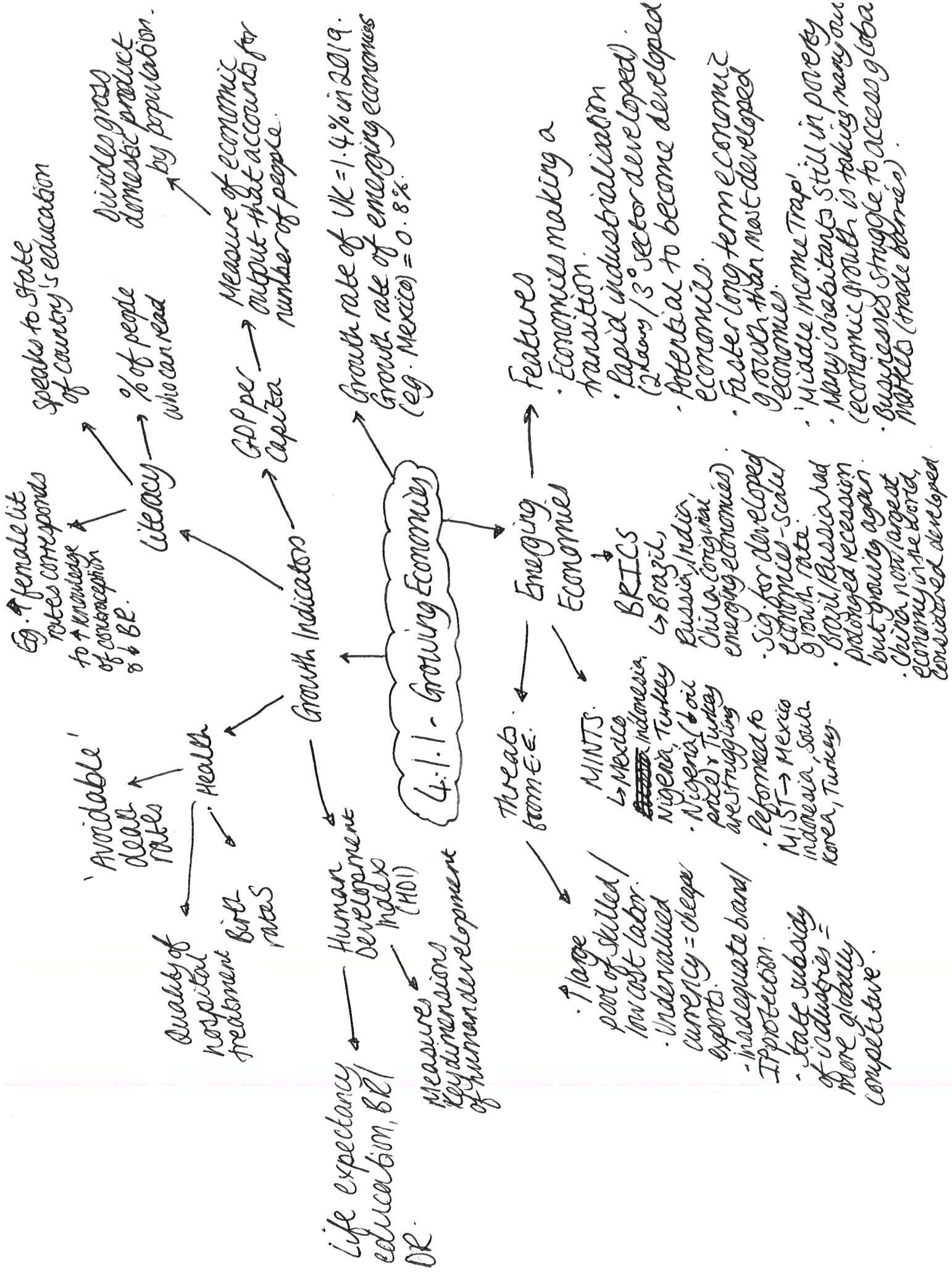




- Enhanced growth = ↑ per capita income. Faster growth & ↓ poverty (< \$1.90/day)
- Adv. from free labor movement b/w countries.
- Gains sharing ideas Skills/Tech.
- Opening capital markets to allow developing markets to borrow money

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

- Encourages consumers/producers to benefit from deeper division of labor & EoS.
- Comp. markets reduce monopoly profits & incentivise to seek cost reducing innovations.
- Increased awareness of CC challenges & wealth income inequality.
- Competitive pressure = better governance & labor protection

- Trade imbalance - Some countries have trade surpluses create tension pressure to create protectionist policies.
- Unemployment - Standardisation - dominant global brands - shift competition
- Inequality - rural - urban - 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 - ecosystems, deforestation, water shortage, biodiversity.
- Pace to bottom - ↓ tax, ↓ H&I laws, limit basic welfare.

4.1.2/3 - Globalisation Factors

Growth of Multi-National Corporations & Transnational Corporations.

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

Key Characteristics

- ↑ Trade across borders
- ↑ in capital transfers via expansion of FDI via MNCs & 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 (Eurasia w/ WTO).
- Shift in balance of economic & financial power from developed to emerging economies/markets.
- ↑ spending on capital investment / innovation / infrastructure across large areas.

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

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 exchange controls), removed, average tariff levels & border signed. ↑ in non-tariff barriers (import quotas) as countries struggle to have economic growth due to persistent trade & current account deficit.

Mobility of labor → citizens of member states can study, live & work in any nation.

Professional services (i.e. pensions, architecture, advertising) offered in any member state

Free trade in services

EU-Key Freedoms

Free capital movement
→ currency/capital flows freely, EU citizens can use financial services in any member state

Free trade in goods
→ business can sell anywhere within member states, consumers can buy anywhere w/ no penalty

4.1.5 - Trading Blocs

Benefits

Greater trade - ↓ protectionist measures (tariffs/quotas) = ↑ demand

→ E of S due to larger markets being created.

US, Japan, NZ, Malaysia, Singapore, Brunei, CN, Chile, Mexico, Peru.

Trans-Pacific Partnership

Allowed if they result in ↑ protection against outside country than existed before TB

Trading Blocs & Regional Trade Agreements

Pacific Alliance
→ 2013, RTA
Chile, Peru, Mexico, Colombia

Association of SE Asian Nations
Free Trade Area

African Continental Free Trade Area
→ 2019, between 44 African nations but not Nigeria.

Mercosur
Customs union
Brazil, Argentina, Uruguay, Paraguay & Venezuela

North American Free Trade Agreement
→ USA/Canada/Mexico.

European Free Trade Area

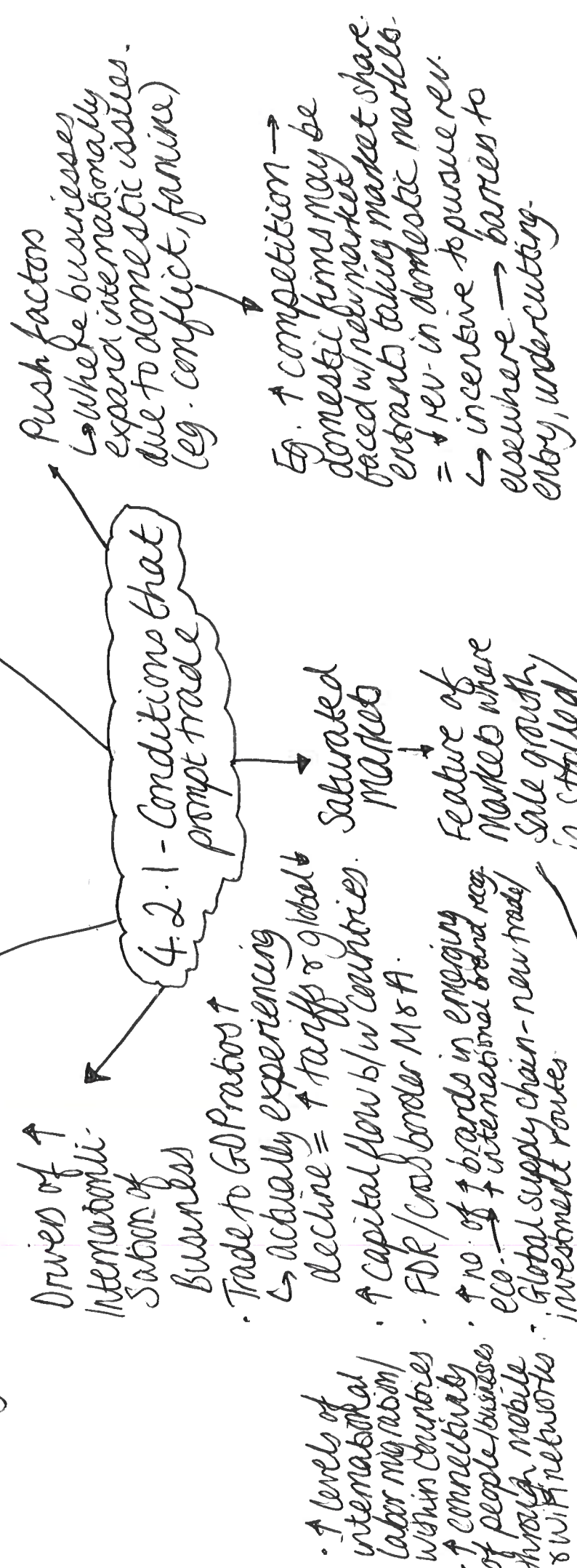
EU - customs union, single market & has single currency.

South Asian Free Trade Area
→ 2006, India/Pakistan

Common Market of Eastern & Southern Africa

Market efficiency - comb- of greater comp. FDI & E of S & greater trade = more efficient market
→ Competition-brings countries closer together = ↑ comp.
→ FDI ↑

Achieve E of S.
 Better serve customers located overseas.
 Build better value, part in global businesses.
 Why target international markets?
 Access fast growing market.
 Dependence on domestic market.
 E of S, risk spreading.
 Eg. better opp. ↑ living standards.



Push factor.
 Often characterised by lack of product innovation.
 → Strategic response = growth opp. for same product in overseas market.
 Hard for firms to grow revenues other than taking MS for competitors.

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

Difference b/w Merger & Takeover

Involves new firm created by 2 existing businesses merging

Benefits

- JV partners benefit from each other's expertise/resources (e.g., 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.

Few opportunities exist for inexpensive, low-commitment testing.

Untested assumptions = facts

4.2.4 - Mergers & Joint Ventures

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

Evaluative points about Merge/Failure

Massive uncertainty & sense of time pressure.

Integration

Horizontal
↳ Company ↑ production of goods (same part of supply chain)

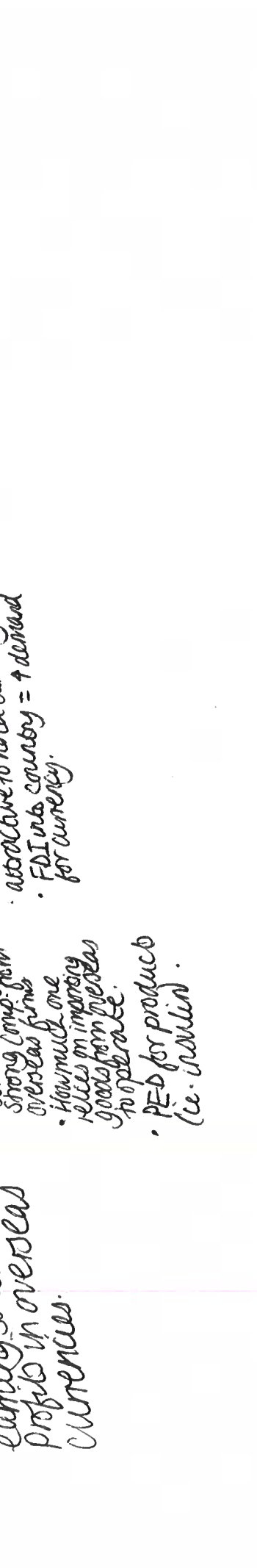
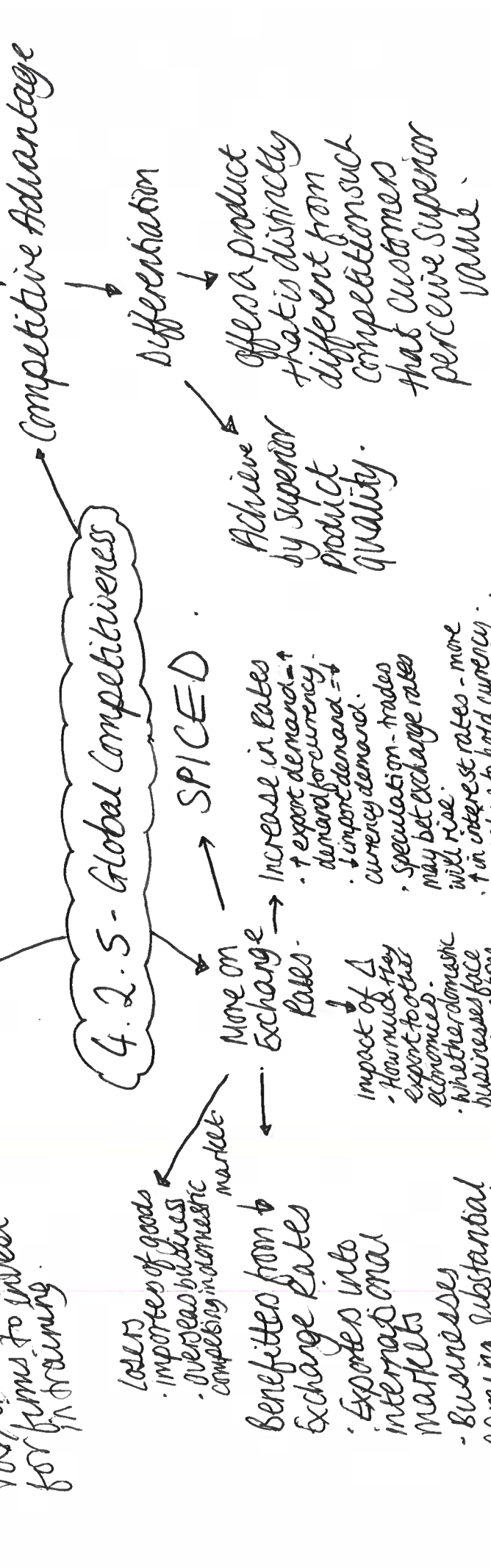
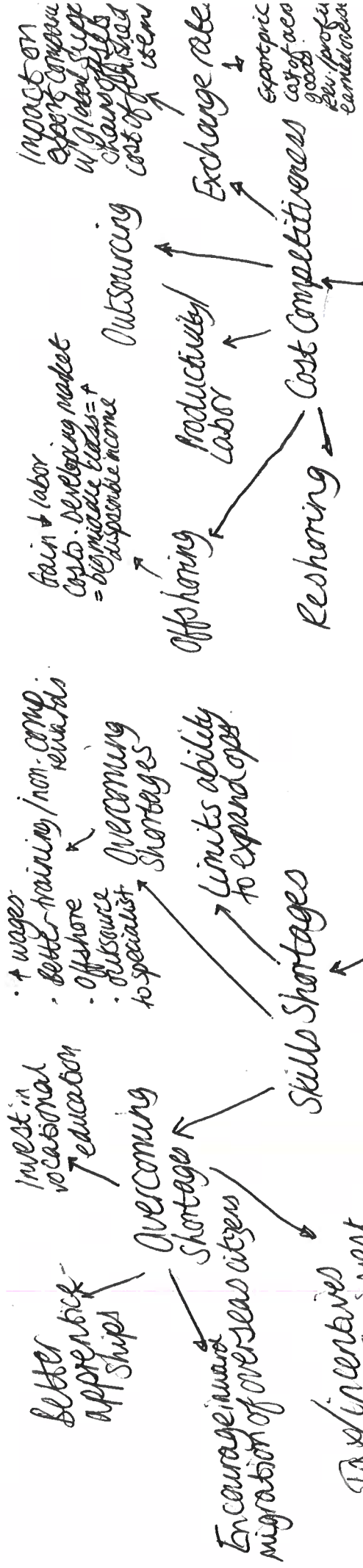
Vertical
↳ arrangement in which supply chain is owned by company

Backward vertical
↳ company expands its role to fulfill tasks formerly completed by business upstream in supply chain

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

Leaders are convinced they have answers & aren't willing to change course

Huge upfront investment, rather than staged or sequenced flow of resources.



- New geographical markets → emerging
- New distribution channels → e-commerce
- New pricing policies → attract customers in different segments (discrimination in pricing)

Approaches →

Logical where existing markets are saturated/obsolete.

Evaluating

More risky than PD

esp. international expansion

Ansoff's Market Development

existing products may not suit new markets

4.3.1 - Global Marketing

Used alongside Bartlett's Ghoshal Growth where products are sold globally but is adapted to meet needs/wants in local market.

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

Dependent on customer needs

International / polycentric

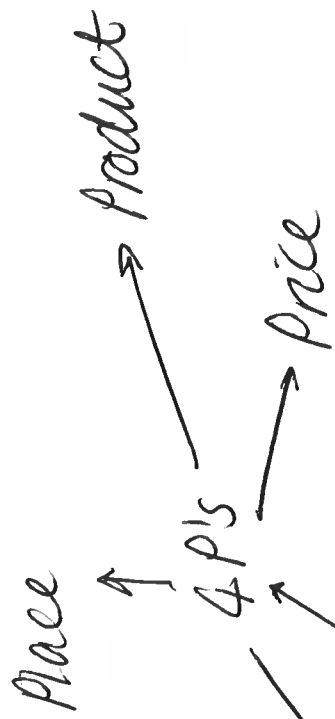
- Recognises every national market requires different marketing mix.
- Products designed specifically to meet local needs - Eg. McDonalds.

Domestic / Ethnocentric

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

Mixed / Geocentric

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



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

Promotion

Advantages

- ↳ risk
- specialist products
- PEO possible premium prices
- ↳ competition
- ↑ loyalty
- ↑ price/profit

Why target a global niche

↳ higher fixed costs

↳ SE of shareholder to achieve

Can spread niche across world, ↓ costs & spreads over more units sold.

4.3.2 - Niche Markets

How Global Niche Markets develop

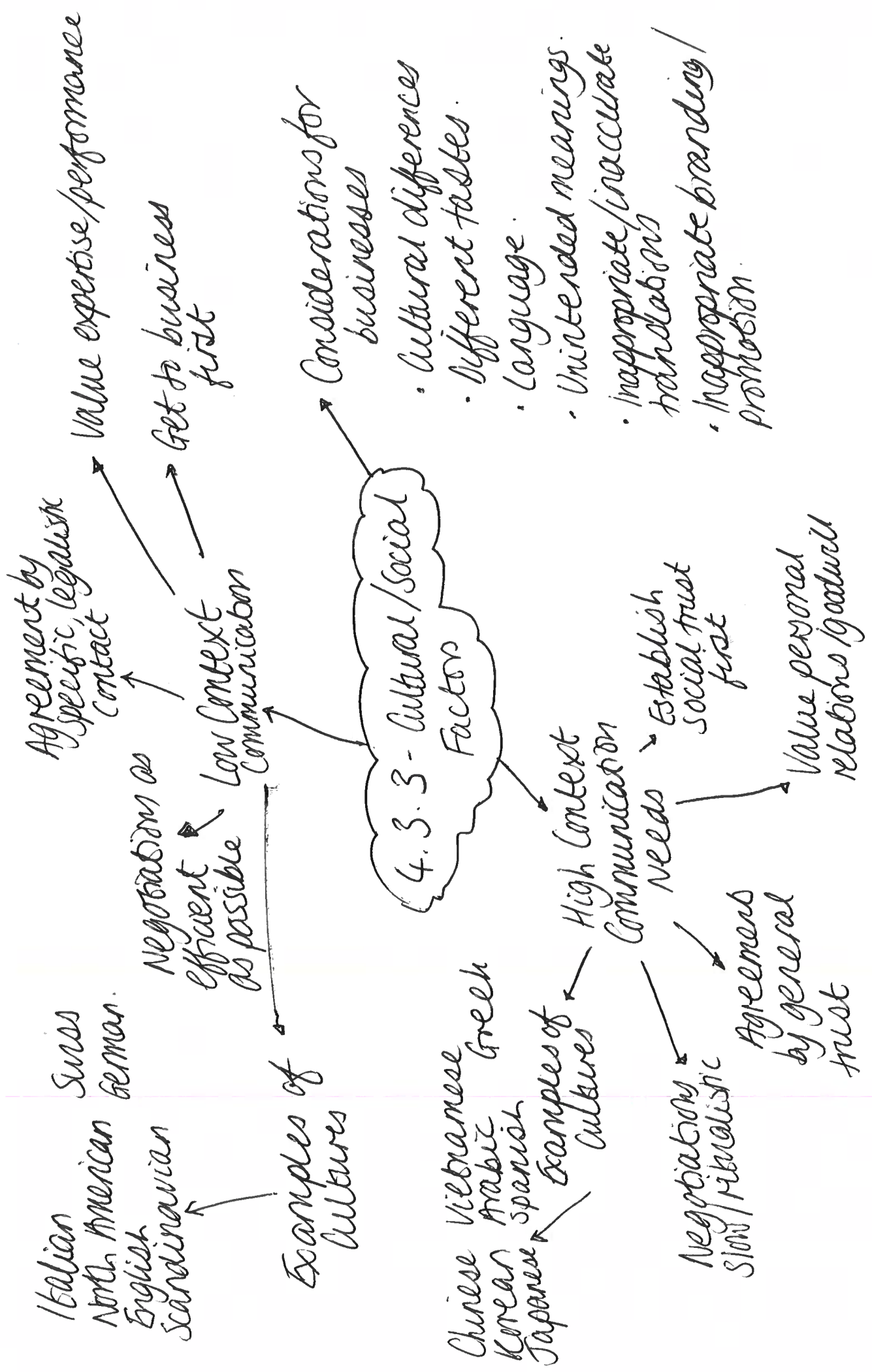
- Cultural difference
- Specialist expertise developed
- Different tech adoptions
- Premium/luxury demand
- Distinctive branding
- Specialist distribution

Cultural Diversity

↳ recognition of groups w/ different interests/values

Factors

- Economic development (ie. dis-in, health, education)
- language
- History/tradition
- Religious/social norms
- weather/climate
- Attitude to outsiders
- Legal systems



- Save labor
- ↳ profit leakage
- ↳ paid jobs
- widens poverty gap
- ↑ urbanisation
- pull out quick
- one ad office jobs
- lost longer
- poor safety record

- Profit @ expense of consumer
- Market dominance makes it harder for small firms to thrive
- Can use EoF's to force firms out of business
- Contribute to pollution

Negative Impacts

4.4.1 - Impact of MNCs

Additional source of funding
 ↳ Creates direct stable, long-lasting links between economies
 ↳ encourages tech transfer & promotion internationally

FDI → involves investment from nation to business based in another location

Why have they grown?

To ↓ Costs

- EoF's
- ↓ unit costs
- Enhance comp. adv.
- Standardised products (Bartlett - Ghoshal)
- Globalisation & Bartlett - Ghoshal
- Available, cheap, adaptable labor

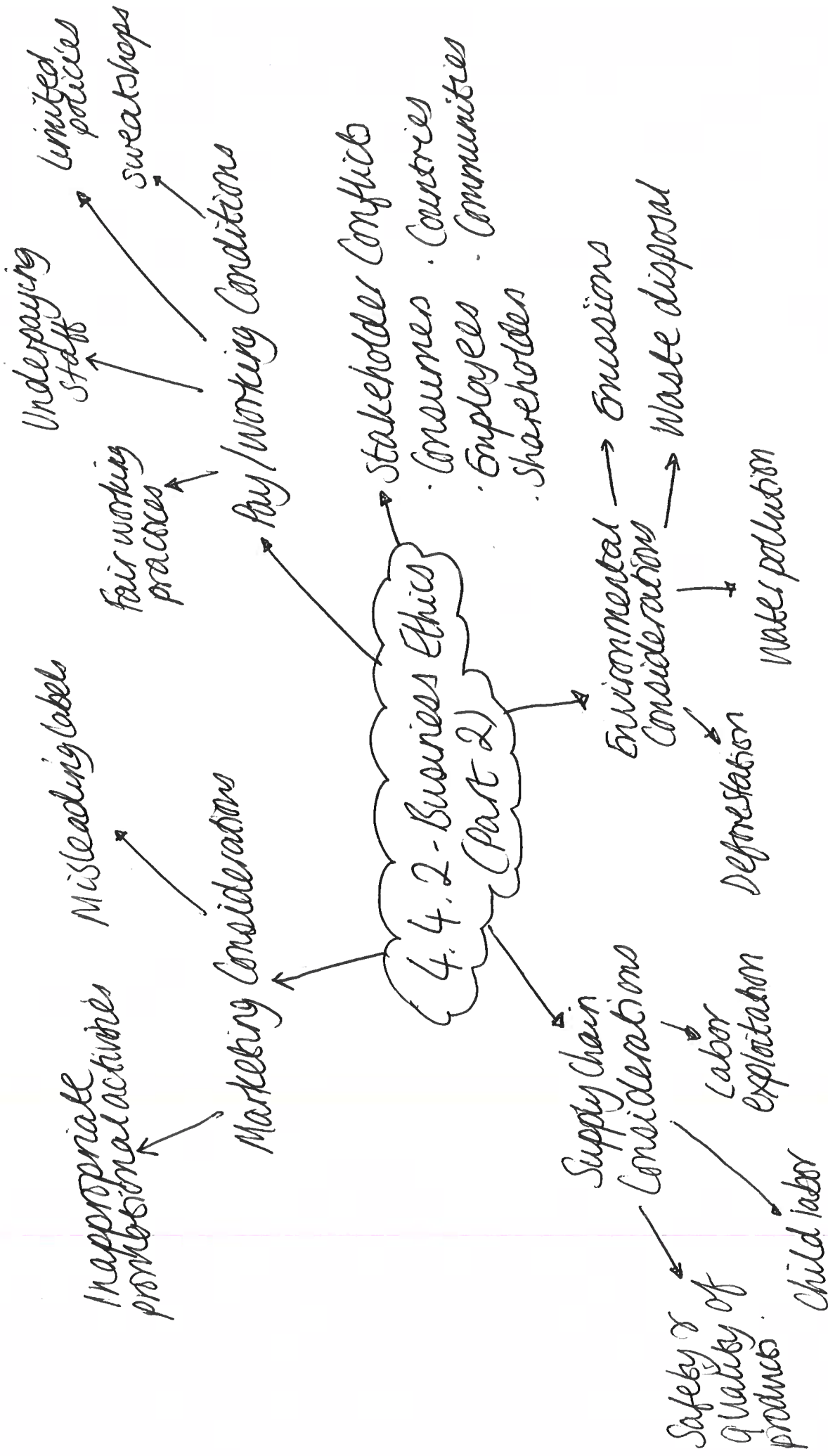
Big MNCs

- Supports rapidly growing economies
- Some MNCs have revenue ↑ than some GDP's → why upset them?

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
- Improve ↑ balance of pay

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



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

