



Global business

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Learning objectives

In this chapter you will learn about:

- 1 The development of global businesses
- 2 Global marketing and the global marketing mix
- 3 Benefits and drawbacks of global business for Ireland

Features of global businesses

- **Global marketing:** The product is marketed in the same way worldwide, using the same brand and marketing mix.
- **Global brands:** Brands are developed for a global market.
- **Standardised products:** The same product is produced and sold globally.
- **Production sharing:** Different parts of a product may be produced in factories in different countries and assembled at one location.



- **Technology:** The most up-to-date production and communications methods are employed.

Reasons for the growth of global firms

- **Economies of scale:** Firms can reduce their costs of operation as a result of increases in size.
- **Communications networks:** Worldwide communications networks allow firms to co-ordinate their business activities across the world and to market their products on a global basis.
- **Transport systems:** The development of world transport systems enables firms to ship their products to different parts of the world quickly and cheaply.
- **Manufacturing technologies:** These allow firms to locate production of their standardised products anywhere in the world at high-quality standards.

- **Free trade:** The reduction of trade barriers throughout the world has made global operations much easier for firms.
- **Need to survive:** Growing to the point where the business can operate globally makes it very difficult for other firms to launch takeover bids.
- **Global ICT:** ICT infrastructure makes it possible for firms to manage and control operations in many parts of the world based on up-to-the-minute information.

Stages in the development of a global business

- 1 **Indigenous firm** produces and sells on the home market.
- 2 **International firm** produces and exports to a number of foreign markets.
- 3 **Transnational corporation** manufactures products in a number of countries and sells in a number of countries.
- 4 **Global company** produces standardised products in a number of countries and markets a standardised product on a global basis.

Global marketing

The global firm will develop a **standardised global marketing mix** that it will apply across all world markets.

Product

- A **standard product design** is produced to suit all markets.

- **Unique selling points (USPs)** are identified with global appeal.
- **Brand name and logo** are developed with the world market in mind.
- **Packaging design** is also aimed at a uniform international market.

Price

Price will be set at different levels in different markets, depending on:

- The **profit margins** allowed to local distribution companies
- The transport and **distribution costs** in that market
- The level of **competition** in the market
- The levels of **local taxes**
- The **standards of living** in different markets.

Place

- **Regional production centres** may be used to supply different regions of the world
- **Direct export** to the customer in another country
- Exporting to a **subsidiary company** that will sell the product in a foreign market
- Exporting goods to an **agent** in a foreign country who will sell the product there
- Selling to **trading companies** that will export or import the product to the destination market
- Some global firms will distribute their products through international **franchise arrangements**

Promotion

- Promotion on a global basis can yield big cost-savings through **economies of scale**.
- **Sponsorship** on a global scale can be very effective, e.g. the Olympic Games.
- Advertising and other **promotional activities** may need to be adapted to the language and/or culture of various countries.
- Different **advertising media** may be effective in different markets.
- International **trade fairs** are used to promote the firm's products worldwide.
- Internet **websites** in several languages are used to advertise and sell the company's products.
- **Public relations** activities are utilised on global media.

Benefits to a firm when operating globally

- There are reduced costs from **economies of scale**, especially in production and marketing.
- **Promotional activities** can be applied to all markets.
- Production can be located in different countries to minimise the cost of production.
- Latest **technologies** can be used to maximise efficiency.
- The business can afford to spend on **R&D** to bring new products forward.
- It can **minimise tax paid** by manipulating the prices charged so that profits are made and taxes are paid in low-tax countries.

Global business and Ireland

Benefits

- Global firms based in Ireland provide **employment**.
- The **local economy** benefits from the spending of the global firms.
- **Tax returns** from global firms benefit the government in balancing the budget.
- **Irish exports** are greatly boosted by the output of global firms
- Many Irish indigenous firms grow bigger as **suppliers** to global firms.
- Global firms based in Ireland add greatly to the **skills and expertise** of the Irish **workforce**.

Drawbacks

- **Recessions** across the world can have a big impact on the Irish economy through global firms.
- Global firms may close down Irish operations and move to another country.
- Global firms may repatriate their profits to their home country rather than reinvesting in Ireland.
- Global firms operating on very large scale may cause damage to the environment.
- Global firms, because of their power may **exploit** workers, the **environment** or the government.

Questions

Higher Level long questions

- 1 Outline four developments in technology that have facilitated the growth in globalisation. *(2012, 20 marks)*
- 2 (i) Explain the term 'global marketing' and name two global businesses.
(ii) 'A business involved in global markets faces additional marketing challenges.'
Discuss these challenges, using examples to support your answer. *(2009, 30 marks)*
- 3 Discuss the concept of global marketing for Irish business. *(2005, 15 marks)*
- 4 Explain the term 'global marketing' and its role in international business. *(2007, 25 marks)*

Key-points!

- Features of a global business
- The global marketing mix
- Benefits of operating globally

Key-definition!

global business: A very large company which manufactures its products in a number of countries and markets the same standardised products to one global market.