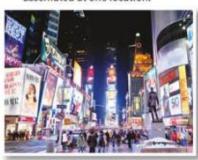
Learning objectives

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 highquality 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-theminute information.

Stages in the development of a global business

- Indigenous firm produces and sells on the home market.
- 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

- 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.