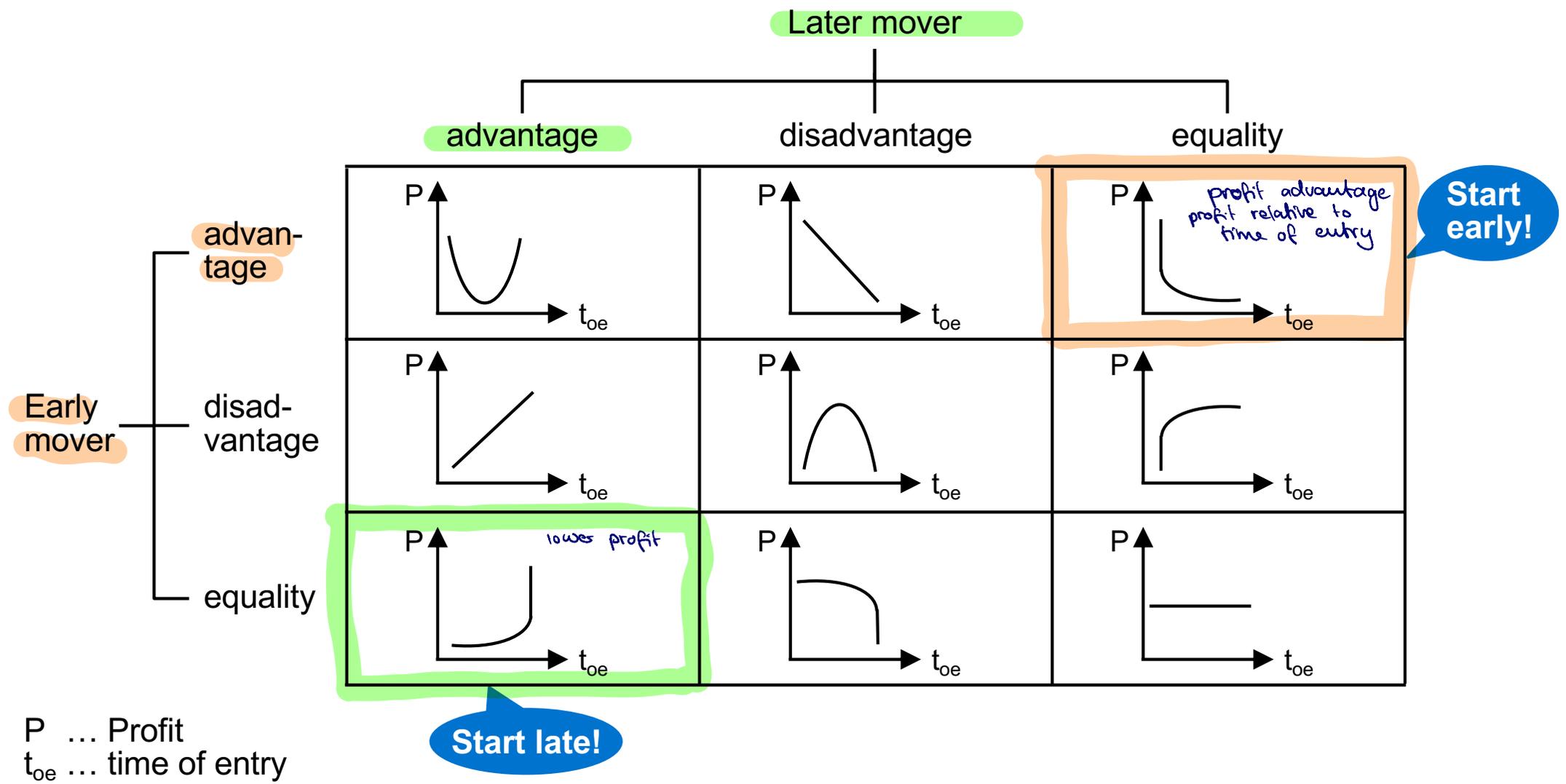
timing



# Early-/late movers' (dis)advantages are profit differences relative to the profit the majority earns

Profit depending on time of entry for early-/late movers and the majority

*I disturb equilibrium -> not welcomed -> when should I enter market*



P ... Profit  
t<sub>oe</sub> ... time of entry

*issue of currency / exchange rate*

# Exchange rates can significantly influence economic logic of foreign market activities

*changes*



Case of a U.S. company selling in the Euro zone and producing in the U.S.

*Value of currency flattens*

	<b>t<sub>0</sub></b>	<b>t<sub>1</sub></b>
\$/€	1.10	1.00
Revenues	100 €	100 €
Costs	105 \$	105 \$
Profit	5 \$	-5 \$

## Managing exchange rate risks

*export to a foreign market, US market exports to Europe, costs in \$, revenues in € => effect on profit*

Hedging

- financial
- operational

Price/Cost adjustments

Diversification

- financial
- operational

*Risk of exchange rate!*

Exam question:

Revenue 4600 USD

1800 Costs USD 50.000 MXN

2024 exchange rate 25 MXN 1 USD  
2025 20 MXN 1 USD

2500 USD 2025

2600 USD 2024

300 2025

200 2024

b) is true !

# Strategic and International Management

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## Agenda

### **5 Competitive strategies**

#### **5.1 Competitive advantage and generic competitive strategies**

#### **5.2 Five elements to form a strategy**

#### **5.3 International market (entry) strategies**

## **Learnings**

# Learnings