Article

Globalization of Competition: The Global Rule of Three and the New Triad Power

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Abstract

In this article, the authors provide an overview of the *Global Rule of Three*. Competitive markets grow, consolidate, and mature, ultimately leading to the emergence of three full-line generalists. The financial performance of full-line generalists gradually improves with greater market share, while the performance of specialists drops off rapidly as their market share increases. Businesses that lack the scale and scope advantages of generalists, and the focus and service advantages of specialists get stuck in between—in the ditch range. The Rule of Three structure generates optimal operational efficiency in competitive markets and positive impact on all stakeholders. It represents an empirical reality that must be factored into the strategy of businesses of all sizes. Competitive markets evolve in a predictable fashion across industries, and they go through similar lifecycles. Many generalists that are dominant in their countries or regions are unable to exert the same leadership when the market globalizes. Each century has been marked by the successes of different regions and cultures. The old triad power which consisted of Western Europe, North America, and Japan is being replaced

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by America, China, and India. The new triad power comes with possible problems, especially between China and the US. Their differences will inevitably create tensions, and India will increasingly become a more strategic partner to both. Increasing demand for the world's limited resources will necessitate resource-driven global expansion for enterprises and nations, further transforming the way business is conducted in the 21st century.

Keywords

globalization, global marketing, corporate strategy, marketing strategy, triad power, generalists, specialists, financial performance

Introduction

The Rule of Three

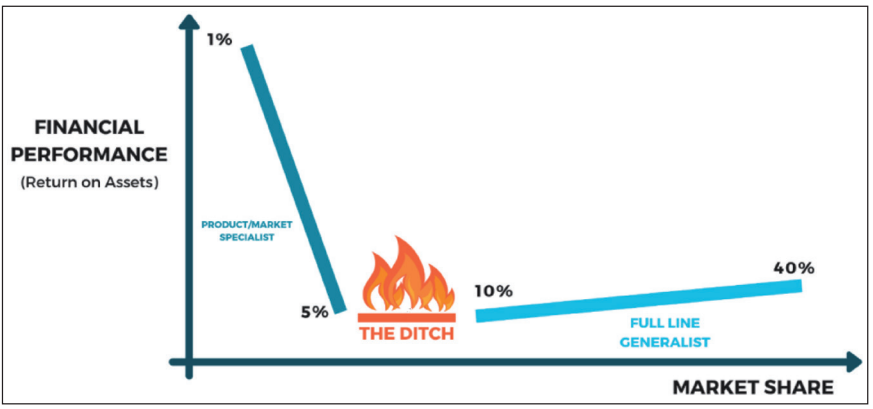

Figure 1. The Rule of Three

Source: Adapted from "Competitive Positioning: The Rule of Three" presentation by Jagdish N. Sheth, 2017).

Table 1. Characteristics of Generalists and Specialists

Characteristics	Specialists	Generalists
Sources of advantage	Economies of exclusivity and differentiation Service and selection driven	Economies of scale, scope, and speed Asset-turns advantage
Competitive advantage	Image/service	Value/promotion/convenience
Cost structure	High variable costs	High fixed costs
Scope of offerings	Limited/focused line of products/services	Full line of products/services
Positioning and branding	House of brands Specialty business, target market positioning Separate stops shop	Branded house Broad market, one-stop shop, positioning with single brand (corporate) or dual (upscale and mainstream) brand identity
Distribution channels	Focused channels	Omnichannel
Organization and operations	Decentralized, multibusiness enterprise, dedicated operations/resources, vertical integration	Integrated enterprise Shared resources/operations, networks, and alliances Horizontal integration

Source: The authors.

Why Three

Exceptions to the Rule of Three

Regulation:

Exclusive rights:

Licensed economy:

Markets with a high degree of vertical integration:

Markets with combined management and ownership:

The Global Rule of Three

No matter the scope of the market, the Rule of Three prevails.

Global Generalists

Global Specialists

The New Triad Power

Table 2. Country GDP Indexed to Purchasing Power Parity (2019)

Country	PPP (in US$ Trillion)
China	27.31
United States	21.43
India	11.04
Japan	5.71
Germany	4.44
Russia	4.39
Indonesia	3.74
Brazil	3.48
United Kingdom	3.16
France	3.06

Source: Knoema (2020).

Drivers of the New Triad

Rise of global enterprises from Chindia:

The Economic Times

Shift of R&D to Chindia:

The focus of innovation becomes affordability:

The fusion of cultures:

Private equity in emerging markets:

Impact of the New Triad on Global Resources

Resource-driven global M&A:

The emergence of strange bedfellows:

Rise of scarcity-driven profits:

Shortage-driven breakthrough innovations:

Sustainability imperative:

Impact of the New Triad on Geopolitics

G-8 becomes G-20:

Rise of multilateral politics:

Growth of Asian sovereign funds:

Multiple currency reserves:

Redefining capitalism and democracy:

Declaration of Conflicting Interests

Funding

Notes

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(How) do businesses get stuck in the middle?

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Belt and road initiative

Multinationals recognize India's potential as global R&D hub