

Global Business Strategy

Lecture 2

2026.3.10

Contents

- I. Why some companies dominate and others failed ?
- II. Definition of Global Business Strategy
- III. What strategies are needed to succeed in the global markets ?
- IV. M. Porter's Success Strategy
- V. Q&A and Quizzes

I. Why some companies dominate and others failed ?

“Why Do Some Companies Conquer the World?”

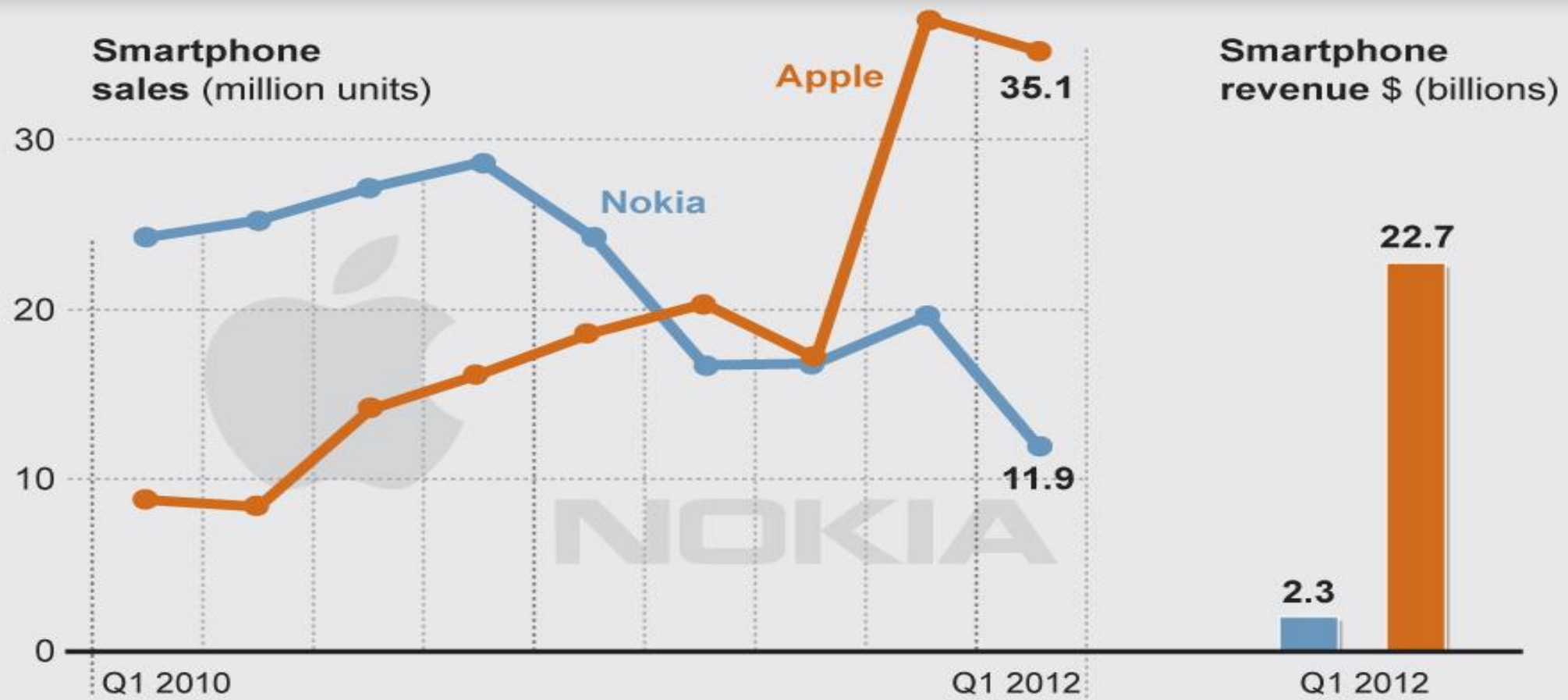
Ask:

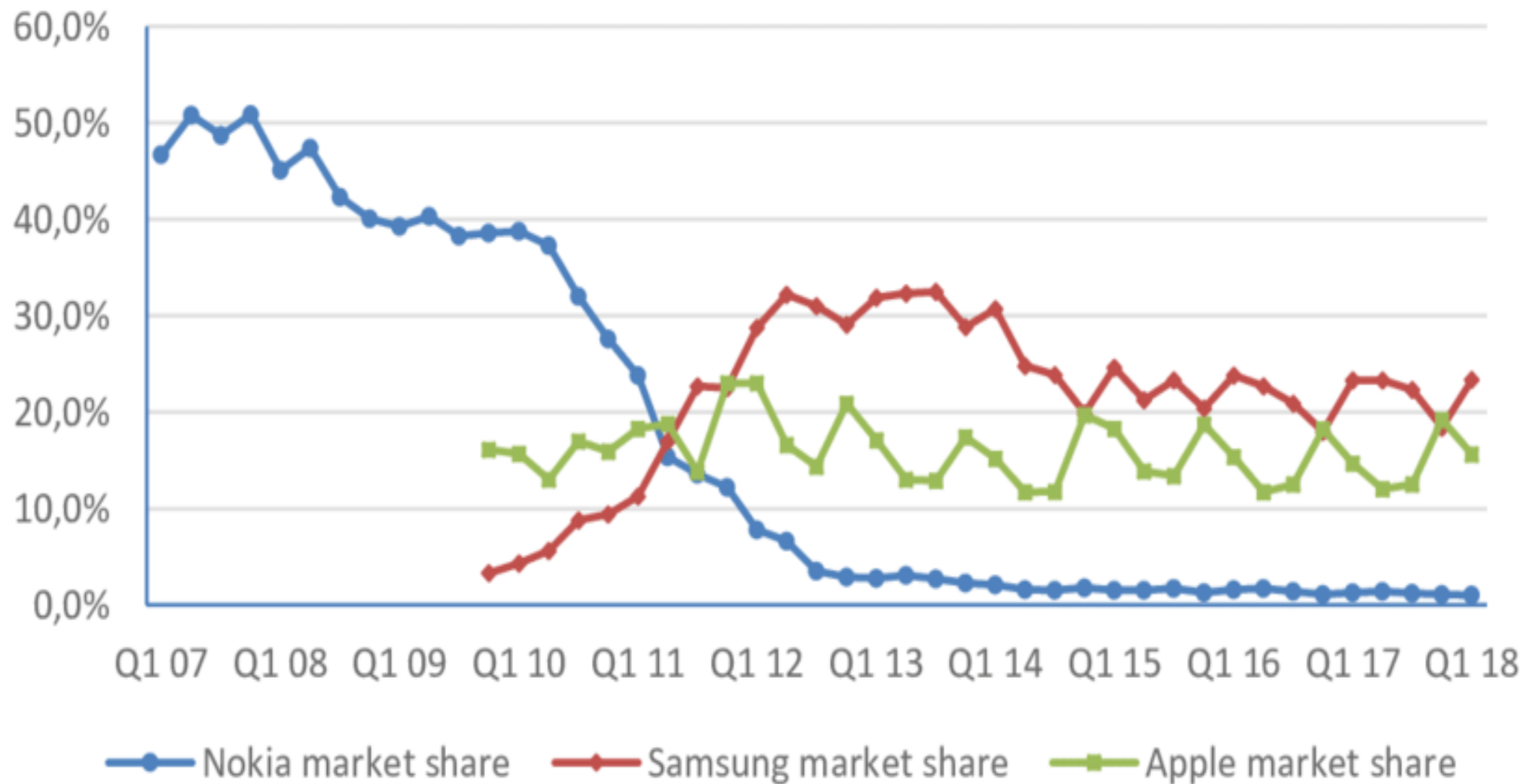
- Why is **Apple** worth more than most countries' GDP?
- Why did **Nokia** collapse even though it dominated mobile phones?
- How did Samsung Electronics become a global leader?

Tell students:

“This course is about understanding the strategies that allow companies to dominate global markets.

Apple beats Nokia at its own game





What happened?←

Nokia←

- Dominated global mobile phones (40% market share in 2007)←
- Focused on **hardware efficiency**←
- Did not adapt to smartphone ecosystem←

Apple←

- Introduced **iPhone in 2007**←
- Strategy focused on:←
 - ecosystem (App Store)←
 - software + hardware integration←
 - premium brand←

Result

+

Company Strategic Choice

Outcome

←

Nokia

Cost + hardware focus

Decline

←

Apple

Ecosystem strategy

Global leader


□


Message and Lessons

“Technology alone does not determine success. Strategy does.”

]

Case 2: APR

APR's rise to become South Korea's most profitable cosmetics company (surpassing industry giants Amorepacific and LG H&H in 2025) is a fascinating case study in **Blue Ocean Strategy** and **Global Market Diversification**. 

While traditional K-beauty firms struggled with a heavy reliance on the Chinese market and offline distribution, APR successfully pivoted toward **Beauty Technology** and the **North American** market. 


1. The "Beauty-Tech" Pivot: Redefining the Product

The core of APR's success is its flagship brand, **Medicube**, and its **AGE-R** beauty device line.





- **Blue Ocean Creation:** Instead of competing in the saturated skincare market, APR created a new category: "Professional-grade home beauty." They positioned their devices as a more affordable, convenient alternative to expensive dermatological clinic visits.




- **Hardware-Software Synergy:** Much like the "Razor-and-Blade" model, the beauty devices (hardware) create a **lock-in effect**. Customers who buy a Medicube device are statistically more likely to repeatedly purchase the brand's specific "consumables" (specialized gels, serums, and pads) to use with it. 




2. Vertical Integration & R&D (The ADC)

Unlike many K-beauty startups that rely entirely on OEM/ODM (like Cosmax or Kolmar), APR internalized its technical capabilities:

- **APR Device Center (ADC):** By establishing its own R&D hub, they shortened product development cycles and ensured proprietary technology. 
- **Internalized Production:** This allowed for better quality control and higher profit margins (reaching a remarkable **24% operating margin** in 2025, compared to the industry average of ~8%). 

3. "No-China" Global Strategy

While the "Big 2" (Amorepacific/LG H&H) were hit hard by political and economic shifts in China, APR intentionally targeted the **U.S. and Japan**. 

- **U.S. Dominance:** In 2025, APR became the top-selling K-beauty company in North America, with U.S. sales (approx. 565 billion KRW) actually exceeding their domestic Korean sales. 
- **Strategic Entry:** They used a two-pronged approach:
 1. **Digital First:** Dominating Amazon and their own DTC (Direct-to-Consumer) malls. 
 2. **Offline Expansion:** A massive rollout into over 1,500 **Ulta Beauty** stores and upcoming entries into Walmart and Target. 

Performance Marketing and high-velocity social media content (TikTok/Instagram) to build "fandoms" rather than just brand awareness. [↗](#)

- **CES Presence:** By showcasing at CES for several years, they branded themselves as a "Tech Company" rather than just a "Cosmetics Brand," which justifies premium pricing and attracts global tech-savvy investors. [↗](#)

Summary of Performance (FY 2025)

Metric	Result	YoY Growth
Annual Revenue	1.53 Trillion KRW	+111%
Operating Profit	365.4 Billion KRW	+198%
Overseas Sales %	80% of total revenue	N/A

II. Definition of Global Business Strategy

1. Basic Definition

Global Strategy refers to a **long-term plan that a firm uses to compete and operate across multiple countries by coordinating activities and resources internationally in order to achieve competitive advantage.**

In simple terms:

Global Strategy is how a company organizes its operations, products, and competitive approach across different countries to succeed in the global marketplace.

It involves decisions about:

- **Where to compete** (which countries or regions)
- **How to enter foreign markets** (exporting, licensing, joint venture, FDI)
- **How much to standardize products globally**
- **How to coordinate global operations**

2. Academic Definition

Many international business scholars define global strategy as follows:

- **Michael E. Porter**

“Global strategy involves configuring and coordinating a firm's activities on a worldwide basis to gain competitive advantage.”

- **Christopher A. Bartlett and Sumantra Ghoshal**





Global strategy is the **integration of activities across countries to achieve efficiency and global learning.**

Key Strategic Frameworks

Most scholars and practitioners use the **Bartlett & Ghoshal Matrix** to categorize how firms approach the world:

- **International Strategy:** Focusing on exporting products developed for the home market with minimal local adaptation.
- **Multidomestic Strategy:** Treating each country as a standalone market and heavily customizing products (high local responsiveness).
- **Global Standardization Strategy:** Focusing on high efficiency and cost reduction by selling the exact same product everywhere.
- **Transnational Strategy:** The "gold standard" where a firm tries to achieve both high global integration and high local responsiveness simultaneously.

4. Global Strategy vs Other International Strategies

Strategy Type	Main Idea	Example
Global Strategy	Standardized worldwide operations	
Multidomestic Strategy	Products adapted to each country	
International Strategy	Core capabilities from home country	
Transnational Strategy	Balance global efficiency + local adaptation	

This framework is commonly explained using the **Integration–Responsiveness (I-R) Framework** developed by **Bartlett & Ghoshal**.

4. Global Strategy vs Other International Strategies

Strategy Type	Main Idea	Example
Global Strategy	Standardized worldwide operations	Apple
Multidomestic Strategy	Products adapted to each country	McDonald's menu variations
International Strategy	Core capabilities from home country	Harley-Davidson
Transnational Strategy	Balance global efficiency + local adaptation	Unilever

This framework is commonly explained using the **Integration–Responsiveness (I-R) Framework** developed by **Bartlett & Ghoshal**.

IV. M. Porter's Success Strategy

Michael Porter's "Generic Strategies" are the bedrock of modern business education. He argued that a firm must make a clear choice about its source of competitive advantage to avoid being "stuck in the middle."

There are three primary strategies: **Cost Leadership**, **Differentiation**, and **Focus**.

1. Cost Leadership Strategy

The Goal: To become the lowest-cost producer in the industry. This is achieved through economies of scale, proprietary technology, and lean operations.

- **Real Example: IKEA**

- **Strategic Move:** IKEA revolutionizes the furniture industry by shifting the assembly labor to the customer (flat-packing).
- **Scale:** Their massive global volume allows them to negotiate rock-bottom prices with suppliers.
- **Design:** They design products based on a "target price" first, then engineer the cost out of the materials.
- **Result:** They offer stylish furniture at prices competitors cannot match without losing money.

2. Differentiation Strategy

The Goal: To provide a product or service that is perceived as unique and valuable by the customer, allowing the company to charge a **premium price**.

- **Real Example: Apple**
 - **Strategic Move:** Apple doesn't compete on price. Instead, it focuses on design, a seamless "ecosystem" (iOS, iCloud), and brand prestige.
 - **Innovation:** They invest heavily in R&D to create features (like the M-series chips or FaceID) that are difficult to replicate.
 - **Result:** Apple captures over 80% of the global smartphone industry's *profits* despite having a much smaller market share than Android in terms of unit volume.

3. Focus (Niche) Strategy

The Goal: To serve a specific narrow segment of the market (a demographic, a geographic region, or a specialized product line) better than broad-market competitors. This can be **Cost Focus** or **Differentiation Focus**.

- **Real Example: Ferrari (Differentiation Focus)**
 - **Strategic Move:** Ferrari ignores 99.9% of the world's drivers. They focus exclusively on ultra-high-net-worth individuals who want performance and social status.
 - **Exclusivity:** They intentionally limit production to keep demand higher than supply.
 - **Result:** They maintain some of the highest profit margins in the automotive world because their "focus" group is willing to pay for extreme specialization.
-

The "Stuck in the Middle" Trap

Porter warned that companies that try to do everything—trying to be high-quality *and* the cheapest simultaneously—often fail because they lose their strategic consistency.

V. Q&A and Quizzes