4.1.1 - Growing Economies

Growth Indicators

- Health
  - 'Avoidable' death rates
  - Quality of hospital treatment
  - Birth rates
- Literacy
  - Eg. ↑ female lit rates corresponds to ↑ knowledge of contraception & ↓ BR.
  - Speaks to state of country's education
  - % of people who can read
- GDP per capita → Measure of economic output that accounts for number of people → Divides gross domestic product by population.
- Human Development Index (HDI)
  - Life expectancy, education, BR/DR.
  - Measures key dimensions of human development

Growth rate of UK = 1.4% in 2019.
Growth rate of emerging economies (eg. Mexico) = 0.8%.

Emerging Economies

Features
- Economies making a transition.
- Rapid industrialisation (2^{dary} / 3° sector developed).
- Potential to become developed economies.
- Faster long term economic growth than most developed economies.
- 'Middle Income Trap'
- Many inhabitants still in poverty (economic growth is taking many out)
- Businesses struggle to access global markets (trade barriers).

BRICS
↳ Brazil, Russia, India, China (original emerging economies).
- Sig. for developed economies - scale growth rate.
- Brazil/Russia had prolonged recession but growing again.
- China now largest economy in the world, considered developed

MINTS
↳ Mexico, ~~[illegible]~~ Indonesia, Nigeria, Turkey
- Nigeria (↓ oil price) & Turkey are struggling
- Reformed to MIST → Mexico, Indonesia, South Korea, Turkey.

Threats from E.E.
- ↑ large pool of skilled / low cost labor.
- Undervalued currency = cheaper exports.
- Inadequate brand/IP protection.
- State subsidy of industries = more globally competitive.

4.1.2/3 - Globalisation Factors

Globalisation - process in which economies have become increasingly integrated & interdependent.

Benefits/Drawbacks

- Enhanced growth = ↑ per capita income. Faster growth & ↓ poverty (<$1.90/day)
- Adv. from freer labor movement b/w countries
- Gains - sharing ideas skills/tech.
- Opening capital markets to allow developing markets to borrow money
- Encourages consumers/producers to benefit from deeper division of labor & E of S.
- Comp. markets reduce monopoly profits & incentivise to seek cost reducing innovations.
- Increased awareness of CC challenges & wealth income inequality
- Competitive pressure = better governance & better labor protection

- Trade imbalance - Some countries have trade surpluses, creates tension/pressure to create protectionist policies.
- Unemployment
- Standardisation - ↓ diversity
- Dominant global brands - stifle competition
- Inequality - rural - urban div. political tensions/social & financial instability, poor people excluded from benefits (no tech)
- Inflation - demand for food/energy = steep ↑ in commodity prices.
- Vulnerability to external shocks - more connected/interdependent = contagion/external effect that comes
- Threats to Global Commons - ecosystem deforestation, water shortage, biodiversity
- Race to bottom - ↓ tax, ↓ H/S laws, limited basic welfare.

Factors Contributing to Globalisation

- Containerisation - ↓ unit cost brings prices in manufacturing countries closer to that in export markets = more contestable
- Technological Δ - reduces the cost of transmitting & communicating info. 'Death of distance' - key factor behind trade in knowledge using web tech.
- Economies of Scale - ↑ in min. efficient scale associated w/ some industries. If ↑, domestic market may be regarded as too small to satisfy selling need. Many emerging nations have own transnational corporations.
- System differences - desire to benefit from ↓ unit costs for labor & other ✓ production factors abroad has encouraged countries to adjust tax systems to attract FDI.
- Less protectionism - old non-tariff production (import licensing/foreign xchange controls) removed. Average tariff levels ↓ & borders opened. ↑ in non-tariff barriers (import quotas) as countries struggle to have economic growth due to persistant trade & current account deficits.

Key Characteristics

- ↑ trade across borders
- ↑ in capital transfers inc. expansion of FDI via TNCs & ↑ influence of sovereign wealth funds.
- Development of global brands that serve markets in all income brackets.
- ↑ outsourcing/offshoring (iphone)
- ↑ labor migration within/between countries.
- New nations joining trade system (Russia w/ WTO).
- Shift in balance of economic & financial power from developed to emerging economies/markets
- ↑ spending on capital investment/innovation/infrastructure across large areas.

Growth of Multi-National Corporations & Transnational Corporations.

This is especially the case for brands w/ proven potential to have global success esp. in fast growing economies fuelled by ↑ rising no.s of middle class consumers.

Businesses/brands have invested significantly in international expansion to pursue revenue & growth.

4.1.5 - Trading Blocs

EU - Key Freedoms

- Free Trade in Services → Professional services (ie. pensions, architecture, telecoms, advertising) offered in any member state
- Mobility of labor → citizens of member states can study, live & work in any nation.
- Free trade in goods ↳ business can sell anywhere within member states, consumers can buy anywhere w/ no penalty
- Free capital movement ↳ currency/capital flow freely, EU citizens can use financial services in any member state

Benefits

- Market efficiency - comb. of greater comp., FDI & E of S & greater trade = more efficient market
- Competition - brings countries closer together = ↑ comp.
- FDI ↑
- E of S due to larger markets being created.
- Greater trade - ↓ protectionist measures (tariffs/quotas) = ↑ demand.

Trading Blocs & Regional Trade Agreements

- Trans-Pacific Partnership → US, Japan, Vietnam, Malaysia, Singapore, Br, Aus, NZ, Mexico, CN, Chile, Peru
- Allowed if they result in ↓ protection against outside country than existed before TB.
- EU - customs union, single market & has single currency.
- South Asian Free Trade Area ↳ 2006, India/Pakistan
- European Free Trade Area
- North American Free Trade Agreement ↳ USA/Canada/Mexico.
- Common Market of Eastern & Southern Africa.
- Mercosur → customs union Brazil, Argentina, Uruguay, Paraguay & Venezuela
- African Continental Free Trade Area ↳ 2019, between 44 African nations but not Nigeria.
- Association of SE Asian Nations Free Trade Area
- Pacific Alliance ↳ 2013, RTA → Chile, Peru, Mexico, Colombia

4.2.1 - Conditions that prompt trade

Why target international markets?

- Better serve customers located overseas
- Achieve E of S.
- Access fast growing market/demand.
- ↓ dependence on domestic market
- Build better value, part in global businesses.

Pull factors

Businesses are attracted by compelling opportunities to grow internationally.

- E of S, risk spreading
- Eg. better opp., ↑ wag ↑ living standards.

Push factors

↳ Where businesses expand internationally due to domestic issues. (eg. conflict, famine)

Eg. ↑ competition → domestic firms may be faced w/ new market entrants taking market share = ↓ rev. in domestic markets.
↳ incentive to pursue rev. elsewhere → barriers to entry, undercutting.

Drivers of ↑ Internationalisation of Business

- Trade to GDP ratios ↑
  ↳ actually experiencing decline = ↑ tariffs & global ↓
- ↑ capital flow b/w countries.
- FDR/Cross border M & A.
- ↑ no. of ↑ brands in emerging eco. → ↑ international brand recog.
- Global supply chain - new trade/investment routes
- ↑ levels of international labor migration/within countries
- ↑ connectivity of people/businesses through mobile & wifi networks

Saturated markets

Feature of markets where sale growth is stalled/falling → Hard for firms to grow revenues other than taking MS for competitors.

Often characterised by lack of product innovation.
↳ strategic response = growth opp. for same product in overseas market. → Push factor.

4.2.4 - Mergers & Joint Ventures

Evaluative Points about Merger Failure

- Leaders are convinced they have answers & aren't willing to change course
- Few opportunities exist for inexpensive, low-committing testing.
- Untested assumptions = facts.
- Huge upfront investment, rather than staged or sequenced flow of resources.
- Massive uncertainty & a sense of time pressure.

Difference b/w Merger & Takeover

Involves an existing firm acquiring more than 50% of another firm & thereby gaining control ↑ of it

Involves new firm created by 2 existing businesses merging

Benefits

- JV partners benefit from each other's expertise/resources (DC, market knowledge,
- Each JV partner may have an opportunity to acquire in the future the JV business based on agreed terms.
- ↓ risk/costs of a new growth strategy by spreading it – particularly if it involves entering a new market/diversification.

Drawbacks

- Hard to exit if you want to pursue other opportunities
- Culture clashes - management may not share objectives. (esp. if across many nations)
- Unreliable partner.
- Unequal involvement

Integration

Backward vertical
↳ company expands its role to fulfil tasks formerly completed by businesses up the supply chain

Forward vertical
↳ Strategy that involves business activities expanding to include control of direct distribution/supply of company products -

Horizontal
↳ company ↑ production of goods @ same part of supply chain.

Vertical
↳ arrangement in which supply chain is owned by company

4.2.5 - Global Competitiveness

Skills Shortages

Limits ability to expand ops

Overcoming Shortages
- ↑ wages
- better training / non-comp rewards
- Offshore
- outsource to specialist

Overcoming Shortages
- Better apprenticeships
- Invest in vocational education
- Encourage inward migration of overseas citizens
- Tax/incentives for firms to invest in training.

Competitive Advantage

Cost Competitiveness

Offshoring

Gain ↓ labor costs. Developing market = big middle class = ↑ disposable income

Reshoring

Productivity/Labor

Outsourcing

Exchange rates ↓

Export price, cost of overseas goods, rev./profits earned overseas

Impact on export companies w/ global supply chains offsets cost of finished items

Differentiation

Achieve by superior product quality.

Offers a product that is distinctly different from competition such that customers perceive superior value.

More on Exchange Rates.

SPICED.

Increase in Rates
- ↑ export demand = ↑ demand for currency.
- ↓ import demand = ↓ currency demand.
- Speculation - traders may bet exchange rates will rise.
- ↑ in interest rates - more attractive to hold currency.
- FDI into country = ↑ demand for currency.

Impact of Δ
- How much they export to other economies.
- Whether domestic businesses face strong comp. from overseas firms
- How much one relies on importing goods from overseas to operate.
- PED for products (i.e. insulin).

Losers
- importers of goods
- overseas business competing in domestic market

Benefitted from ↓ Exchange Rates
- Exporters into international markets
- Businesses earning substantial profits in overseas currencies.

4.3.1 - Global Marketing

Ansoff & Market Development

- Approaches →
  - New geographical markets → emerging
  - New distribution channels → e commerce
  - New pricing policies → attract customers in different segments (discrimination in prices).
- Used alongside Bartlett & Ghoshal Growth where products are sold into new markets.
- Evaluating
  - Logical where existing markets are saturated/in decline.
  - More risky than PD
    - ↳ esp. international expansion
  - Existing products may not suit new markets
    - Dependent on customer needs

Glocalisation

Glocalisation: describes a product sold/developed globally but is adapted to meet needs/wants in local market.

Domestic/Ethnocentric

- Assumes what works @ home works internationally.
- Effective if customers around the world value ~~auth~~ authenticity
- Eg. Liberty

Mixed/Geocentric

- Recognises differences in national markets.
- Aim is to build truly global brand.
- Eg. Ben & Jerry's

International/polycentric.

- Recognises every national market requires different marketing mix.
- Products designed specifically to meet local needs.
- Eg. McDonalds.

4.3.2 - Niche Markets

4 P's
- Place
- Product
- Price
- Promotion

Disadvantages
- Can't achieve E of S
  ↳ markets need individual attention.
- Harder to communicate

Advantages
- ↓ competition
- ↑ loyalty
- ↑ price/profit
- ↓ risk
- specialist products ↓ PED & possible premium prices.

Why target a global niche
↳ higher fixed costs, so E of S harder to achieve.
Can spread niche across world, ↓ costs & spread FCs over more units sold.

How Global Niche Markets develop.
- Cultural differences
- Specialist expertise developed.
- Different tech adoptions
- Premium / luxury demand
- Distinctive branding
- Specialist distribution.

Cultural Diversity
↳ recognition of groups w/ different interests/values.

Factors
- Economic development (ie dis-in-, health, education.
- Language
- History / tradition
- Religions / social norms
- Weather / climate
- Attitude to outsiders
- Legal systems.

4.3.3 - Cultural/Social Factors

Low Context Communication

- Agreement by specific, legalistic contact
- Value expertise/performance
- Get to business first
- Negotiations as efficient as possible
- Examples of Cultures
  - Italian
  - North American
  - English
  - Scandinavian
  - Swiss
  - German.

High Context Communication Needs

- Establish social trust first
- Value personal relations/goodwill
- Agreements by general trust
- Negotiations slow/ritualistic
- Examples of Cultures
  - Chinese
  - Korean
  - Japanese
  - Vietnamese
  - Arabic
  - Spanish
  - Greek

Considerations for businesses

- Cultural differences
- Different tastes.
- Language.
- Unintended meanings.
- Inappropriate/inaccurate translations
- Inappropriate branding/promotion.

4.4.1 - Impact of MNCs

Negative Impacts
- Profit @ expense of consumer
- Market dominance makes it harder for small firms to thrive.
- Can use E of S to force firms out of business
- ↑ contribute to pollution.

- Slave labor
↳ profit leakage
↓ paid jobs
widens poverty gap
↑ urbanisation
Pull out quick (head office jobs last longer)
Poor safety record

Positive Impact on Local Economy
- Raises country profile
- Pro business environment & political stability
- Provide jobs/boost skills
- ↑ standard of living.
- Improves infrastructure
- Tax revenue - workers & MNC pay tax
- Improves ↑ balance of pay.

Big MNCs
- Supports rapidly growing economies
- Some MNCs have revenue ↑ than some GDPs → why upset them?

FDI → involves investment from 1 nation to business based in another location.
- ↓ B2B
- Additional source of funding
- Creates direct stable, long-lasting links between economies
↳ encourages tech transfer & promotion internationally.

Why have they grown?
To ↓ costs
- E of S
- ↓ unit costs
- Enhance comp. adv.
- Standardised products (glocalisation & Bartlett-Ghoshal)
- Available, cheap, adaptable labor

To access new markets
- Saturated domestic markets.
- Extension strategy (PLC)

4.4.2 - Business Ethics (Part 2)

- Marketing Considerations
  - Inappropriate promotional activities
  - Misleading labels
- Pay/Working Conditions
  - Fair working practices
  - Underpaying staff
  - Limited policies
  - sweatshops
- Stakeholder Conflicts
  - Consumers
  - Employees
  - Shareholders
  - Countries
  - Communities
- Environmental Considerations
  - Emissions
  - Waste disposal
  - Water pollution
  - Deforestation
- Supply Chain Considerations
  - Labor exploitation
  - Child labor
  - Safety & quality of products

4.4.3 - Controlling MNCs

Social media control
- 'Fake News' can spread fast
- Can turn product scare to national crisis
- Tools like Twitter swiftly mobilise public opinion

Political influence
- Governments can apply pressure
- Spread of e-commerce & different corporate tax laws means governments are behind MNCs
- No global solution

Legal control
- Laws to ↓ pollution / child labor costs money to improve practices.
  - ↳ may have to move production to more relaxed locations.
- Host nations don't want to lose economic input so deters it being passed.

Pressure Groups
- Concerned individuals attempting to Δ behavior of MNC
- Set up campaigns to Δ public view
- Consumer boycott
- Publicity stunt to draw attention to issues
- Protest march
- Lobby government to demand Δ