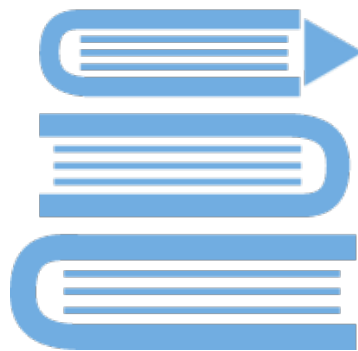


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Global business

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In this section we will look at businesses who have a global perspective. They are known as transnational corporations (TNC's). A TNC is a firm that produce and market goods in more than one country e.g. Mercedes or McDonalds.

TNC's do not have any particular country ties but many have headquarters in the likes of the US.

Many TNC's are now behaving like global companies. A global company treats the world as one single, large production location and marketplace.

Features of a global company:

- Global marketing.
- Global branding.
- Standardised products.
- Economies of scale
- Production sharing - different parts of the product are manufactured in different locations and then assembled.
- Up to date technology in production.

Reasons for the development of global companies

- Own market saturation.
- Spread risk through different economies.
- Avail of economies of scale.
- Opening up of new global markets which were previously not available e.g. through the WTO's agreements.
- Faster transport and communication links make it much easier to do this.
- The internet allows for a global business very easily.

Stages in development of a global company

1. **Indigenous firm** - produces and sells at home.
2. **International firm** - produces at home and exports abroad as well.
3. **Transnational firm** - manufacturers in many different countries and sells in many countries.
4. **Global company** - manufactures a standardised product across a number of countries and sells a standardised product on a global basis.

Global Marketing

This is when a global company markets a product globally with broadly the same marketing mix while treating the world as a single marketplace. An example of this could be Coca-Cola or BMW. Both companies brand their products with the same image and marketing mix across the world. This saves costs and builds global brand names that are very recognisable.

Businesses either use a:

1. **Standardised global marketing mix:**

Which is using the same basic mix in different countries e.g. Coca Cola.

2. **Adapted global marketing mix:**

Often companies need to consider local market condition, traditions etc when marketing their products across the globe. Sometimes slight adjustments need to be made to the marketing strategy to ensure success. This is called an adapted marketing mix which adjusts the mix to cater for geographic, economic, cultural or other differences in a country. An example of this would be BMW making a left and right-hand side drive cars.

Global Product

Usually, a global company will market a standardised global product to sell to all customers around the world, regardless of the country. This is called a global product.

It makes the product easily recognisable and is very cheap to produce as you can avail of economies of scale. However, sometimes product design will need to differ slightly to suit the country e.g. McDonald's offering different menu items in different countries.

The brand name and logo will be developed with the world market in mind, or sometimes the product name might have to be changed to avoid language confusion.

Global Price

Despite a standard product, the price of a product will be set at different levels in different markets based on the:

- Different transport and distribution costs.
- Different standards of living.
- Different local taxes.
- Different levels of competition in the market.

Global Place

Since a global company will be distributing to a much larger customer base usually the distribution channels are much more complicated.

The channels of distribution which a global company may use include:

- Export directly to customers from the factory.
- Use a distribution agent in a certain market. These are an independent firm who will sell goods in a market in return for a commission.
- Licensing: this is an agreement whereby the global business allows a local business to manufacture and/or distribute the product using the global brand name to the local market. In return for the, the global business will receive a commission.
- Joint venture: this is when a local business teams up with a global company to sell the product in the local market. This helps the global business to learn more about the local market.
- Set up a foreign subsidiary: this is when another company with the same brand is set up in the target markets country to manage the distribution and/or manufacturing.
- Use an export trading house: this is a company that buys goods in one country and then resells the goods at a profit in another country.

Global promotion

Instead of designing different campaigns for different countries a global company will design just one standard campaign and use it in different countries.

A business will save a lot of money from doing this and will avail of economies of scale.

- Global advertising: all adverts whether it be poster or social media can simply be translated.
- Global public relations and sponsorship: global companies will sponsor huge events like the Olympics.
- Internet: websites can be translated and used to sell very cheaply to a global market.
- International trade fairs: Global companies can use these to promote products to a worldwide audience who will usually attend.

Benefits and risks for a business operating globally:

Benefits:

- Economies of scale mean reduced costs due to a larger market.
- Promotional activities can be duplicated in different regions.
- Global brand recognition leads to cheaper advertising worldwide.
- Manufacturing can be relocated to cheaper countries.
- A global business can minimise their tax bill by changing prices so profits are made in different countries to pay less tax.

Risks:

- Standardised products may not fully satisfy the customers needs or wants.
- Diseconomies of scale. If a business is to get too large and complex it can take ages to communicate and get anything done.

- Increased risk of failure on a global scale such as a bad advertising campaign is many multiples in size bigger than a local campaign.

Benefits and drawbacks for global business and Ireland:

Benefits:

- There are many global firms in Ireland who provide employment.
- The local economy grows from global firms spending in Ireland e.g. new building etc.
- Global companies tax returns in Ireland help the government.
- Irish exports are increased as global companies export out of Ireland..

Drawbacks:

- Recessions outside of Ireland can effect the Irish economy through global companies shutting down.
- Global companies often aren't loyal to their particular country and could easily up sticks and leave at any moment, leaving many unemployed.
- Many global companies profits are repatriated back to the home country and are never actually seen in Ireland.