

Business studies financial planning and methods

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Export: Exporting refers to the selling of goods and services in overseas markets. The recent global trend for businesses to move away from mass production to concentrate on a lower volume, quality, and customized product has caused businesses to search for global markets.

In doing so, many businesses have developed niche markets, targeting particular groups of customers. This has emphasized the need to export because quite often the domestic market is not large enough to purchase these sophisticated products in any large quantity.

Smaller businesses have taken the opportunity to become involved in global business as the scale of production has changed from large volumes to the smaller, higher quality volumes preferred in today's export markets. Once an export market has been established there will be a progression to the establishment of a sales office located overseas.

Next, the business will establish an overseas production facility, with a final move being to shift Australian production to the overseas location. Not all businesses get involved in exporting activities to the same extent. Some businesses, usually sole traders and SME's, use intermediaries to get their products to other countries, known as indirect exporting. Another type of export intermediary is the export management company which acts as an export department for clients.

They will have knowledge of the legal, financial and logistical details of exporting as well as advice and market information.

A third major export intermediary is the export trading company for instance, Mitsubishi, Samsung and Daewoo. It can buy products, distribute, offer international services such as warehousing and finance as well as manufacturing its own products. This is clearly shown through Austrade which was established by the Federal govt to help Australian exporters become successful in overseas markets and aims to improve Australia's international competitiveness. Austrade administers the Export Australian govt's principal financial assistance program for exporters.

The purpose is to encourage small and medium-sized Australian businesses to promote themselves overseas, so that export markets and sales of their products grow. The EMDG scheme: * Addresses market imperfections. * Encourages small and medium-sized Australian businesses to seek out and develop global markets. * Offsets export marketing costs incurred both in Australia and in-markets. * Builds an export culture. Businesses that have been recipients of these grants are: * Small to medium-sized exporters.

Seventy percent have a turnover of less than \$5 million, 65 percent have fewer than 25 employees and 93 percent have annual exports of less than \$5 million. From across Australia. While most grants go to businesses in metropolitan areas, more and more rural exporters are receiving grants * From all industry sectors. Examples range from broccoli growers to high performance motorcycle parts manufacturers to boat builders to tourism service providers. The scheme has proven to be a catalyst for businesses to enter the global marketplace, develop long-term self-sustaining exports, and diversify markets. Foreign Direct Investment: Businesses may acquire an interest in a business in another country through portfolio investment.

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This occurs by acquiring shares in the offshore business. Foreign direct investment (FDI) is investment that gains control of the foreign business or assets. It is a method of international expansion that gets a controlling interest in property, assets or companies located in other countries. FDI can also involve a business controlling resources such as mineral deposits, land and other assets in other countries.

This form international expansion involves a higher level of commitment by the business because it usually involves a transfer of money, personnel and technology. FDI grew quickly in the 1990's.

The U. S is the top destination of FDI and China and Brazil are in top five. The reasons for the increased activity were the opening of markets due to trade liberalisation and deregulation, pressure of competition brought about globalisation and technological changes, the importance of size as a factor in creating economies of scale and the desire to strengthen market position.

An example of FDI in Australia today can be The Foreign Investment Review Board (FIRB) which is a non-statutory body established in 1976 to advise the government on foreign investment policy and administration. It examines proposals by foreign interests to undertake direct investment in Australia, and makes recommendations to the government on whether those proposals are suitable for approval under the Government policy.

Since 1996 Govt policy has shifted towards financial incentives for foreign companies has introduced incentives to foreign financial institutions to locate regional headquarters in Australia, as well as providing tax relief for foreign companies importing to and re-exporting from Australia.

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Thus foreign investment is generally welcome in Australia at present, as it provides scope for higher rates of economic activity and employment than could be achieved from domestic levels of savings. Relocation of production: Businesses often have many potential locations around the world from which to choose a site for production. Important factors in selecting a location include: * Cost and availability of labour * Management experience * Raw materials, parts and energy * Political stability * Level regulation * Economic development * Local culture * Management Contracts Management Contracts are agreements where one business provides managerial assistance, technical expertise or specialized services to another organization for a certain period of time.

The business providing the service usually gets a flat fee or a percentage of sales. Developing nations, in particular will use foreign management personnel due to shortages of skilled labour.

QANTAS sells its management experience to small government owned airlines in Pacific islands nations such as Fiji and Samoa. For the business providing the management, these contracts provide extra income with little capital outlay and open new markets in foreign countries.

These advantages for the organization receiving the management assistance are that the needed skills are obtained without increased foreign investment and that these skills can be passed onto local workers * Licensing and

Franchising: Licensing: One method of international expansion where costs and risk can be minimized is through licensing. Licensing is an arrangement where a firm (the licensor) sells another firm (the licensee) the right to use

intellectual property such as technology, work methods, patents, designs, copyrights, trademarks and brand names.

The used on a percentage of the licensee's sales revenue.

Many famous brand names such as Warner Brothers cartoon characters appear on T-shirts, mugs. Towels etc. Warner Bros allows manufacturers to use the characters in return for a share of the sales revenue. Franchising: International franchising is one of the fastest growing forms of international business activity. Franchising is similar to licensing. With a franchise a legal arrangement is made between a supplier (franchisor) of a well-known product and the franchisee.