Instructor's Manual

International Business

Seventh edition

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Contents

Introduction

This instructor's manual has been developed as a teaching and examination aid for *International Business*, Seventh edition (Pearson Education, 2012) by Simon Collinson, Rajneesh Narula and Alan M. Rugman. In each section of the resource manual, there is detailed material that can be used in teaching each chapter. This material includes (a) a list of the chapter's objectives; (b) a summary of the chapter material; (c) a chapter outline that presents all headings and subheadings in the chapter; (d) a list of all the case studies; (e) a lecture outline that provides information and material related to each of the major areas of the chapter outline; (f) answers to all the review and discussion questions at the end of the chapter and (g) answers to all the questions that accompany the Real Cases at the end of the chapter. We have made every effort to ensure that this resource manual is accurate and complete. However, if you find any mistakes or inconsistencies, please convey the information to the first author of this manual at:

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Thank you in advance for your comments and help.

Amir Qamar

PART ONE

The World of International Business

CHAPTER 1

An Introduction to International Business

Chapter objectives

1. Define the boundaries of the field of international business in an introductory overview of the main themes of this text.

2. Examine how worldwide economic and political changes have driven globalization and shape the way international business is conducted.

3. Highlight innovation and technology as major factors underlying global economic growth and greater interdependence between firms and countries.

4. Introduce some of the main actors that feature throughout this text: multinational enterprises and small and medium-sized enterprises, which are at the core of spreading globalization; value chains and networks, which connect firms globally; and institutions (national and global), which shape how these other actors evolve.

Chapter summary

1. There is little doubt that we live in a world defined by globalization. Globalization, however, remains a vague concept, used by different people in different ways. This text defines economic globalization as the growing interdependence of locations and economic actors across countries and regions.

2. International business is the study of transactions taking place across national borders for the purpose of satisfying the needs of individuals and organizations. Two of the most common types of international business activity are export/import and foreign direct investment (FDI). In recent years both have been on the rise. Much of this is a result of large multinational enterprises (MNEs).

3. Small and medium-sized enterprises (SMEs) often function as the backbone of large MNEs, efficiently providing goods and services that are integrated into the latter's production process. SMEs also compete with MNEs in niche markets. SMEs are often more flexible then MNEs but struggle to match MNEs in terms of resources.

4. Institutions are defined as "sets of common habits, routines, established practices, rules, or laws that regulate the interaction between individuals and groups." Understanding institutions, both formal and informal, is important for both firms and employees, so they can adjust their behaviors accordingly.

5. Trade regulation has become an important issue in international business. Today the World Trade Organization (WTO) is the major body responsible for governing the international trading system.

6. There are two ways to measure FDI: FDI stock and FDI flow. Inward FDI flow is money coming into a country during the reporting year, from foreign-owned MNEs which have their subsidiaries in the recipient county. Outward FDI flows are monies going out from firms that are registered in the home country to another country through their subsidiaries abroad. FDI flow is different from FDI stock: the latter looks at the accumulation of FDI over time, whereas FDI flow only looks at FDI inflow or outflow in one reporting year. FDI stock is a more reliable indicator of FDI activity in countries.

7. International production and trade are increasingly organized within global value chains (GVCs) of global production networks (GPNs) where the different stages of the production process are located across different countries. Due to the globalized nature of some markets, it is advantageous for firms to develop products in different countries to benefit from home countries' location advantages.

Chapter outline

Introduction

What is international business?

Globalization

- The outcomes of globalization
- Understanding interdependence in globalization
- Regional integrations
- Mapping globalization

Technology and innovation

- New technologies
- The knowledge-intensive, multi-technology firm

Socio-political developments

What are institutions?

- Institutions and supranational agreements
- Globalization and liberalization

Multinational Enterprises

- Proto-globalization and the MNE in historic context
- The industrial revolutions and the growth of private firms

Foreign direct investment

- Measuring FDI and MNE activity
- MNEs before World War II

The rise of the modern MNE

International business in the modern era

1950–90: the rise of the triad

1990–2014: the rise of new players and forms of activity

Modularization, outsourcing, and value chains

The continuing importance of the state-owned enterprise

Emerging economy MNEs—significant but exaggerated

Dominance of the triad continues

Small and medium-sized enterprises

The fragmented firm: global value chains and production networks

Lecture outline

A. Introduction and what is international business?

1. International business is the study of transactions taking place across national borders for the purpose of satisfying the needs of individuals and organizations. These economic transactions consist of trade, as in the case of exporting and importing, and direct investment of funds in overseas operations.

B. Globalization

1. Even though there is no doubt that we live in a world of globalization, the concept itself is still regarded as rather vague, as many different people use the notion of globalization in both positive and negative ways.

2. We define economic globalization as the growing interdependence of locations and economic actors across countries and regions. By deliberately using actors within our definition, we are able to include very small actors (such as individual entrepreneurs), or very large ones (such as a nation-state, which itself consists of individuals), as well as firms of all sizes. Each actor functions as a single organization for the generation of a specific set of outcomes or goals defined by their stakeholders.

3. Interdependence can be used to distinguish between internationalization and globalization. Interdependence refers to a mutual reliance between groups of actors, and the degree of this mutual reliance can vary considerably.

4. Mapping globalization can be a difficult task, as globalization itself includes a number of intertwining factors (social, economic, political factors) which are all linked by human behavior and action. As human behavior belongs within social science, it is extremely difficult to truly assess. Therefore, in terms of mapping globalization, we are only able to say is that there are numerous factors that are interrelated, but are we unable to be certain about the causality or the relative importance of each factor.

5. The main forces that drive globalization are associated with socio-political developments and technology and innovation, where political decisions and the ability

to generate new ideas through innovation can shape the success or failure of firms, and the competitiveness of countries.

C. Technology and innovation

1. Technology implies the application of scientific knowledge for practical aims which involves applying scientific concepts that help us understand our environment, and allows us to convert this knowledge to develop and fabricate artifacts.

2. Innovation revolves around the introduction of any novelty, however, it is important to distinguish between "invention" and "innovation." An invention is an idea, sketch, or model of any new or improved device, product, process, or system. In contrast, innovations only occur when the new product, device, or process is involved in a commercial transaction. Multiple inventions may be involved in achieving an innovation.

3. Over the last few years, communication technology has allowed all businesses to use computers and mobile phones and to rely on the World Wide Web to access and send information. New technological developments have also been applied to the production of goods and services.

4. International business is not limited to giant multinational enterprises. Many small and medium-sized businesses are also involved in this arena. Most of these companies have annual sales of less than $5 million, but thanks to innovation, technology and a well-trained workforce that is focused on their particular needs, they are able to compete effectively and to perform functions that multinationals cannot do as efficiently.

D. Socio-political developments

1. Economic interdependence is partly driven by political events, and most importantly by political stability. Stability of policies, and the creation and maintenance of the appropriate environment, plays a significant role in promoting the appropriate environment for firms to prosper.

2. However, businesses within different countries undergo varying levels of time and costs associated with starting a business, getting electricity, dealing with construction permits and enforcing contracts. For instance, the time required enforcing contacts in India in comparison with the US can take approximately four times the duration of time as well as twice the costs.

E. What are institutions?

1. Institutions are the "sets of common habits, routines, established practices, rules, or laws that regulate the interaction between individuals and groups." Institutions can be formal and informal. Formal institutions consist of rules that can be of the form of legal codes and laws, whereas informal institutions are not always laid out in the form of written instruction, but come out of usage and tradition and are often unwritten and tacit. Formal intuitions can exist within a firm such as responsibilities, job descriptions, codes of conduct, and accounting and financial regulations. In contrast, informal institutions can be asserted as a set of unwritten rules which may originate from culture/tradition within a particular firm. For instance, IBM no longer formally requires male staff to dress in dark conservative suits, but should you wear the wrong outfit, you

can be sure that someone will let you know that you have contravened an informal institution.

2. Importantly, not all formal intuitions are national or subnational. For instance, the General Agreement on Tariffs and Trade (GATT) was established in 1947 and was a major trade agreement that was established to negotiate trade concessions among member countries. Since then, established in 1995 and successor to the GATT, the World Trade Organization (WTO) is an international organization that deals with the rules of trade among member countries; one of its most important functions is to act as a dispute-settlement mechanism.

F. Multinational enterprises

1. A Multinational enterprises (MNE), also commonly referred to as a multinational corporation (MNC), can be defined as "*a firm that engages in value-added international business activities, that has affiliates in more than one country, and whose operations and activities in different locations are actively coordinated by one or more headquarters organizations*."

2. Even though FDI is one of the main modes by which MNEs engage in cross-border value-adding activities, today the MNE may also control and engage in value-adding activities through non-equity means, such as through strategic alliances, cooperative agreements, and outsourcing, sometimes without legal ownership of the various factories and plants. Therefore, the use of the term "MNE" as a synonym for FDI is increasingly inaccurate.

3. MNEs organize activities through global production networks (GPNs) and global value chains (GVCs) and manage ongoing and systematic vertical transactions through multiple headquarters, which may or may not be associated with a singular "parent company."

4. The MNE has traditionally also been regarded as having a distinct "home country" where its headquarters are located, and which acts as the command center, providing primary strategic direction for its affiliates in various "host countries." However, there are a growing number of firms where ownership and control are spread across several countries, as well as several cases where an MNE may locate its headquarters in a country other than its home country.

G. Foreign direct investment

1. Foreign direct investment (FDI) is equity funds invested in other nations. Industrialized countries have invested large amounts of money in other industrialized nations and smaller amounts in less-developed countries (LDCs), such as those in Eastern Europe, or in newly industrialized countries (NICs), such as Hong Kong (P.R. China), South Korea and Singapore. Most of the world's FDI is in the United States, the European Union and Japan. As nations have become more affluent, they have pursued FDI in geographic areas that have economic growth potential. The Japanese, for example, have been investing heavily in the United States.

2. Inward FDI flows to country A indicate money coming into country A during the reporting year, from foreign-owned MNEs to their subsidiaries in country A. In this case, country A is known as the host country. Outward FDI flows are monies going out,

from firms that are registered in country A (known as the home country) to their subsidiaries in other countries.

3. Over half of all world trade and approximately 80 percent of all foreign direct investment are made by the 500 largest firms in the world. The vast majority of these are multinational enterprises, i.e., firms that are headquartered in one country but have operations in one or more other countries.

H. International business in the modern era

1. Rise and fall of the Triad. The influence of the United States had diminished somewhat, as wealth was more equally distributed between the Triad countries, which accounted for around three-quarters of world manufacturing production. The domination of the Triad is evident by the fact that even by 1990, the share of inward FDI to developed countries was 80.9 percent. The Triad countries still play a significant role in absolute terms, with the US alone accounting for 24.4 percent of all outward FDI stock, which is equivalent to the UK, France, Germany, and the Netherlands put together.

2. Much of the growth in new MNEs from emerging markets reflects the growth of China. While the number of Chinese firms entering the Global Fortune 500 tripled between 2010 and 2014 years, the evidence suggests that few of them are truly internationalized.

3. Importance of SMEs. Most of these companies have annual sales of less than $5 million, but they are able to compete effectively and perform functions that multinationals cannot do as efficiently. They are especially important in the global era because the improved enforceability of contracts and declining transaction and monitoring costs resulting from globalization have made it easier for SMEs to engage in international business. Since being small, SMEs are much more flexible in a variety of ways, and they are invaluable partners to larger firms because they can change direction, focus, and structure with relative ease. Furthermore, according to the US Small Business Administration, SMEs were found to be more innovative than their larger counterparts.

CHAPTER 2

General Frameworks in International Business

Chapter objectives

1. Introduce some key conceptual frameworks from the international business "toolbox," including the eclectic paradigm and the CSA–FSA framework, which capture ownership advantages, location advantages, and internalization advantages.

2. Explain why firms become multinational enterprises (MNEs)—what motivates them to expand abroad.

3. Understand the internationalization process, the Uppsala model, and the concepts of liability of foreignness, psychic distance, and path dependence.

4. Describe the international activities of small and medium-sized enterprises (SMEs).

Chapter summary

1. For an MNE to be able to compete against domestic firms in the host county, they need ownership advantages or FSAs. There are three types of ownership advantages, asset-type FSAs, transaction-type FSAs and recombinant FSAs.

2. Location advantages are an important determinant of where and how MNEs engage in international activities. There are a variety of motivations for, and modes of, internationalization, including market-seeking FDI, asset-augmentation and efficiency seeking FDI.

3. Modes of entry can be partially explained through internalization theory. These include non-equity modes (such as exports, licensing, and franchising) and equity modes (M&A, joint venture and Greenfield). An MNE has to decide whether to internalize its assets and engage in FDI.

4. The FSA–CSA matrix is a good tool to determine what strategies MNEs should adopt and helps explain how different firms operate in different markets. Some firms rely more on internalizing CSAs, for example, state owned oil companies, others are more reliant on the FSAs.

5. The accumulation of knowledge through some international activities, such as exports, may lead to a growing commitment to foreign markets (e.g., through FDI). This process is known as the Uppsala model. Firms are more likely to expand into countries which are psychically close to them, and once they acquire more experience in doing business abroad will expand to more psychically distant countries. "Born global" firms are different in that they internationalize near the beginning or at the point of their founding.

6. Because they lack resources and the scale and scope advantages of large MNEs, small- and medium-sized enterprises (SMEs) that have managed to successfully internationalize often demonstrate some of the most effective dynamic and innovative capabilities.

Chapter outline

Introduction

Firm-specific assets/ownership advantages

    Transaction-type FSAs

Location advantages/country-specific assets

    A classification of L advantages

    Internalization advantages

The eclectic paradigm: putting it all together

Strategic management of MNEs

    Steps in the strategic management process

A framework for global strategies: the FSA–CSA matrix

    The FSA–CSA matrix

Why firms become MNEs

    How do firms engage in international activities?

Entry modes

    Non-equity entry modes

    Equity entry modes

    Collaborative agreements/strategic alliances

    International new ventures and "born global" firms

The international activities of SMEs

    The practical challenges for internationalizing SMEs

    How do SME managers know which markets to enter?

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Starbucks

US manufacturing: from China to Mexico

Worrying times for Singapore's SMEs

Toys "Я" Us

Tesco at home and abroad

Lecture outline

A. Introduction

1. In order to understand international business activity and its relationship to strategy and innovation, there are two key frameworks that any student of IB needs to master: the eclectic paradigm and the FSA–CSA framework. The eclectic paradigm is a more general framework, and finds use in understanding a variety of different issues. It is a toolbox in its own right, and helps us understanding countries, modes of governance, government policies, and is used by policy makers. It can be applied at a macro (country) level, as well as at an industry and firm level. The FSA–CSA framework finds its greatest application in understanding the strategy of firms. Both frameworks share two crucial aspects—ownership advantages/Firm-specific assets, and Location advantages/country-specific assets. The third "leg" of the eclectic paradigm is internalization advantages, which is a concept that is acknowledged by the FSA–CSA framework implicitly.

B. Firm-specific assets/ownership advantages

1. In order to generate income in foreign locations firms need to possess certain assets, which can be regarded as ownership-specific (O) advantages or firm-specific assets (FSAs). Ownership advantages are firm-specific in nature, and the competitiveness of firms is associated with the strength (or weakness) of their O advantages.

2. Understanding ownership advantages are based upon Hymer's (1976) monopolistic advantage theory. Essentially, firms entering new markets are in a disadvantage in comparison with the host country's domestic companies, however, ownership advantages allows the business to overcome the barriers of entry into the host country.

3. There are three types of O advantages: asset-type (physical assets, proprietary knowledge content, whether embodied in intellectual, property, or in technical personnel); transaction-type (ability to generate rent by the use of superior intra-firm hierarchies, both intra-firm, and between firms and markets); recombinant-type (ability to recombine the firm's own assets with other internal and external assets).

C. Location advantages/country-specific assets

1. Location-specific (L) advantages or country-specific assets (CSAs) refer to assets that are not specific to a particular firm but are potentially available to all actors. In essence, L advantages are about the characteristics of specific locations which lead to advantages. L advantages may are not just country bound, but help to distinguish between the various units (the country, national sub-regional, or supranational regions) of analysis. For instance, consider an MNE with a production site in Maastricht, in the Netherlands. The MNE will need to consider the L advantages of the Netherlands at large, the Limburg province, as well as the EU.

2. In principle, L advantages should be accessible to all firms that are physically or legally established within the respective location. However, this may not be the case as: (1) full information about L advantages associated with a specific location may not be readily available; (2) even where information is available, there may be costs associated with accessing this knowledge; (3) L advantages may be made available (or denied) by the

actions of governments that seek to encourage (or restrict) the activities of a particular group of actors by introducing barriers to their use of certain L advantages.

D. The eclectic paradigm: putting it all together

1. The eclectic paradigm (also known as the OLI framework) is a framework that brings together three different theories: ownership advantages (first developed by Hymer and later in the strategy literature with Penrose), location advantages (developed from trade theory, including Ricardo's comparative theory and the Heckscher–Ohlin model) and internalization theory (developed by Buckley and Casson). The combination of these theories helps explain the existence of MNEs, and determines which countries they expand to and how they are able to compete against domestic firms.

2. Internalization advantage originates from internalization theory. First, firms tend to maximize profits in the world of imperfect markets. Second, the existence of an imperfect market for intermediate goods provides firms an incentive to create internal hierarchies to control such activities. Third, where imperfect markets exist, the internalization of markets creates MNEs because they are the most efficient way to facilitate and control the coordination of interdependent economic activities domestically or across geographies as compared to the coordination of such activities through the market.

3. It is easiest to think of the electric paradigm framework as answering three questions: (1) Does the FSA of the firm provide it an advantage over other firms operating in the intended destination location? (2) Can this FSA be used abroad, in conjunction with the location advantages of the host location? And, Are the location advantages of this location complementary to the FSAs of the firm? (3) If there is a clear FSA, and there is a clear L advantage of the destination location, the next question the firm has to answer is: Are there any advantages for firm A from manufacturing in Sri Lanka itself, rather than allowing others to do so on its behalf?

E. Strategic management of MNEs & Steps in the strategic management process

1. The strategic management process involves four major functions: strategy formulation, strategy implementation, evaluation, and the control of operations. These functions encompass a wide range of activities, beginning with an environmental analysis of external and internal conditions and an evaluation of organizational strengths and weaknesses.

F. A framework for global strategies: the FSA–CSA matrix

1. The FSA–CSA matrix provides a useful framework for the discussion of the relative strengths and weaknesses of the CSAs and FSAs that the MNEs possess. A strong FSA implies that, under identical CSAs, a firm has a potential competitive advantage over its rivals.

2. Quadrants 1, 2 and 3 correspond broadly to the three generic strategies suggested by Porter (1980): cost leadership, differentiation and focus. Quadrant 3 firms generally can follow any of the strategies. Firms in quadrant 4 are generally differentiated firms with strong FSAs in marketing and customization. Basically, these firms follow a differentiation strategy. In Quadrant 4 the FSAs dominate, so in world markets the home country CSAs are not essential in the long run. Quadrant 1 firms are generally

resource based and/or mature, globally oriented firms producing a commodity-type product. Given their late stage in the product life cycle, production FSAs flowing from the possession of intangible skills are less important than the CSAs of location and energy costs, which are the main sources of the firm's competitive advantage. Thus, these firms are following low-cost and price competition strategies. Quadrant 2 firms represent inefficient, floundering firms with no consistent strategy, nor any intrinsic CSAs or FSAs. These firms are preparing to exit or to restructure. Quadrant 2 can also represent domestically based small and medium-sized firms with little global exposure.

3. In terms of business strategy, Quadrants 3 and 2 are unambiguous in their implications. A quadrant 3 firm can benefit from the strategies of both low-cost and differentiation. Such a firm is constantly evaluating its production mix. As a product line matures and then declines it eventually graduates to Quadrant 2. However, by adopting new product lines, developing dynamic organizational capabilities and maintaining an effective strategy, the firm can maintain its overall position in Quadrant 3. In Quadrant 2, there is no alternative but to restructure, or, to eventually leave the market.

4. Quadrants 4 and 1 are credible positions for different types of firms. For instance, a Quadrant 4 firm that has strong FSAs in marketing (customization) can operate globally without relying on its home market CSA, or the CSAs of the host nation. For such a firm, Quadrant 4 does not signal a CSA weakness; the CSA is not relevant. In contrast, Quadrant 1 has mature multinationals or product lines determined more by CSAs than by FSAs. By improving potential FSAs in marketing or product innovation and increasing value added through vertical integration, the Quadrant 1 firm can move to Quadrant 3, where its profitability should be enhanced.

G. Why firms become MNEs

1. Firms become MNEs as they are (a) natural resource seeking; (b) market seeking; (c) efficiency seeking; (d) strategic asset seeking; (e) escaping investment (f) supporting trade investment. (See Table 2.4)

H. Entry modes

1. When the firm decides to enter a new market, the first step is to decide whether it will opt for non-equity or equity entry modes.

2. Non-equity entry modes. At the first stage, it may want to avoid the risks of high commitment to unknown (foreign) markets by arranging non-equity modes, such as exports, contractual agreements, licensing or franchising agreements.

3. The firm may later move to equity modes (FDI), such as partial or full acquisition, which involve higher commitment to the foreign markets and often require higher knowledge or experience.

I. The international activities of SMEs

1. A relatively small number of SMEs sell products and services outside their domestic market, compared to the total number of active SMEs. When we consider another key measure of internationalization, foreign direct investment (FDI), again SMEs are less prominent than large multinational firms as sources of FDI.

2. In the European Union just a quarter of all SMEs export or have exported at some point during the past three years. Moreover, their international activities are mostly geared toward other countries inside the internal European market and only about 13 percent of EU SMEs are active in markets outside the EU. However, SMEs are responsible for a larger proportion of total exports from some countries than we might expect.

3. SMEs face significant limitations compared to large firms as they do not have the financial muscle to "buy" their way into new markets, or spend on customizing products and brands for local customers. They also lack the range of specialists to draw on to shape and implement market-entry strategies, such as legal experts or managers with experience of local cultures. These limitations mean that small firms often need to be that much more entrepreneurial and innovative and/or take risky short-cuts, to expand across national borders. It also means that some elements of established theories of internationalization fail to adequately explain the patterns and processes of small firm internationalization.

4. Internationalization strategies for SMEs, see Table 2.6.

Answers to real cases

Toys "Я" Us

1. What are the firm-specific advantages of Toys "Я" Us?

The firm-specific advantages (FSAs) of Toys "Я" Us include their business model, which is to purchase toys and other merchandize at low prices from producers, and then sell them at low prices to consumers. In Japan, this formula gave the company a competitive advantage against local rivals whose products went through a number of intermediaries before it reached its shelves. Another part of this business model was the large stores which allowed for a large inventory, a lot of choice and a parking lot. More specifically, the people that Toys "Я" Us hired to get the job done are an FSA.

2. What specific cultural and political barriers to entry does it face?

Toys "Я" Us was American, which alone signified a political problem because of fears of imperialism and of Americanization of lifestyles in other countries. In Germany, the company was greeted by a partial boycott and a public relations blitz that condemned the concept of a self- serve toy supermarket as being alien and wrong. The fact that the retailer wanted a large-area space for its store also displeased locals. In Japan, commercial and other political restrictions prevented the company from implementing a business model similar to that in the United States.

3. Why was Toys "Я" Us more successful in Japan than in Germany?

The success of Toys "Я" Us in Japan can be attributed to the help of a very influential local partner who helped open doors for the company. However, the size of the market and the level of competition were also important. Note that German competitors adopted many of the strategies of Toys "Я" Us, which might have created a more competitive environment in which to operate.

Tesco at home and abroad

1. What were the advantages of Tesco adopting a joint venture in Korea?

The advantages associated with joint ventures include: access to new markets; risk sharing; and access to greater resources and information. Tesco's (Homeplus) joint venture with Samsung enabled Tesco to possess the right information when seeking to integrate within the Korean model successfully. This joint venture with Samsung helped Tesco to avoid the mistakes made by rivals such as Carrefour and Wal-mart.

2. What are the advantages of Tesco using an M&A to enter into Japan?

Even though Tesco ultimately failed within Japan, having entered Japan in 2003 through the acquisition of C Two-Network convenience came with advantages. For instance, this acquisition enabled Tesco to automatically obtain the right staff, skills and knowledge (business intelligence) of the industry.

3. What are the potential reasons why Tesco struggled to expand to the United States and Japan?

Despite Tesco conducting extensive research before entering the US market, the firm significantly underestimated the challenges. It failed to appreciate some key differences between the Americans and the British. For instance, American's are used to large-scale shopping centers and the stock of Tesco's own branded products resulted in not enough room to offer local shoppers their US favorites.

Tesco's failure in Japan was partly due to its inability to keep up with rapid changes in local customer tastes. The retailer did alter its business model to match the consumer behaviors in Japan, but not significantly enough.

4. What are the FSAs of Aldi and Lidl to be able to compete successfully against Tesco in the UK?

The firm-specific advantages (FSAs) of Aldi and Lidl, in comparison with Tesco, include their business models. For instance, both Aldi and Lidl's business model specify low costs, by offering consumers with alternative brands. Furthermore, unlike Tesco, both stores do not spend much in costs associated with stock and order just the right amount each day.