Globalization & International Marketing

A2 Business

Globalization

- Globalization is the idea that refers to the world being more connected due to improved means of communication like internet and technology like computers, phones etc and improved means of transportation which has resulted in convergence of world culture.

International Business & Multinational Businesses

- International business is which has production plant in one country but is exporting to other countries of the world.

- Businesses that have production plants in at least one other country apart from their home country.
- Businesses wish to grow to benefit from larger international markets and so in the process they need to at some point try to convert themselves into multinational businesses.

How do businesses become International and / or multinational businesses?

1. It allows businesses ***to capture foreign markets.***

2. To benefit from lower costs of production. BRICS countries are most favorite destinations for foreign businesses to locate their production plants. BRICS stands for Brazil, Russia, India, China and South Africa.

3. To benefit from lenient government policies including corporation tax and other incentives like tax holidays, etc.

What are challenges faced by multinational businesses?

1. To appropriately alter the product to suit foreign consumers taste:

2. The trade policies of foreign countries in which the business wishes to export:

3. Who should be hired considering the language barrier and cultural differences.

4. The transportation issues:

5. How to alter the marketing mix to make a successful product.

6. Legal Differences:

Free Trade versus Protectionism

- Free Trade is when countries engage in trade without any trade barriers. Examples Tariffs, Customs, Duties, Quotas, Exchange Controls etc.
- ***Tariffs:*** it is an indirect tax on imported goods like imported phones can be subject to 15% tariff meaning that consumers importing phones in Pakistan will be required to pay 15% of the price to government as a tax.

- ***Quota***: is a restriction on the quantity of the product that can be imported in the country.

Protectionism is opposite of free trade which means that country is using trade barriers to restrict / discourage free trade.

What are the possible routes / methods for selling to foreign countries?

1. Franchise: it is more convenient for the exporting company to find a local investor to open the retail outlet under the original company's name. However the exporting company will not get to keep all the profits since some of its will be keep with the franchisee.

2. Own Retail Outlets: the problem with this strategy is to arrange the large amounts of money that is needed for investment to open retail outlets but the upside is that all the profits will be kept by the exporting company.

3. Direct Selling / Export: which is then sold through other retail outlets: in this method the company is selling the good to a local retail shop in a foreign country and they sell the products on their own retail outlet.

4. Agent: is when a middleman is connecting the exporter and the imported. ***5. Production in the foreign country:*** when you start your own production plant in a foreign country but it is obviously expensive and other issues need to be considered.

Pros and Cons of Franchise Agreement

- Easier for the original business to grow without even the need to make the investment.

- It is beneficial because the local company will be more aware of local market conditions and so can better set the marketing mix.
- Not all the profit arising from the foreign outlet will be kept by the original business.

Which method of exporting is most beneficial for businesses?

1. Every time there is a middleman involved it will result in some commission paid by the exporting company. However the upside of using a middleman / intermediary is that some of business activities like selling the product can be outsourced to that middleman.
2. Other the other hand, if a business directly export through use of

courier directly to the customers then it can involved huge transportation expense and so might not be very feasible option.

3. If a business sells through other retailers then they might dilute the brand imagine by not having an exclusive retail outlet for your brand.

International Marketing Strategies: Pan – Global Marketing versus Global Localization

- ***Pan – Global Marketing***: it is when the current version of your product does not need any changes to be sold in foreign markets like cell phones, cars, machinery, laptops, ac. These are standardized products.

- ***Global Localization***: it refers to the idea that products need to be modified to better suit to local needs like food, clothes,Meaning products are customized to become better fit for local preferences.