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**ОСОБЕННОСТИ КОНКУРЕНТНЫХ СТРАТЕГИЙ КИТАЙСКИХ
ТНК НА ГЛОБАЛЬНОМ РЫНКЕ**

Аннотация

Предмет/Тема. В настоящее время глобализация влияет на экономическое взаимодействие между различными странами. И в первую очередь это относится к деятельности транснациональных компаний, у которых свои стратегии. Поскольку китайские компании становятся все более и более важными для всего мира, необходимо проанализировать их конкурентные стратегии, особенно для России, учитывая перспективные отношения с Китаем. Кроме того, китайские компании считаются успешными инвесторами для российского правительства и населения в целом.

Цели/задачи. Целью статьи является представление стратегий китайских транснациональных компаний и их особенностей, сравнение их с уже существующими в теории базовыми стратегиями.

Методология. Постановка задачи основана на использовании инструментов анализа, синтеза и сбора данных.

Вывод. Определенная автором задача позволяет понять, используют ли китайские транснациональные компании уже существующие стратегии на внешнем рынке или нет. Какие конкурентные стратегии более предпочтительны для этих компаний и почему этот процесс важен для России.

Ключевые слова: конкурентная стратегия, глобальный рынок, ТНК(транснациональная компания), стратегия дифференциации, стратегия фокусирования, абсолютное лидерство.

JEL classification: A22, E03

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PECULIARITIES OF COMPETITIVE STRATEGIES OF CHINESE TNCs IN THE GLOBAL MARKET

Abstract

Subject/Topic The globalization influences an economic interaction between different countries nowadays. And primarily it leads to different TNCs that have its own strategies in the global market. As Chinese companies are becoming more and more important for the whole world it is necessary to analyze their competitive strategies, especially for Russia, because our country has good relations with China. Furthermore, Chinese companies are considered as successful investors for Russian government and people in general.

Goals/Objectives The goal of the article is to present current competitive strategies of Chinese TNCs, to find out its features and to compare it with already existing theoretical strategies.

Methodology Task assignment is based on analysis, synthesis and data collection.

Conclusion and Relevance The task determined by the author allows to understand whether Chinese transnational companies use already existing strategies in the foreign market or not. What competitive strategies are more preferable for these companies and why this process is important for Russia.

Keywords: competitive strategy, global market, TNC (transnational company), differentiation strategy, focus strategy, absolute leadership.

The developing economic interaction between companies influences the tendency to the globalizing of economic processes. And transnational companies are considered as the main participants there. That is why it is very important to talk about marketing behavior of TNCs, its competitive strategies and policy in this globalizing area.

The essence and content of the concept of "competitive strategy" is well studied in modern economics. On the one hand, a competitive strategy is "a model of actions and a set of rules that an enterprise should follow when making decisions in order to achieve competitiveness and maintain it for the long term" [2]. On the other hand, it is an advantage of the company, which it has over its competitors in the market, and with the help of which it will be able to achieve its intended goals [5]. Competitive strategies, in turn, serve as the basis for strategic models that allow "to analyze and plan the strategic position of the company, as well as to get answers to strategic questions" [1]. It helps to develop economies, move forward.

But the main question is «Why do we need these all strategies?». The answer should not be so difficult as the main reason is connected with countering such competitive forces as:

- Threat of new market participants
- Threat of appearance of some substitutes
- Market power of suppliers
- Market power of consumers
- Rivalry between current competitors.

That is why it is important to choose the strategy needed for your company to win in the competition with these five forces on the market.

And it is necessary to analyze activities of real transnational companies to understand how these strategies work and to be sure if all these competitive goals involve in TNCs policies.

It is known that China is a developing country at the moment, which is gaining more and more momentum in the world economy. The development of this country depends on the activities of its companies both in the domestic market and in the world. If we look at the rating of Global Fortune 500 2018, we will notice that Chinese TNCs have captured this rating. In addition, 2, 3 and 4 places in this popular rating are also occupied by Chinese companies State Grid, SINOPEC Group, China National Petroleum [6].

In the modern world the number of companies doing business in the foreign markets, as well as international companies, is increasing. Chinese companies play an increasingly important role in the global economy, providing 33.2 % of global GDP growth in 2017 compared to 2016, and China – 18.3 % of the share in world GDP [9]. In this regard, the interest of businessmen and researchers to advanced competitive strategies in general [4] and the strategies of Chinese companies in various sectors of international business, in particular, is growing. This article examines the competitive strategies of companies on the example of Chinese transnational companies (TNCs) – the leaders of the modern world economy in order to identify their distinctive features, as well as similarities / differences with the competitive strategies of leading TNCs of other countries.

I would like to draw your attention to such industry like e-commerce. The Chinese e-commerce market will grow to \$ 1.8 trillion by 2022, while the United States market will only grow to \$ 713 billion. China is a country that is being watched all over the world and is increasingly adopting successful business models [11].

The most dynamically developing branch of the world economy in the conditions of digitalization is e-Commerce. The emergence of cross-border e-Commerce was due to the development of technology and the widespread availability of the Internet, which enabled consumers from all over the world to buy goods and services through various Internet platforms. E-Commerce is particularly relevant in countries where some products are not on the market or are unreasonably expensive. Undoubtedly, in China, with its ever-increasing standard of living, the potential of cross-border e-Commerce has great prospects.

Just recently, China was far from such a thing as electronic payments. And now we can see the tremendous growth of several Chinese companies, which, by the way, are already added to the list of Global Fortune 500. It is the company TMall Global (天猫国际) from Alibaba (阿里巴巴) and JD Worldwide (京东全球购).

First of all, it should be noted about the situation connected with Google in China. It is known that Google's first foray into Chinese markets was a short-lived experiment. The Google China search engine was launched in 2006, and four years later it was suddenly closed to mainland China after a major hack and dispute over search censorship [12]. How can people live without an access to such big and popular platform where people even pay for different services? The answer will shock everyone because Chinese development in this sphere is amazing. One of the most important example is Alibaba company that can be considered as the same platform. As it was really necessary for Chinese government to create and develop something new inside this country China began to do all best in developing such companies as Alibaba. Alibaba, the e-commerce giant, entered the New York Stock Exchange in September 2014, selling \$ 25 billion worth of shares, still a record IPO in world history.

In the wake of this success, the Chinese government decided to break the difficult truce with Google. In the middle of 2014, a few months before Alibaba's IPO, the government blocked virtually all Google services in China, including many that are deemed necessary for international business, such as Gmail, Google Maps and Google Scholar.

In 2017, Alibaba Group managed to earn 61% more revenue than a year ago. The main activity (trading platforms Taobao and Tmall) brought 63% more than in 2016. Revenue in the cloud computing segment for the year increased by 99% to 447 million dollars. "Digital media and entertainment" brought the company \$ 721 million, which is 33% more than in 2016. Other items of income account for \$ 134 million, which is 27% more than in 2016. Operating profit for 2017 amounted to \$ 2.493 billion, net - \$ 2,616 billion [8].

The Taobao website created by Alibaba in September 2017 was visited by more than 1 billion 580 million users. Chinese Taobao became the third of the five most visited electronic trading platforms in the world, while the Russian website Ozon is on the 47th place [10].

What are the "trumps" Taobao site? Do the strategies of Alibaba correspond to the above-mentioned basic strategies, as well as to the traditional patterns of behavior of firms in the markets of imperfect competition?

As noted by Alibaba group, they have several factors that help them to resist competitive forces, as well as to be leaders in the domestic Chinese market.

The first factor is associated with low costs for both buyers and sellers. With free ads (at least for the first time) and no additional fees for transactions made on the platform between buyers and sellers, Taobao's low cost strategy has helped to successfully stop the development of eBay in China. This competitive advantage led to the fact that sellers wanted to create stores on Taobao, which increased the range and attracted new customers to the platform. This fact tells us that Alibaba is actively implementing a strategy such as absolute cost leadership proposed by Michael Porter. You can also link this strategy with Violenta strategy By L.G.Ramensky.

To explain absolute cost leadership let us consider such companies as Briggs and Stratton, Lincoln electric, Emerson electric, Texas instruments, black and Decker and DuPont. The strategy of absolute leadership in costs was developed in the 1970s, the main role in it is played by the difference in the costs of the enterprise and its competitors, but M. Porter does not ignore the quality of products and services. In general, the main idea is connected with minimizing costs in research and development, maintenance, sales system, advertising, etc. It is low costs position that bring the company a profit above the average industry which in conditions of strong competition. A low-cost position protects the enterprise from powerful buyers and suppliers. It should also be noted that this approach provides a more favorable environment in relation to different substitutes. This strategy protects the company from all the competitive forces that were previously listed in the work- "market factors continue to operate until they reduce the profits of competitors to zero" [6]. But it should be also noted that with this competitive strategy, the enterprise will have to invest in the latest equipment, possibly aggressive pricing, losses at the beginning.

The second factor that contributes to the high competitiveness of this site both in China and in the world, - is digitalized distribution channel. In order to become one of the top three trading sites in the world and become the most visited site in China, the company had to implement the instant messaging tool "Aliwangwang", thanks to which buyers can contact sellers in real time. Not surprisingly, this strategy is also consistent with one of Porter's strategies. In this case, the company uses a strategy such as differentiation. Since differentiation manifests itself in different ways, here we see the use of the site as a differentiated segment in the company.

As for such strategy we should give examples of such companies like Mercedes that produces cars differentiated by the prestige of design and brand; Macintosh that is differentiated by technology, and Jenn-Air - by the functionality of electric stoves, etc. It is a differentiated product that deserves customer loyalty and profits above the average industry. But there is one problem: even if all consumers understand the superiority of the company's products and its uniqueness, not everyone will be able to buy the product, because of the high price. The differentiation strategy assumes that the company should create such products that will be unique in its industry.

An important factor in the success of Alibaba is that it creates its own logistics network. To do this, Alibaba Group began to cooperate with several Chinese logistics companies to create its own logistics network called Cainiao Network. This allowed the achievement of the goal, which is that the goods can be delivered anywhere in China within 24 hours after the order. In 2016, the company signed a contract with the company, which now produces 42 million packages a day, which are distinguished by their design. And this is also indirectly we can refer to the differentiation strategy.

Also, it should be noted that Alibaba actively cooperates with such banks as Bank of China and ICBC. These banks are very well-known TNCs, and occupy a leading position in China. All this suggests that Alibaba attracts its customers also through cooperation with proven and reliable companies.

Thus, we can conclude that Alibaba has a virtually monopoly position in the e-Commerce market in China. Alibaba is undoubtedly the leader of its industry. According to China Internet Watch, Taobao.com it dominated The Chinese mobile Commerce market with a 78% market share [7].

Then, it is worth talking about such popular company like LENOVO.

Now probably not everyone knows that LENOVO was created by China. After all, no one could think that this developing state is able to grow a company that will become one of the leaders in the field of PC in the world. In 2017, the company took the second position in the world market of PC production with a share of 22.8% of the volume of supply for three months in 15.295 million PCs.

The main question is what strategy should be followed to achieve such success? The success of Lenovo is such a strategy as "protect and attack", which invited the Director-General, Jan Wantin in 2009. First, the company aims to consolidate its success in China as a leading Chinese PC supplier, and second, Lenovo aims to grow internationally by leveraging acquired assets and expanding sales to emerging markets.

The main advantage of the company is that it has access to 13,000 points of sale in its Chinese distribution network.

Also, not to mention the fact that the company is in a certain sense, it clearly follows a strategy of differentiation. After all, products such as, for example, "wedding computer" Lenovo – a product that is distinguished by its design (red, which symbolizes good luck in China) and the relative cheapness. This fact creates competition not only for Chinese manufacturers in this area, but also for the world.

Despite the fact that the company is the undisputed leader in China for the production of PC, Lenovo is no longer a dream. Not so long ago, Lenovo expanded its production to Russia, India and Brazil. But representatives of the company are well aware that consumers in each country are different and each of their preferences are unique, therefore the main goal is to use the experience of local competitors through various acquisitions. In 2011 - acquisition of IBM share for \$265 million, in 2014 - acquisition of Motorola Mobility, in 2017 - purchase of Fujitsu PC business for \$160 million, etc.

But despite this dizzying success, the company does not forget that such a situation in China and in the world can be easily lost. Therefore, at the moment for Lenovo group the main objectives are to expand its field of work (production of tablets and smartphones) and the use of high technology. The demand of innovations can be linked with Commutata strategy by L.G. Ramensky.

As we have already mentioned about the classification created by L.G. Ramensky it is worth explaining it.

This scientist distinguishes in his theory such strategies to ensure the competitiveness of the organization as:

1) Violanta is characteristic for rather large companies that outperform their competitors due to low production costs and high productivity. Such a strategy is possible in the behavior of only those organizations that already own significant segments of the markets.

2) Patent – a strategy designed to win relatively narrow market niches. The company is not designed for large production. Here the main characteristic of the product is its uniqueness. Therefore, companies with this competitive strategy rely on wealthy buyers, because product prices are high enough.

3) Commutata is characterized by high flexibility. Enterprises with such a strategy should constantly update their products, which are designed for rapidly changing needs;

4) Explerent – a strategy that involves radical innovation. Enterprises usually enter the industry with some completely new product, so it is not surprising that in this situation it is necessary to invest in sometimes even very risky innovative projects. But the main advantage of such a competitive strategy is that the introduction of innovations ensures the blocking of other competitors in the industry.

And it is impossible not to mention about third competitive strategy connected with focusing that Michael Porter created. Focused strategy is used by such companies as Fort Howard Paper company that produces only paper products, which are quite narrow. As a result of the implementation of this strategy, the firm achieves either differentiation by better meeting the needs of the target market, or reducing costs in servicing this market, or both. The focus strategy leads to a specific group of customers, product type or geographic market segment. This strategy is based on a much narrower target market than previous strategies. The advantage of a company with this strategy is that the company is focusing towards much narrower target market than competitor. This situation allows the company to increase productivity, as it is not sprayed on many segments of the industry.

Thus, we can say that all Chinese companies, regardless of their field, adhere to the same strategies, one of which is to go abroad. But despite this, can be clearly traced back to the basic strategies of Michael Porter (the absolute leadership in costs and differentiation) and L.G. Ramensky (violenta and commutata). In spite of the fact that Chinese transnational companies have absolutely different competitive behavior in the global market according to the opinion of some scientists, this analysis showed that chosen companies anyway follow some basic strategies.

China has to be one of the leading strategic partners for Russia for number of reasons: economic strength, investments, geographical position, history of economic development, world tendencies. And it is important to follow Chinese business models for Russia. And many researches say that China sets the

fashion, Russia tries on successful experience, especially in such industry like E-commerce.

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