

BUSINESS: *Creating informed, discerning employees, consumers and future leaders*

Topic 2.1.3 Globalisation

Key Vocabulary

Globalisation – tendency for economies to trade with each other and buy global goods

Export – selling goods or services to consumers in another country

Import – buying goods or services from businesses in another country

MNC – Multinational Company. A business that has operations in more than one country

Free trade – trading between countries with no barriers

Trade barriers – an action put in place to discourage free trade / protect the businesses of a specific country

Tariffs – taxes charged on imports

Trading blocs – a group of countries that have agreed free trade within external tariff walls, e.g. the EU

e-commerce – buying and selling goods online

Core Knowledge

Types of imports into the UK:

- Goods we cannot grow or produce, e.g. olive oil
- Goods that require a lot of labour, so is cheaper to make where wages are lower
- Goods that are made in the UK, and elsewhere, but consumer may prefer a foreign produced item, e.g. Audi cars

To export successfully a business must:

- Keep costs down to be competitive
- Produce original, well-designed and well-made items
- Deliver on time and provide excellent service and after-sales service

Barriers to international trade can be set as a government might want to protect domestic industry and reduce competition. One way is to charge a tax or tariff on all imported goods increasing the cost of imports

How to compete internationally

- Use of the internet and e-commerce
- Changing the marketing mix
 - Different products for different countries, e.g. left- and right-hand drive cars
 - Charging different prices based on popularity and reputation
 - Adapting promotion to reflect cultural differences
 - Using retailers in countries where e-commerce is not well established

Misconceptions

- Remember that income levels, technology access etc is widely different across the world, so don't fall into the trap of "everyone has the internet" – in some countries less than 10% do
- Remember that the names or goods, images of people using it or the promotion may need to be adapted to fit local culture and traditions



Application

Jaguar Land Rover – has factories in China, Brazil, Austria and Slovakia

McDonalds – has different menus in different countries, e.g. no beef in India



Topic Links

Technology – made e-commerce easier, increasing globalisation

Exchange rates – changing rates affect the cost of importing and exporting

Growth – expanding overseas is easier due to globalisation

Customer needs – a business must understand the needs of different countries / cultures

Marketing mix – there is an impact on all 4 Ps