Business Studies
Revision

Pack 4 - Global Economy

Exports
Goods produced in Britain and sold abroad.
Imports
Goods produced abroad and sold in Britain

Factors that have led to a more 'global economy'
- Transportation improvements
  - faster
  - cheaper
  - more of them
  - increase containerisation
- Technology developments
  - internet transactions
  - data transfer
  - communication - quicker, easier, cheaper
- -Deregulation of trade - e.g. EU
  -e.g. trade barriers

-Increased levels of production

Multinationals
Firms operating in a number of countries
British firms operating in the global economy

Advantages	**Disadvantages**
Larger market - more people interested - brand awareness - larger amount of sales - increase market share - increase competitive advanage	Exchange rate fluctuations
Spreading risk - as operating in more than one economy if there is an economic downturn in one you have still got sales from another market to rely on	New markets means trading with different cultures and tastes
Economies of scale - As output increased to meet demands of new markets, unit cost should decrease	Distribution networks have to be established
New markets bring new sales opportunities	Competition may not be understood
Opportunities of tie-ups with overseas firms	Legislation differences
Access to new technologies and method of working	Increased costs - distribution/transportation, research, network, marketing cost
Cheap labour	Language barriers

Multinationals based in the UK

Advantages	**Disadvantages**
Provide employment	May have negative environmental impacts, such as pollution and destruction of the environment
Investment leads to infrastructure development	They use and deplete natural resources
Pay taxes to the government	Jobs can be low skilled and low paid
Introduce new technology and working methods	Could send profits abroad

-Place
-Price
-Promotion

The marketing process
This is a continuous process because customer needs/wants change over time as well as development of technology

Re-asses consumer reaction/sales level

Devise/analyse marketing strategy

If necessary, adapt marketing strategy

Monitor consumer reaction/sales performance

Business Revision Studies Pack 10 - Product, Market and Asset-Led

Product Orientation
When the business focuses on the production process and the product itself.
• It puts most of its effort into developing and making products which it believes consumers want and which will sell well.
e.g. Apple > strong brand name, unique, logo.
e.g. Pharmaceuticals > new products
e.g. Dyson > roller hoovers.

Advantages
- Firms can focus on internal quality > well researched & developed
- Technological investment can be applied to a wide range of products
- Economies of Scale can more easily occur > don't have to wait for trends
- Allows outsourcing of production - the firm is essentially a design house > lower capital, employ specialists.

Disadvantages
- Changes in market structure will not be responded to
- Fashion and taste are not accounted for in product mix
- Technology applied can be left behind

Market Orientation - A business that continually identifies, reviews and analyses customer needs. It is led by the market.
e.g. Topshop
e.g. Walkers

To be market orientated firms should:
Consult the consumer consciously > by doing research
Design the product according to the wises of the consumer
Distribute the product according to the buying habits and delivery requirements of the consumer
Set the price of the product at a level that the consumer is prepared to pay > based on 4Ps.

Advantages
- Can respond more quickly to changes in the market > because anticipate needs before it changes.
- It will be in a stronger position to meet the challenge of new competition entering the market > because they know latest trend as they already have customer knowledge.
- It will be more able to anticipate market changes > because market research has been done.
- It will be more confident that the launch of a new product will be a success > because already knows needs of the market as market research has been done

Disadvantages
- Market is always changing > continuously researching > expensive
- Unpredictability of future trends
- Abandonment of early product investment

Asset-Led Marketing - Is responsive to the needs of the market but equally it takes into account its own strengths and weaknesses when producing a good or a service.

Factors to consider when deciding orientation approach:
• The nature of the product
- e.g. pharmaceutical products > if high levels of research, innovation & quality is needed > product is best