

## Chapter 25 - Global Business

1 (2017)

(a)	A global business sells all over the world/regards the world as a single market /using a standardised marketing mix /adapted marketing mix.	10
(b)	Examples: Coca-Cola, Google, Facebook, Nike, Adidas, Amazon, VW, Ford etc.	

2 (2011)

### Question 8

1.	2.	3.	4.	5.
True	False	True	True	False

3 (2019)

<b>3</b>	<b>A</b>	<p>The European Commission is the executive body of the EU. It is the body responsible for proposing legislation etc. Once legislation is passed by the Council of the European Union and Parliament, it is the Commission's responsibility to ensure it is implemented etc. Regulations/Directives/Decisions.</p> <p>The European Parliament discusses proposals and puts forward amendments to legislation. It has co-decision powers (joint law making powers) that is on an equal footing with the Council of the European Union in the vast majority of areas. It establishes/approves the EU budget together with the Council of the European Union.</p> <p>The Council of the European Union decides on legislation drafted by the European Commission and discussed by the European Parliament. It is the main decision-making body of the EU.</p> <p>Evaluation</p>	25
<b>3</b>	<b>B</b>	<ul style="list-style-type: none"> <li>• With the single currency, the Euro, the cost of converting currencies is removed. This reduces costs and increases profits for Irish businesses.</li> <li>• The increased price transparency will make it easier to compare prices in different countries. Enable businesses to source cheaper raw materials.</li> <li>• As Irish businesses are more conscious of competition they will also be more efficient.</li> <li>• The uncertainty caused by exchange rates will be removed. This brings stability to Irish businesses, greater confidence and allows them more time to concentrate on innovation.</li> </ul>	15

3	C	<p><b>Benefits</b></p> <ul style="list-style-type: none"> <li>• Sales revenue increase. Ireland has a small population, Asia and Europe have large populations therefore selling to these areas could have a positive effect on sales and profits.</li> <li>• Greater Economies of Scale-cost benefits of large scale production/Producing and selling in bulk will reduce unit costs resulting in increased sales and profits.</li> <li>• Niche Markets can exist in different countries i.e. luxury Irish skincare products. Target certain markets.</li> <li>• The business may acquire ideas from other markets and existing competition.</li> </ul> <p><b>Challenges</b></p> <ul style="list-style-type: none"> <li>• Competition levels will be high so only the most efficient businesses will survive/ Intense international rivalry is far more challenging than competing in an indigenous market alone.</li> <li>• There will be a lot of red tape for selling a cosmetic product to foreign markets even within the EU. Staff may need to be retrained for this and costs may rise.</li> <li>• Social and cultural differences. Different types of skin types/alterations to product to reflect this.</li> <li>• Difficulty getting goods delivered in a fast and reliable manner can be an arduous task when operating across different regions of the world. Stock can be damaged and breakdowns in communication often hamper business success.</li> <li>• Challenging to create awareness of your brand on a global scale which in turn will allow for repeat purchasing, customer loyalty.</li> <li>• Must have an online presence capable of dealing with international trade/ecommerce. Vulnerable to hacking.</li> <li>• Brexit.</li> </ul>	20
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3	(A)	<p>Possible responses include</p> <p><b><u>Opportunities</u></b></p> <ul style="list-style-type: none"> <li>• <b>Direct employment.</b> Employ highly skilled graduates, right up to PhD level which prevents a 'brain drain' from the country. Many of these graduates are engaged in R&amp;D, an important area in multinational businesses.</li> <li>• <b>Tax revenue for the Government</b> e.g. transnationals pay 12.5% corporation tax on their profits. This low rate of corporation tax is a key Government strategy in attracting FDI.</li> <li>• <b>Positive spin-off effects</b> for the local economy and local indigenous firms. They source their inputs from domestic companies where possible, thereby increasing employment in those firms. They mentor Irish firms to bring this about. Local taxis, catering firms, cleaners, security firms, local pubs and restaurants all benefit from the presence of a multinational in their locality.</li> <li>• <b>Enhance Ireland's reputation</b> and acts as a catalyst for further FDI. As companies such as Intel and Google have a major presence here, it can be inferred that Ireland is a good place to do business (international goodwill).</li> <li>• <b>Bring a knowledge base and a business expertise</b> to Ireland in terms of management systems and organisational culture. The latest technology is introduced based on research carried out in other countries, thereby requiring less Irish expenditure on R&amp;D. Irish managers gain experience and learn from these foreign business executives.</li> <li>• Irish employees of foreign multinationals <b>learn the best business practices</b> and technologies. This makes it easy for 'would be entrepreneurs' to set up their own businesses, thereby promoting an entrepreneurial spirit.</li> <li>• <b>Positive impact on the Balance of Trade-</b> They bring their own business plans and ready-made export markets.</li> </ul>	<p>3@6(3+3)</p> <p>Must provide an example specific to the Irish economy for full marks.</p>
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### Challenges

- Excellent high-tech companies have easy access to international markets. Some FDI companies are considered **footloose** having no loyalty to Ireland. They may leave immediately if operating costs are lower elsewhere.
- **Repatriation of profits**, which means wealth leaves the Irish economy.
- **Tax avoidance schemes** such as those operated by Apple mean the actual tax gain for the country is much less than expected.
- **Brexit**. The decision of the United Kingdom to leave the European Union will mean that the UK are free to 'outbid' Ireland to attract multinationals. Once it is outside the EU, Britain would have even more leeway to offer special deals to multinationals in the hope they would invest in the UK.
- **New US Trade rules** may attract multinationals back to the US resulting in a threat to the Irish model of economic development.
- **Huge dependence on a small number of multinational companies** and should one leave there would be a major fall in tax revenue for the government.
- **Domestic firm closures**-unable to compete with large multinationals.
- **Less competition** which could result in **higher prices**.

### **Evaluation**

(0,2)

3	(B)	<p><b>Yes/Maybe</b></p> <ul style="list-style-type: none"> <li>• Reduction of transaction costs in trade – trade can occur without changing currency.</li> <li>• Easier for companies to locate here – Companies can locate in Ireland and have the same currency as much of Europe.</li> <li>• Reduction in price discrimination – If goods are priced in a single currency it should be much harder to disguise price differences across countries.</li> <li>• Reduction in foreign exchange rate variability-the reduction in uncertainty arising from the removal of exchange rate fluctuations may affect investment in the economy. Large exporting firms, facing less uncertainty concerning receipts from its exports are able to plan for their future with less risk so investment projects such as building new factories appear less risky.</li> <li>• Tourism industry. – It is easier for foreign visitors to holiday in Ireland resulting in higher revenues for the Irish services sector such as hotels, transport, and entertainment.</li> <li>• Easier for Irish business to expand into Europe as all transactions can be conducted in Euro</li> <li>• Stable interest rates as they are only changed by the ECB</li> <li>• Easier to access capital from banks across Europe.</li> <li>• Low inflation and price stability</li> </ul>	<p>2m</p> <p>2@7(4+3) 1@4(2+2)</p>
3	(B)	<p><b>No/Maybe</b></p> <ul style="list-style-type: none"> <li>• Ireland's biggest trading partner (UK) did not join EMU so in a lot of cases, transaction costs still remain.</li> <li>• Loss of its independent monetary policy-Ireland gave up its national currency and therefore its freedom to set its own monetary policy which is now set and implemented by the ECB.</li> <li>• Single Monetary Policy. Ireland can no longer use monetary policy to adjust its interest rate.</li> <li>• More competition. There is more competition between Irish business and foreign firms/ Consumers are spending more online.</li> <li>• Loss of sovereignty. Ireland no longer has its own currency. It is reliant on the euro and policies of the eurozone.</li> <li>• Strict criteria for eligibility-(budget deficit, debt-to-GDP, low inflation, interest rates close to EU average).</li> <li>• Greater vulnerability to external shocks.</li> </ul>	

3	(C)	<ul style="list-style-type: none"> <li>• Trading bloc A group of participating countries which allow free trade between them. There is no tariffs or trade barriers in place between them.</li> <li>• Tariffs A tariff is a tax on an import. The effect of the tax is to raise the price of the import and discourage consumption. Example: President Trump is on the verge of securing his first major trade deal, leveraging the threat of tariffs to gain concessions from South Korea on exports of steel.</li> <li>• Embargos Embargo is a total ban on the import of certain goods from certain countries. They are normally motivated by political, economic, moral or environmental reasons. They may be used as a form of protest against another country's practices. Example: UK beef was embargoed across Europe during the 'mad cow' disease epidemic in the 1990's.</li> <li>• Subsidies. A subsidy is financial support given by the government to a domestic industry to reduce the cost of production so it can sell its products at lower prices than competition from imports/given directly to firms to encourage production.</li> </ul>	2@6  2@4
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3. (A)	<p><i><b>It's time to stop relying on Foreign Direct Investment– and grow our own indigenous businesses instead.</b></i></p> <p><b>To what extent do you agree with the above statement? Outline reasons for your answer.</b></p> <p>Agree – Benefits/Importance of indigenous business:</p> <p>Possible responses include:</p> <p>Indigenous Irish owned businesses <b>are loyal</b> to the country they are founded and set up in and may remain here regardless of cost.</p> <p>Small/medium enterprises create huge employment (currently over 150,000 SMEs in Ireland)-they tend to be <b>more labour intensive than FDI.</b></p> <p>Stimulate growth – create a <b>culture of enterprise</b> within communities.</p> <p><b>Flexible/able to adapt to changes in market conditions</b>-they can spot opportunities and react to changing market conditions quicker than large MNCs.</p> <p><b>The local community</b> benefits from the revenue generated by the businesses and the wages spent by the employees.</p> <p><b>Support – spin-off business</b> can develop to provide various supports/services to the existing indigenous firms.</p> <p><b>Profits are retained in Ireland and reinvested in the Irish economy.</b></p> <p><b>Reduced reliance on FDI</b>-domestic indigenous firms have been quite successful in growing output and employment due to the growing UK market. Large multinationals may damage environment/may exert power over government/may not re-invest profits.</p>	20 marks
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Disagree – Benefits/Importance of FDI

Possible responses include:

**Large employment** (direct and indirect employment) – create greater amount of jobs quicker than indigenous firms and also results in many additional jobs being created in the support services to the multinational firms/Employment boosts income and spending within localities.

**Improve the Balance of Payments** on the current account by boosting exports – goods produced here sold throughout Europe etc. resulting in much needed revenue for the economy/Easy access to international markets.

**Positive spin-off effects for the local economy and local indigenous firms.** Creation of spin-off business for Irish suppliers and service providers (many firms are set up to provide raw materials or services to the multinational creating more jobs and revenue for local economy).

**Increased government tax revenue for the economy** – although the low corporation tax rate (12.5%) in Ireland is one of the main reasons multinational firms invest in Ireland they still make a large contribution to Government revenue through **corporation tax on profits, VAT on purchases and PAYE paid by employees.**

They bring a **knowledge base and business expertise** to Ireland/make it easy for ‘would be’ entrepreneurs to set up their own businesses thereby promoting an entrepreneurial spirit.

**They invest in new technologies/R&D and Education,** increasing the skill base of Irish workers which improves employee mobility and expertise/advanced production methods leading to higher productivity and lower unit costs.

**Invest capital** thereby boosting demand/stimulate economic growth.

**Enhance Ireland’s reputation as a place to do business** (international goodwill).

(B)	<p><b>Discuss the marketing challenges an Irish business may face when trading globally, using examples to support your answer.</b></p> <p><b>Product may have to be adapted</b> to meet local requirements. Example: Irish electronic/electrical products would have to be adapted to suit electrical sockets in all other countries it sells to outside Ireland and the UK.</p> <p><b>Price must take into account standard of living, transport costs, local competition, taxes, exchange rates etc.</b> – Irish firm may charge a higher price in Ireland due to standard of living in Ireland and high cost base but may charge a lower price in low cost countries such as South America.</p> <p><b>Longer channels of distribution (place)</b> may result in firms setting up manufacturing plants in other countries or operating under licence to other companies – Glanbia have set up plants in various countries including Germany, Belgium, USA etc.</p> <p><b>Language, culture, media</b> are major factors for business to take into account before engaging in a promotion campaign. Tobacco products cannot be advertised in Ireland but can in other countries.</p>	20 marks
(C)	<p><b>Explain the following international trading terms:</b></p> <p>(i) <b><i>Open Economy</i></b> An open economy is an economy which engages in international trade – goods and services are traded in the international community. Funds can also be transferred across borders allowing countries to borrow from another country if necessary. A measure of a country's openness is the fraction of GDP devoted to imports and exports. Nearly 80% of what is produced in Ireland is exported.</p> <p>(ii) <b><i>Trading Bloc</i></b> A Trading Bloc is a group of countries that organise a free trade area, common market or customs union in order to reduce or eliminate barriers to trade, e.g. European Union, NAFTA (an agreement between North America, Canada and Mexico). Trading blocs agree a common set of tariffs on imports from countries outside the trading bloc.</p> <p>(iii) <b><i>Protectionism</i></b> Protectionism involves Governments protecting their home industries from foreign competition by erecting barriers to trade e.g. tariffs, quotas, embargoes, paying subsidies to home industries. Protectionism measures are put in place to reduce</p>	20 marks

	<p>imports and/or make them more expensive, to protect jobs, protect specific industries and to improve the balance of payments.</p> <p>(iv) <b>Deregulation</b>  The reduction or elimination of government power in a particular industry/ It involves removing legal barriers to entering an industry. It usually creates more competition within the industry. An increase in competition should lead to an increase in efficiency and lower prices.</p> <p>The EU deregulated the airline industry to allow more competition due to the removal of monopolies and more choice for consumers/value for money. It resulted in the emergence of low cost airlines such as Ryanair.</p>	
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6 (2015)

	Corporation Tax Rate: MNCs pay 12.5% corporation tax on their profits. This low rate of corporation tax is a key Government strategy in attracting FDI.	
	Global companies such as Intel, and Google have a major presence here and as a result it can be inferred that Ireland is a good place to do business and this international goodwill encourages other businesses to locate here. Internet companies such as Facebook, skype, eBay have followed Google. Spin-off effects.	
	IDA Ireland is responsible for the attraction and development of foreign direct investment in Ireland. Companies such as Apple, Microsoft and Facebook etc. have all interacted with the IDA and approximately 150,000 people are directly employed by foreign multinationals in Ireland.	
	The availability of a highly skilled and well educated workforce. (MNCs) employ highly skilled graduates, right up to PhD level. Many of these graduates are engaged in R&D, an important area in multinational businesses. Google's European headquarters are in Dublin.	
	The introduction of the single currency brought additional incentives for foreign investors to locate in Ireland, along with relative price stability. The euro has made life easier for MNC's and travelling business executives trading or visiting in the euro zone area.	
	The creation of the Single Market eliminated trade barriers within the EU, allowing for the free movement of goods, services, labour and capital between member states. (MNCs) located in Ireland have access to a huge EU market of over 500 million people. Pharmaceutical Companies use Ireland as a stepping stone to large EU market.	
	Ireland is an English speaking country and English is the international business language. In addition the growing number of people living in Ireland that speak different languages is a key factor in encouraging (MNCs) to locate here.	

3	A	i	<p>Explain the term 'global business'.</p> <p>A global business sees the world as one giant market and production location. A global business provides the same, undifferentiated product worldwide. It uses a global marketing strategy, which involves the same or sometimes an adapted marketing mix (product, price, place, promotion) throughout the world to build a global brand.</p> <p>Examples of global businesses include Coca Cola, Dell, Nike, Toyota, Microsoft, Intel, HP, Google, and Nokia.</p>	20
		ii	<p>Discuss the effects of 'globalisation' on the Irish economy. Provide examples to illustrate your answer.</p> <p>Sample responses may include the following:</p> <p>Globalisation can be viewed as an opportunity for Irish businesses to sell goods and services abroad and grow and expand their operations. Companies get access to much wider markets E.g. Kerry Group and Glanbia Plc leading to economic growth for the Irish economy.</p> <p>Globalisation impacts on the labour market within the Irish economy. Having experienced net emigration for decades, Ireland now has significant immigration as global companies located here try to fill high skill vacancies, for example in the technology sector, where there is a skill shortage.</p> <p>Global companies located in Ireland are a significant source of employment. It is estimated that American global companies alone directly employ 115,000 people. Companies such as Dell, Microsoft, Google, Hibernian Aviva, Palm Inc., Facebook &amp; Intel have all made significant contributions to the success of Ireland's economy.</p> <p>Consumers get much wider variety of products to choose from and they get the product they want at more competitive prices/Increased domestic demand leading to economic growth in the Irish economy.</p> <p>The growth in Globalisation and global firms, with their quality produce at cheap prices, are a competitive challenge for Irish exporters. Irish exporting firms will have to become more efficient and invest in R&amp;D in order to provide products with a unique selling point (USP) to survive the competitive threat from global firms.</p> <p>Globalisation can be viewed as a threat to the Irish economy because if Ireland is uncompetitive, its domestic industries will decline in the face of cheaper imports of goods and services produced globally.</p> <p>Repatriation of profits/ closure of business/impact on Balance of Payments/ economies of scale etc.</p>	

(B) Illustrate how foreign transnationals (i.e. foreign direct investment (FDI) companies) have impacted on the Irish Economy.

**Direct employment** e.g. approximately 150,000 people are directly employed by foreign multinationals in Ireland. It is estimated that FDI companies give rise to indirect employment of twice that amount.

Employ highly skilled graduates, right up to PhD level which prevents a 'brain drain' from the country. Many of these graduates are engaged in R&D, an important area in multinational businesses.

**Tax revenue** for the Government e.g. transnationals pay 12.5% corporation tax on their profits. This low rate of corporation tax is a key Government strategy in attracting FDI.

**Positive spin-off effects** for the local economy and local indigenous firms. They source their inputs from domestic companies where possible, thereby increasing employment in those firms. They will mentor Irish firms to bring this about. Local taxis, catering firms, cleaners, security firms, local pubs and restaurants all benefit from the presence of a transnational in their locality.

**Enhance Ireland's reputation** and acts as a catalyst for further FDI. As companies such as Intel and Google have a major presence here, it can be inferred that Ireland is a good place to do business (international goodwill).

Bring a **knowledge base and a business expertise to Ireland** in terms of management systems and organisational culture. The latest technology is introduced based on research carried out in other countries, thereby requiring less Irish expenditure on R&D. Irish managers gain experience and learn from these foreign business executives.

Excellent high-tech companies **have easy access to international markets**.

Some FDI companies are considered **Footloose** having no loyalty to Ireland. They may leave immediately if operating costs are lower elsewhere. The DELL Limerick move to Poland resulted in thousands of job losses in the Limerick area.

Irish employees of foreign multinationals learn the best business practices and technologies. This makes it easy for 'would be entrepreneurs' to set up their own businesses, thereby **promoting an entrepreneurial spirit**.

**Repatriation of profits**, which means wealth leaves the Irish economy.

**Positive impact on the Balance of Trade**- They bring their own business plans and ready-made export markets. Up to 80% of Irish exports come from foreign multinationals (about 50% from just 5 companies). Because of their substantial exports, Ireland hasn't had a Balance of Payments problem for many years.

(25 marks)

A global business sells the same, undifferentiated product worldwide. Global marketing uses the same or an adapted marketing mix (product, price, place, promotion) throughout the world to build a global brand.

**Examples:** Coca Cola, Dell, Nike, Toyota, Microsoft, Intel, HP, Google, Nokia

- (ii) **“A business involved in global markets faces additional marketing challenges.”**  
**Discuss these challenges, using examples to support your answer.**

Unless a company holds the same position against its competition in all markets (market leader, low cost, etc.) it is impossible to launch identical marketing plans worldwide. It is common for business to adapt the marketing mix to reflect the local language, cultural, geographic, or economic differences.

### Elements of the Global Marketing Mix

#### Global Price

- Reflective of the respective cost of living in different countries/sun cream in Spain
- Recognises the cost of production, distribution, marketing, transportation etc
- Includes tariffs/customs duties
- Local price levels

#### Global Place

Global channels of distribution are necessary to implement an adapted global marketing mix. Channels include:

- Selling directly to customers
- Use of agents – independent person who will act on behalf of the firm, generally receiving a commission on sales
- Forming a strategic alliance with a foreign company to produce and/or market products  
Partners work together for mutual benefit

### Global Promotion

Differences in legislation, language and culture need to be recognised in the choice of promotion – internet, trade fair etc. Slogan wording needs to be checked, to avoid confusion and misunderstanding.

#### **Example:**

Pepsi's "Come alive with the Pepsi Generation" translates into "Pepsi brings your ancestors back from the grave", in Chinese.

### Global Product

The element of the marketing mix that companies try not to change. The global business aims to sell an undifferentiated product in all markets, to develop a unique selling point and global brand and to benefit from economies of scale.

- Product may need to be adjusted to reflect technical/legal requirements e.g. left hand drive car etc.
- Packaging may need to be changed to cater for the needs of the local market e.g. recyclable materials.

(i) **Transnational Company** –has its controlling head quarters in one country and branches in many other countries/ operate on a world-wide scale.

A transnational produces or markets goods in more than one country/ it treats the world as a single marketplace and may move operations from one country to another in response to changing market conditions.

(A)

(ii) **Reasons for the development of transnational companies in Ireland:**

- Transport Improvements. The availability of faster and cheaper methods of air and sea travel has made it easier to supply markets world-wide.
- Improved Tele-Communications. Improvements in communications have made it easier for firms to send and receive information.
- Larger Markets. Many companies find that their home market does not offer the necessary scope for expansion. By selling to or setting up operations overseas they can maximise sales and can spread business risk/saturated home market.
- Economies of Scale. Expanding abroad allows firms to achieve economies of scale and thereby lower costs per unit. This enables them to compete more effectively with larger competitors.
- Removal of Trade Barriers. The removal of trade barriers has opened up international markets. The World Trade Organisation (WTO) has facilitated agreements between countries eliminating or reducing barriers and freeing up international trade. Can locate a division in Ireland and sell products into the EU member states
- Financial incentives from government agencies.
- Taxation advantage in Ireland. 12.5% corporation tax rate

#### **Reasons why Transnational Companies locate in Ireland**

- Skilled labour force.
- High Productivity.
- English speaking.
- European Union access.
- Government Grants.
- Low corporation taxation regime.
- Centralised Partnership agreements/Social partners.
- Political and Economic stability.

**(A)** Opportunities provided by international trade for Irish business (discuss):

- Access to larger markets
- Economies of scale
- English, a trading language
- EU membership
- Highly-skilled workforce
- Green image.

**(B)** 'Global Marketing' (explain):

Global marketing involves marketing a firm's product and identity throughout the world as if the world is one market, e.g. Coca-Cola.

A global firm must develop a global marketing mix in relation to the 4Ps. A mix of standardised and adapted marketing is commonly used in global marketing.

Role in international business

- global standardisation of both brand and product
- activities planned and co-ordinated on a global basis
- achievement of reductions in costs and economies of scale
- availability of reliable, high quality products at lower prices
- facilities in many different geographical locations.

**(C)** Role of 'interest groups' in the EU (outline with example):

Interest groups are pressure groups who protect the interests of their members and try to influence the decision-making of the EU. They are not part of the EU's political framework but they use methods such as lobbying, information campaigns and public protests in attempting to influence EU decisions.

The IFA has an office in Brussels to promote and defend the interests of Irish farmers' in Europe.

**(C)** Global Marketing

A global business attempts to sell one product in the same way worldwide, focusing all the time on the similarities found across the markets. Globalisation means that the world is increasingly becoming one large marketplace. A global business identifies world markets for its products and then produces for that global market.

§ It plans and co-ordinates all activities on a global basis.

§ It purchases the factors of production and sets up its assembly and manufacturing facilities in any geographical location in the world, and usually in a number of different countries.

§ Savings in research and development, distribution, transport, marketing and finance. are sought out anywhere they can be found to ensure that costs are reduced and economies of scale are achieved in purchasing and manufacturing operations.

- § Examples of global businesses include: Ford, Microsoft, Nike.
- § Global businesses do not consider the differences between countries and cultures important. They put all their efforts into satisfying the common desires and drives of people everywhere - global standardisation. They tend to sell one product in the same way worldwide, focusing all the time on the similarities found across the markets.
- § Global marketing. Products are globally marketed under a common world brand name, like Coca-Cola, McDonalds hamburgers, Sony Walkman, IBM, Apple.
- § Not only is a brand like Coca-Cola found everywhere but the actual product itself is exactly the same in every market, ie global standardisation of both brand and product, e.g. standardised CD players, televisions, etc.
- § Cost efficiencies are turned into value for consumers. Reliable, high quality products are made available at lower prices. Thus increasing consumption and driving further demand.
- § The markets of the world are not totally homogenous, ie they are not all of the same composition and nature. This fact requires that products must vary to suit the various markets (product adaptation). The brand might prove to be global but customisation may be needed for the product to meet particular country requirements eg left or right hand drive motor vehicles, different electrical and TV transmission standards, local tastes, etc.

13 (2004)

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**Question 3 (A) Global Marketing.**

A global business attempts to sell one product in the same way worldwide, focusing all the time on the similarities found across the markets. Globalisation means that the world is increasingly becoming one large marketplace. A global business identifies world markets for its products and then produces for that global market.

It exports its products but usually has a very strong home base.

It plans and co-ordinates all activities on a global basis.

It purchases the factors of production and sets up its assembly and manufacturing facilities in any geographical location in the world, and usually in a number of different countries.

Savings in research and development, distribution, transport, marketing and finance are sought out anywhere they can be found to ensure that costs are reduced and economies of scale are achieved in purchasing and manufacturing operations.

Examples of global businesses include: Ford, Nike, Epson.

Global businesses do not consider the differences between countries and cultures important. They put all their efforts into satisfying the common desires and drives of people everywhere – global standardisation. It attempts to sell one product in the same way worldwide, focusing all the time on the similarities found across the markets.

Global marketing and standardisation. Products are globally marketed under a common world brand name, like Coca-Cola, McDonalds, Sony Walkman, IBM, Toyota.

Not only is a brand like Coca-Cola found everywhere but the actual product itself is exactly the same in every market, i.e. global standardisation of both brand and product, e.g. standardised MP3 players, televisions, etc.

Cost efficiencies are turned into value for consumers. Reliable, high quality products are made available at lower prices. Thus increasing consumption and driving further demand.

The markets of the world are not totally homogenous, i.e. they are not all of the same composition and nature. This fact requires that products must vary to suit the various markets (product adaption.) The

brand might prove to be global but customisation may be needed for the product to meet particular country requirements. e.g. left or right hand drive motor vehicles, different electrical and TV power and transmission standards, local tastes, etc.

