

The Internal Competition in the Domestic Market and the Strategic Breakthrough Path for Enterprises Going Global

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Abstract

This article focuses on the phenomenon of internal competition in the domestic market and its impact on the development of enterprises, and deeply explores the necessity for enterprises to achieve strategic breakthroughs by going global. First, analyze the characteristics and causes of the internal competition in the domestic market. Then, elaborate on the opportunities and challenges that enterprises face when going global. Finally, propose specific paths for enterprises to break through in their overseas strategies, including precise market selection, strengthening brand building, optimizing supply chain management, focusing on talent cultivation and introduction, and actively responding to risks. It aims to provide theoretical guidance and practical references for enterprises to effectively respond to the fierce competition in the domestic market and achieve international development.

Keywords: The domestic market is becoming increasingly competitive; Enterprises going global; Strategic breakthrough; International development.

1. Introduction

In recent years, the global economic landscape has undergone profound changes. After experiencing a period of rapid growth, the domestic market has gradually entered an era of competition for existing customers, and the phenomenon of internal competition has become increasingly prominent. The concept of "involution" was first proposed by anthropologist Geertz when he was studying agriculture in Indonesia. It refers to a state where participants within a system continuously invest more resources but fail to achieve substantial growth under the circumstances of diminishing marginal benefits^[1]. In the domestic market context, the phenomenon of "involution" is manifested as enterprises over-investing resources to compete for a limited market share, leading to a series of problems such as intensified competition, declining profits, and insufficient innovation drive.

Meanwhile, the in-depth development of economic globalization has provided enterprises with a broader space for development. Going global has become an important strategic choice for enterprises to break through the vicious competition in the domestic market and achieve sustainable development. By entering the international market, enterprises can obtain new market opportunities, resources and technologies, and enhance their international competitiveness^[2]. However, for enterprises to go global is not always smooth sailing; they are confronted with numerous opportunities and challenges. Therefore, conducting in-depth research on the strategic breakthrough paths for enterprises going global holds significant practical significance.

2. Characteristics and Causes of the Internal Competition in the Domestic Market

2.1 Characteristics of the Internal Competition in the Domestic Market

2.1.1 Excessive Competition

There are numerous enterprises in various industries in the domestic market, and the products are highly homogeneous, which is an important reason for excessive competition. Take the smart phone market as an example. In recent years, many brands have flooded in, and there is not much difference in product functions, appearance designs and other aspects. In order to compete for market share, enterprises have no choice but to adopt a low-price competition strategy, which leads to a continuous decline in market prices and a severe compression of profit margins.

2.1.2 Insufficient Innovation Drive

In the highly competitive market environment, enterprises pay more attention to short-term interests and invest a large amount of resources in production and marketing to quickly capture the market. However, the investment in research and development innovation is relatively insufficient, lacking core technologies and independent intellectual property rights, which leads to low added value of products and makes it difficult to form a differentiated competitive advantage^[4]. Take traditional manufacturing as an example. Many enterprises have long relied on low-cost labor, lack technological innovation, and have a slow pace of product upgrading and replacement. According to data from the National Bureau of Statistics, in 2021, among China's large-scale industrial enterprises, the proportion of those with R&D activities was only 38.3%, and the proportion of R&D expenditure to operating income was 1.54%. Compared with developed countries, there is still a considerable gap.

2.1.3 Serious Waste of Resources

Excessive competition leads enterprises to blindly expand their production scale, resulting in overcapacity. Meanwhile, in order to attract consumers, enterprises carry out large-scale advertising and promotional activities, resulting in a huge waste of resources. In the e-commerce industry, some platforms invest huge amounts of money in subsidies and marketing to compete for users. For instance, during promotional events such as "618" and "Double 11" on a certain e-commerce platform, enterprises have to pay high advertising fees and subsidies. However, some users merely consume to obtain subsidies and have not formed long-term and stable consumption behaviors. This waste of resources not only increases the costs of enterprises but also affects the healthy development of the market.

2.2 Causes of the internal competition in the domestic Market

2.2.1 Market Demand Growth has Slowed Down

As China's economy enters a new normal, the growth of domestic market demand has gradually slowed down. In some industries, the market is approaching saturation, and the new demand is limited. However, the number of enterprises is constantly increasing, leading to an oversupply in the market and intensified competition. Take the real estate industry as an example. After years of rapid development, the per capita housing area of urban residents in China has reached a relatively high level, and the growth of housing demand has slowed down. However, there are a large number of real estate enterprises and the competition is extremely fierce. According to the data from the China Real Estate Association, the number of real estate development enterprises across the country exceeded 100,000 in 2022, but the overall profits of the industry have been declining.

2.2.2 The Industry Entry Threshold is Relatively Low

Some industries have relatively low entry barriers, which have attracted a large number of enterprises to enter. The technological levels of these enterprises vary greatly, and the quality of their products is hard to guarantee, which further intensifies the disorder of market competition. Take the catering industry as an example. The threshold for opening a restaurant is relatively low; it only requires a certain amount of funds and space. A large number of restaurants have flooded into the market, leading to fierce competition in the industry and meager profits.

2.2.3 The Policy Environment is not Perfect

The policy environment in some industries is not perfect, and there is a lack of effective market supervision and regulation. Some enterprises gain market share through unfair competition means, disrupting market order and affecting the healthy development of the industry. For instance, in some emerging industries such as the sharing economy and live-streaming sales, due to the lag of policies and regulations, there are regulatory gaps, which leads to frequent occurrences of vicious competition among enterprises. Some bike-sharing companies, in an attempt to compete for the market, have deployed a large number of vehicles, causing urban road congestion and waste of resources. Some live-streaming e-commerce hosts have problems such as false promotion and selling counterfeit goods, which have harmed the interests of consumers.

3. Opportunities and Challenges for Enterprises Going Global

3.1 Opportunities for Enterprises to Go Global

3.1.1 A Vast Market Space

The overseas market is huge and diverse, and the market demands in different countries and regions vary. Enterprises can develop products and services suitable for the local market based on their own advantages and the demands of the target market, and expand their market share. For instance, Chinese home appliance enterprises have a relatively high market

share in Southeast Asia. By constantly launching products that meet the demands of local consumers, they have achieved rapid business growth.

3.1.2 Complementary Resource Advantages

Different countries and regions have different resource endowments. Enterprises going global can achieve complementary advantages of resources. For instance, some developing countries are rich in natural resources and have cheap labor. Enterprises can establish production bases locally to reduce production costs. Developed countries possess advanced technologies and management experience. Enterprises can acquire advanced technologies and talents through cooperation with local enterprises or mergers and acquisitions, thereby enhancing their own competitiveness.

3.1.3 Policy Support

To encourage enterprises to "go global", the Chinese government has introduced a series of policy support measures, including financial subsidies, tax preferences, and credit support. Meanwhile, some countries have also formulated preferential investment policies to attract foreign investment, providing a favorable policy environment for enterprises to go global. For instance, China has carried out extensive economic and trade cooperation with countries along the Belt and Road Initiative, providing more development opportunities for enterprises.

3.2 Challenges for Enterprises Going Global

3.2.1 Cultural Differences

Different countries and regions have distinct cultural backgrounds, values and consumption habits. When enterprises go global, they need to understand and adapt to the cultural differences of the target market; otherwise, it may lead to their products and services not being accepted by local consumers. For instance, when some Chinese enterprises enter the European and American markets, due to insufficient understanding of local cultures, their product packaging and promotional methods do not conform to the aesthetic standards and habits of local consumers, which has affected the sales of their products.

3.2.2 Policy and Regulatory Risks

Policies and regulations vary among different countries and regions. When enterprises go global, they need to abide by local laws and regulations; otherwise, they may face legal risks and penalties. For instance, some countries have strict requirements for foreign enterprises in terms of investment access, environmental protection standards, labor laws and regulations, etc. Enterprises need to invest a great deal of time and energy to understand and adapt to them.

3.2.3 The Market Competition is Fierce

Although the overseas market is vast, it also faces fierce competition. In addition to competition from local enterprises, there is also competition from multinational companies in other countries. These enterprises usually have strong brand influence, technological strength and market share. It is quite difficult for Chinese enterprises to stand out in the competition. For instance, in the global smartphone market, multinational companies like Apple and Samsung have occupied the majority of the market share, and Chinese mobile phone enterprises are facing tremendous competitive pressure in overseas markets.

4. Specific Paths for Enterprises to Break Through in Their Overseas Expansion Strategies

4.1 Precise Market Selection

When enterprises choose overseas markets, they should comprehensively assess the scale, growth rate and consumer demand of the target market. The Southeast Asian region is experiencing rapid economic development and the release of its demographic dividend, with huge market potential. It is the top choice for many Chinese enterprises going global.

At the same time, it is necessary to understand the competitive landscape of the target market and analyze the strengths and weaknesses of rivals. Choosing markets with weak competition or differentiated advantages can reduce the difficulty of entry. For instance, some Chinese enterprises have entered emerging markets such as Africa and quickly captured market share by offering cost-effective products and services.

In addition, attention should be paid to the policy and regulatory environment, and markets with strong policy support and a favorable investment environment should be given priority. The countries along the Belt and Road Initiative have extensive policy communication. Enterprises choosing these regions can reduce policy risks.

4.2 Strengthen Brand Building

Brand is an important part of a company's core competitiveness. Companies should establish a brand-building awareness, incorporate it into their development strategies and formulate long-term plans. Through years of efforts, Huawei has established a high-end and innovative brand image globally.

Brands are based on the quality of products and services. Enterprises should enhance the performance and quality of their products through technological innovation and quality management, provide high-quality after-sales service, and win the trust of consumers. Haier has established a good brand image through strict quality management and excellent after-sales service.

Brand promotion through multiple channels can enhance brand awareness and reputation. Enterprises can convey their brand concepts and values through advertising, public relations activities, social media, etc. Xiaomi has rapidly accumulated a large number of fans and enhanced its brand influence by leveraging social media marketing and fan economy.

4.3 Optimize Supply Chain Management

Establishing a localized supply chain in the target market can reduce logistics costs, improve supply efficiency and shorten delivery cycles. Enterprises can establish production bases and purchase raw materials and components based on local demands and resource endowments. Foxconn has built factories in Vietnam and India, taking advantage of local strengths to reduce production costs.

Establishing close cooperative relationships with upstream and downstream enterprises in the supply chain, achieving information sharing and collaborative operation, can enhance the flexibility and response speed of the supply chain, reduce inventory costs, and improve customer satisfaction. Automobile manufacturing enterprises have established strategic partnerships with parts suppliers, achieving coordinated development.

Establish a supply chain risk early warning mechanism, strengthen the monitoring and assessment of risks, and formulate response plans. Enterprises can deal with risks such as disruptions in raw material supply and price fluctuations by means of diversified procurement and establishing safety stocks.

4.4 Emphasize Talent Cultivation and Introduction

Enterprises should enhance international training for their employees to improve their cross-cultural communication, international market development and project management capabilities. Internationalized professional talents can be cultivated through internal training, external training, overseas exchanges and other means. Huawei has established a complete training system and overseas exchange mechanism, cultivating a large number of international talents.

Actively introduce high-end overseas talents, especially those with international market experience, technical expertise and management capabilities. They can bring advanced technologies, management experience and market resources to enterprises, enhancing their international competitiveness. Some Chinese technology enterprises have introduced top overseas scientists and engineers, strengthening their research and development capabilities.

Establish a scientific and reasonable talent incentive mechanism to attract and retain outstanding talents. The innovative vitality and work enthusiasm of talents can be stimulated through methods such as salary incentives, equity incentives, and career development incentives. Alibaba has attracted a large number of outstanding talents through its equity incentive plan.

4.5 Actively Respond to Risks

Closely monitor changes in the political situation of the target market and establish a political risk early warning mechanism. Maintain good communication and cooperation with local governments, chambers of commerce, etc., and keep abreast of changes in policies and regulations in a timely manner. Purchasing political risk insurance can reduce the impact of political risks. For instance, some enterprises will take this measure when entering politically unstable regions.

Strengthen the monitoring and analysis of the macroeconomic situation in the target market and rationally adjust business strategies. Through diversified market layout, hedging and other means, economic risks such as exchange rate fluctuations and interest rate changes can be reduced. Enterprises can conduct business in multiple countries to diversify risks.

Respect local cultural customs and religious beliefs, actively fulfill social responsibilities, and establish a good corporate image. Strengthen communication and cooperation with local communities, media and other stakeholders to resolve social conflicts and disputes in a timely manner. Some enterprises have carried out public welfare activities in the local area and won social recognition and support.

5. Conclusion

The fierce competition in the domestic market has brought huge challenges to the development of enterprises. Going global has become an important way for enterprises to achieve strategic breakthroughs. When enterprises go global, they are confronted with opportunities such as vast market space and policy support, as well as challenges like cultural differences, policy and regulatory risks, and fierce market competition. To achieve a breakthrough in the overseas expansion strategy, enterprises need to accurately select target markets, strengthen brand building, optimize supply chain management, pay attention to talent cultivation and introduction, and actively respond to various risks. By implementing these strategic paths, enterprises can enhance their international competitiveness, break through the predicament of domestic market over-competition, and achieve sustainable development. Meanwhile, the government should further improve the policy support system, provide better services and guarantees for enterprises going global, and promote greater achievements for Chinese enterprises in "going global".

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