

# Impacts of international market on local firms essay examples

[Business](#), [Company](#)



In any business venture, there are very many micro environment factors as well as macro factors that affect the operation of the business. These factors help determine the life expectancy of the business as well as some of the factors that must be considered before the business venture can be termed a success. In my specific case study, the main issue is a macro factor to the business activity which seeks to explain the effects on a local firm by factors affecting the international markets of products. This issue seems to have great impact on local firms though from a superficial approach it seems to have negligible effects (Roberts, 2005).

Taking a look at the situation in hand, my local firm is a restaurant located near the city center of Brighton, UK. The restaurant is located near a college thus the market share is not a big problem. From the very location of the firm, it is clear that the location is most likely to experience competitive market structure. Therefore, mass production is one of the best ways for this firm to maximize its profits. The other factor that would lead to its profit maximization would be use of non-price competitive strategies like re-branding and high quality products and facilities. This would also call for an environment that is likely. These factors are the main determinants if we hold international effect and other factors like political stability and currency stability constant. However, this is not the case at all times thus a situation whereby international product price and quality fluctuates should be comprehensively looked into. This is what forms the base of my analytical report on such a situation (Jain, 2000).

Taking a few glances of the UK economic structure, it depends on agriculture 60% for its local food supply. This means that there is a remaining 40%

which has to be imported thus UK still depends on importation for the full supply of the food to its population. This makes it also liable to changes in international food markets on top of the general market trends in the market. The inflation levels cannot be said to be absent though they are at very low levels internally. However, these levels can be manipulated by international inflation levels flowing down the impact of inflation to the common citizen.

There are several effects of international trade on local business. One of such impacts is on price changes. This is the main factor in the international market that greatly affects local markets and industries. In most cases, a local firm like the restaurant in I am dealing in gets its products from the locality. In most cases, the supply in this local market is what remains after export products have been taken. Price is one of the chief factors that affect the level of products taken for export is international prices. In some seasons or situations, the supply to the international market of the products may be very competitive. This may result in importation at a lower cost than purchasing from the local market. This would mean turning from local supply of products to importation. As an impact, the quality may require to go high so as to maintain the competitive nature of the market. This is the only way for the firm to remain in business since changing the price would only chase the consumers away. Closely related to this issue is the aspect of price subsidy to the clients (Riley, 2012). This is deliberate lowering of product costs so as to attract more consumers. This would be a tactic to increase sales volumes and ensure that the restaurant have a competitive advantage above its competitors in the market. This would in turn impact positively on

the sales of the firm and consequently more sales in the short run. However, in the long run, the levels of production in the restaurant would be very high. Since there are not control measures in the market, this overproduction makes the competitors turn to other non-price competitive aspects like keeping the price constant while making the quality higher to attract more consumers. When this situation arises, the firms are faced with ensuring high quality of their products thus enabling them keep in business. This is a negative impact therefore in the long run the impact of lowering international product prices is negative (Philip, 1993).

Considering service offered by this restaurant like lodging facilities, the levels will tend to go high with the increasing supply of food products. This will increase the general performance of the firm and if not closely monitored may lead to excessive use of some of the facilities. However in the long run, the negative impact created by use of non-price competitive approaches does not seem to have any effects. This makes the accommodations section suffers lesser effects of price instability (Leeds University, 2012).

Turning our focus to an increase in international prices, many producers would tend to take sell their products to exporters who by then would be offering a higher price than the local firms. As a result, the supply to the local market would be constrained raising the demand in the local market. This scramble for raw materials will result in very little quality analysis if any thus the product presented to the consumers will be of a poor quality. As a result, the consumers will be less interested in the products of the restaurant.

Considering the fact that most people who seek accommodation in the restaurant also have their meals in the same hotel, there is consequently a

reduction in the number of clients lodging in the facility. Still on the increased market prices, the quality of export products is not a very significant factor. Therefore, even the products which might be taken as second hand are exported leaving very poor quality for the local market. This in turn causes degradation of product quality in the local market. So as to maintain their consumers, the local firms compete with the exporters causing the cost of operation of the local firms to increase significantly (David, 2001). As a result, the end products of the firm have a higher cost compared to its competitors due to the high quality. Though the clients are happy with the quality, they feel oppressed on terms of payment thus pull away from the firm. Therefore, in either way, the company registers a decreased volume of sales and consequently affected negatively by the international price changes (Theodore, 2003).

Turning to other market conditions in the international avenue, there is the aspect of currency appreciation and depreciation. In case the local currency, in our case the Renminbi or Yuan appreciates against the internationally used currency, the cost of importation is less compared to exportation. This results in flooding of the local market with cheap imports as well as local products due to reduced levels of exportation. As a result, the quality of products consumed by these restaurants is high causing the consumers of the products to be satisfied. Also, the competition is high thus the restaurants keep the quality of their products high and increase their production ratio to maximize profits by maximization of sales volumes.

Impacted on similarly is the accommodations sector of the restaurant. There will be increased products calling for more clients which in turn call for more

accommodation spaces in the restaurant. In the counter case where the currency depreciates against the international currency used in the market, it becomes more difficult for UK to import products. However, more local products are bought by these international marketers at a cheap price and hoard them until the prices go up. This results in less supply in the local market which translates in higher competition of the restaurants for the limited resources. As one of the final results, the consumers are served with lower quality products or have to pay more for better quality products (Leeds University, 2012).

The other aspect mostly associated with international markets is the aspect of inflation. Considering the fact that UK is a major exporter of food products and a major importer of food stuffs, any inflation introduced in the international markets affects the local firm in UK greatly. This is because the firm depends on importation and exportation of some vital products. As a result, the prices of importation may rise due to inflation hence causing many people in UK to pay more for quality products. Taking into consideration that the college students may be from different countries, importation is a must. This greatly affects all the local industries in UK regardless of which sector of the economy it falls under (Christopher, 2000). The last aspect that we can consider about international market conditions is the trade barriers that might be instigated in from of sanctions. Considering the economic ties between UK and some countries from the east, trade sanctions can be installed meaning what the country was importing from the other party may not be supplied. This may heavily impact on the local industry since the sanctioned product might be of great importance in the

operation of the firm. This would mean a decrease in productivity.

Considering my restaurant and its location, some sanctions and trade barriers might stop supply of some food imports which might be of great importance to the restaurant (Johnson, 2011). This would call for establishment of alternative sources of the item meaning extra costs would be incurred. As a result, the firm may result in reducing the productivity of increasing the prices of the final product to cover the increased production costs.

However, there are other aspects in the international market which may also impact on the local firms. These factors can be collectively referred to as market mix which may impact negatively or positively on the local industries (Cathy, 2009).

In conclusion, international market factors have their effects all down to the common citizen leave alone local industries. This makes them have very great impact on the local firms since the international market has a direct connection either directly or indirectly to the local firms. Therefore, one should not ignore international market changes since a crisis in international market may mean a crisis even in the local market (Cathy, 2009).

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