Market factors

Finance, Market

When looking at marketing and market factors ofglobalizationa few things need to be taken into consideration. Marketing involves the free flow of information from the firm or the marketer to the end consumer of the product. This process involves three entities namely customers, brand or the product, and the marketer itself. According to Fassnacht (2006), today's customer is much more " globally oriented. " Information about products, suppliers, competitors, prices, and even first copy of the product is at their fingertips.

The extensive usage of internet has ended all sorts of physical barriers and boundaries; if any existed. Brands are becoming " global brands (Fassnacht, 2006). " The brands of the world will be along two extremes, either they can go global or they can stay in their own local markets. The main concern of the brand managers will become to tackle whether they want to " focus primarily on their local" (Fassnacht, 2006) market or take advantage of globally identified brands.

Even though the two main aspects of market have been globalized, it is rather difficult to find the third element, the marketer, who works on a global scale. Market factors such as developed infrastructure, the size of the target market, and similarity of cultures play an important role. A developed and cooperative global infrastructure embraces the globalization of marketing. Also, the determination of " quality and accessibility of local marketing infrastructure is important" (Haile-Mariam, p.

7, 2008). The new generation, across the world, especially the upper class shares almost the same values when it comes to purchase of brands and luxurious items. The internet has managed the development of a

globalcultureand common value system. English, which was once considered the language of the ‘ western world,’ is now spoken on regular basis by even the middle class of most developing nations. Cost Factors Cost factors deal with the globalization of production activities of a firm.

The beginning of the globalization era was done with “ internationalization without production,” which proved to be unsuccessful in terms of cost. The companies had to export the final products across the borders of other nations in order to conduct their business. (Abyoni, p. 7, 2007) Once this problem was faced the companies decided to conduct business by outsourcing or off-shoring various activities of their production cycle. The following diagram represents the changing face of a global firm (Desai, p. 5, 2008)

According to Desai (p. 6, 2008), in phase 1 of above the ownership of the firm was still with its mother country. Through the means of outsourcing and off-shoring, the ownership of various factors of production became distributed. The point to be noted here is that even though the functions have become distributed the information about the company still flows freely from one location to another. The globalization of production alleviates the cost of raw materials, as the company can now access the local raw materials available at a much lower price.

Also, by producing end products in various countries the export tax is also cut down to a minimum. Environmental Factors External and global environmental factor responsible largely for globalization is the “ rapid technological development” Because of the availability of internet in almost every country, city, and village of the world, the businesses are able to

conduct sales online and the customers get to learn about their options ofeducation, purchase, production, as well as businesses.

Many businesses have been solely running online; example of one is e-bay, which is a successful internet auction site. According to Anastasia (p. 10, 2005), globalization is now a “ reachable goal” for all firms due to the introduction of Internet marketing. Advancements in transport systems is another global factor which as increased the globalization of businesses. If the human race had not developed complex and fast transport systems, the globalization of businesses would not have been so easily done.

Even with the availability of internet, a fast and reliable mode of transportation is required to deliver end products or unfinished goods from one country to another within a day’s time. This idea has been supported by Kozlak (p. 1-2) in which he says “ transport substantially supports international economic relations and plays a fundamental role in creating a world network of exchange of goods and in the transfer of capital goods among countries. ” According to him the delivery of large amounts of cargo in a short period of time is made possible by a “ modern and efficient transport system.

” Competitive Factors Globalization of business means “ globalization of competition” (Lingham, 2007). Globalization of competition means that the firm competes in the local as well as international market that is it faces both national and international competitors. Multinational companies have learned how to deal with such forces of competition. With developed retail alliances across the borders of their multinational country they easily market and sell their products throughout the world.

A few ways to combat international competition is through differentiation of products, first-mover advantage, low cost of production by using economies of scale, a highly advanced and efficient distribution infrastructure, and innovation. According to Murray (p. 52, 1999), one of the nine characteristics imperative to compete and survive globally is having a unique (not necessarily new in that market) product which is difficult to duplicate by the local producers.

A new concept called " innovation through collaboration" has been introduced by MacCormack. According to MacCormack (p. 1, 2007) a new model which promotes a " mutually beneficial relationship" is being used for innovating products and services. The driving forces behind this model are said to be the increase in the complexity of the products, availability of cheap but skilled labor, and advantages of specialization. Finally MacCormack states that " collaboration is no longer a nice to have. It is a competitive necessity. "

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