

# **NATURE OF INTERNATIONAL BUSINESS**

## **1. Large scale operations**

International businesses are conducted on a very large scale. They perform their operations in different countries globally. Their business activities are very large in size ranging from production, marketing & selling of their products. These businesses serve the demands of local markets also where they are present & also demands of different countries globally. That's why they produce large amount of goods & services to cater to the large demands.

## **2. Earns foreign exchange**

International businesses are served as an important source for earning foreign exchange. Foreign Currencies of different countries are involved in transactions in these businesses. This helps in getting enough foreign exchange reserve for the country.

## **3. Integrates economies**

It integrates the economies of different countries worldwide. It takes advantage of different economies & aims at providing its services economically. It takes labor from one country, technology from one country & finance from another country. Also, it designs, produces, assembles its products not only in one country but in different-different countries. This help in taking advantage of different economies & becoming economical.

## **4. Large number of middlemen**

International businesses are very large in size. Their scale of operations is not limited to one country but performs in different countries globally. There is a large number of middlemen involved in international businesses. These all person renders their services properly for the efficiency of the business. Their services help the business in easy expansion & growth.

## **5. High risk**

The degree of risk associated with international business is very high. These need to carry out trade in different countries at large distances. It requires huge cost & time to carry these goods & services. Also, sometimes different economies face unfavorable conditions which affect the business conditions.

## **6. Intense competition**

International business faces a large number of risks internationally. These businesses invest large amount in advertising their products. There are a large number of competitors in international

market. There is tough competition in terms of price, quality, design, packing etc. Business needs to focus on these things to face the tough competition going on.

## **7. International restrictions**

International businesses face large restrictions while carrying out their operations in different countries. Sometimes they are not allowed to inflow & outflow goods, technology & different resources. They are restricted by the government of different countries to not enter into their countries. They face several foreign exchange barriers, trade barriers & trade blocks which are harmful for international business.

## **8. Highly sensitive nature**

International businesses are highly sensitive in nature. A proper market research is very essential for carrying out these businesses effectively. Any unfavorable economic conditions in one country will adversely affect the business. If there is any economic, political or technological change will directly influence the functioning of the business. Therefore, these businesses should change their activities from time to time to survive the change.

## **9. Market segmentation based on Geographic segmentation**

## **10. International markets have more potential than domestic markets.**

# **SCOPE OF INTERNATIONAL BUSINESS**

- **Merchandise exports and imports**

Merchandise means goods that are tangible, i.e., those that can be seen and touched. When viewed from this perspective, it is clear that while merchandise exports mean sending tangible goods abroad, merchandise imports means bringing tangible goods from a foreign country to one's own country.

- **Service exports and imports**

Service exports and imports involve trade in intangibles. It is because of the intangible aspect of services that trade in services is also known as invisible trade.

- **Licensing and franchising**

Permitting another party in a foreign country to produce and sell goods under your trademarks, patents or copyrights in lieu of some fee is another way of entering into international business. It is under the licensing system that Pepsi and CocaCola are produced and sold all over the world by local bottlers in foreign countries.

- **Foreign investments**

Foreign investment is another important form of international business. Foreign investment involves investments of funds abroad in exchange for financial return. Foreign investment can be of two types: direct and portfolio investments.

- **Monopoly Power**

It might arrive from patent rights, technological advantages, product segregation etc. Another reason for internationalization is limited market information.

- **Portfolio Investment**

Portfolio investments are financial investments made in foreign countries. The investor purchases debt or equity in the expectation of the final return on the investment.

- **Global services**

The international firm also trade in services banking, insurance, consulting, travel and transportation, etc. earn in the form of fees and royalties. The fees are earned through short or long term contractual agreements such as consultancy or management contracts or turnkey projects. Royalties are received from the use of the one's company name , trademark, patent or process by someone else.

- **Global Integration of business**

To help the business in the global integration in fields of trade, investment, factor, technology, and communication.

- **Increased revenues**

One of the top advantages of international business is that you may be capable to enlarge your number of probable clients. Each country you add to your list can open up a new path to business growth and increased revenues.

- **Expand and diversify**

International business can enlarge and expand its activities. This is because it earns very high profits. It also gets financial help from the government.

- **Opportunity to specialize**

International markets can open up avenues for a new line of service or products. It can also give you an opportunity to specialize in a different area to serve that market.