

Perfect competition and comparison to gold market economics essay



Organization's all activities actually base on the supply and demand of the product. Both supply and demand have a great impact on the organization. If the organization is customer oriented and it produces all those things which customer want then they will survive in the market otherwise if they fail to fulfill the demand of the customer then it would be impossible for the organization to stay in the market anymore because customers will switch to another organization. In addition, if demand is there for a particular product but it is not available then again it would be harmful for an organization to survive because customers will try to search for substitutes.

Whenever there is high demand in the market then automatically the price of that product rise, which results in increase in supply, it becomes more profitable for businesses to increase their output so they increase their supplies with the increase in the price of a commodity. This can be clear by looking the following figure:

Supply is directly proportional to price because whenever the price of a particular product is high then supply of that product is high. When the price is high organization produces in bulk so the cost per unit reduces, this condition is known as Elastic. But when the price of a particular product decreases then supply of that product also decreases because cost per unit would be high, this condition is known as Inelastic.

Customer's perception has a great impact on the organization. It is also one of the market forces, which compel an organization to perform various activities. Businesses can make their customers loyal with them if their

commodities match customer's perceptions, otherwise customers will switch to another business to fulfill their needs and wants.

The revenue gain by ways of reduced costs of production per unit of output often arising from increasing the size of plant, production, business or industry is called economies of scale. An economy of scale has a great impact on the organization and its revenues. This helps an organization to increase its profits by increasing its production, size, expansion and business. Hence produce lower price products for the customers.

Labour market plays a vital role in an organization, because to hire labour on cheap price as well as Human Resource is the most valuable asset for organizations. Labour markets affect the organization in way if the labour is expensive or not available, so it will cost more to the organization. Different organizations have different responses towards the labour market.

Ufone is cellular network company before the launch of ufone there was a company naming mobilink in the market which was enjoying monopoly and its rates were very high and it was difficult for a common man to purchase the connection of mobilink and afford the calling rates, so there a demand raises for a cheap cellular network, then ufone was launched and looking towards the demand of people, the tariff and the price of connection was kept low instead of mobilink due to which it was very easy for a common man to purchase ufone connection at that time. And ufone took great benefit of it by the proper supply of the demanded need.

Ufone management hires both male and female for performing different tasks. It means that there is no discrimination at ufone. Pakistan has a big <https://assignbuster.com/perfect-competition-and-comparison-to-gold-market-economics-essay/>

labour market therefore the labor here is inexpensive. Therefore for different routine operations of ufone it does not have to spend a lot for hiring labors and ufone is enjoying the services of labors at low wages.

The most basic strategy of business is to provide goods at cut throat prices giving the competition a run for their money by being the cheapest option in the market. This way they can secure a larger share of demand for their product in the market and possibly remove and “kill off” other competitors. This is usually practiced by companies which have ability to achieve a very highly efficient economy of scale operation model or simply with large amounts of capital.

The ability of a company to identify and then customize its product for a particular niche is segmentation strategy. Here a company will provide a product in accordance to the requirements and needs of a particular area, income class, age, gender, etc. and then provide them with the product. This “rifle” approach helps companies achieve the optimum supply and demand production.

Samsung provides one of the largest varieties of cell phones which can be classified into one of many categories intended for different kinds of users. There are both cheap cell phones and high end cell phone for different income classes and there are categories of business class cell phones. Such as the E-series and the high end smart phones the N-series. The new C-series are intended for the younger generation with either dual SIM options or social networking cell phone options.

P10: Discuss the importance of international trade, economic integration and global markets to Pakistani business organizations.

International trade is exchange of capital, goods, and services across international borders or territories. In most countries, it represents a significant share of gross domestic product (GDP). An import is the purchase of a good or service made overseas. An export is the sale of a good or service overseas. Industrialization, advanced transportation, globalization, multinational corporations, and outsourcing are all having a major impact on the international trade system. Increasing international trade is crucial to the continuance of globalization. Without international trade, nations would be limited to the goods and services produced within their own borders and would all be much poorer. International trade is in principle not different from domestic trade as the motivation and the behavior of parties involved in a trade do not change fundamentally regardless of whether trade is across a border or not. The main difference is that international trade is typically more costly than domestic trade. The reason is that a border typically imposes additional costs such as tariffs, time costs due to border delays and costs associated with country differences such as language, the legal system or culture.

For an individual company, exporting to overseas markets can be attractive for a number of reasons.

- Overseas markets represent new market segments.

- The nature of a firm's product may require an organization to become active in an overseas market.
- Some goods and services are highly specialized and the domestic market is too small to allow economies of scale to be exploited.
- Saturation of its domestic market can force an organization to seek overseas markets.

Importance of international trade in a countries development.

- Cultural convergence that has resulted from improved communications.
- Goods and services are traded to exploit the concept of comparative cost advantage
- The removal of many restrictions on international trade.
- Increasing household disposable incomes results in greater consumption of many categories of luxuries, such as overseas travel, which can only be provided by overseas suppliers.

Ways of going International:

A new foreign market represents both a potential opportunity and a risk to on organization. A company's market entry strategy should aim to balance these two elements. There are a number of entry strategies that a firm can adopt in order to develop international markets and these include:

- Discover why going global is important. The potential of overseas markets – through exporting, importing or outsourcing – remains largely untapped, even among the world’s most prosperous nations. In the United States, for example, only 10 percent of all businesses export, and most export to only one country. Yet, 95 percent of the world’s population lives outside the United States. Thus, current exporters could reap higher profits simply by selling to additional countries.

- Build your foundations. Entering the global market is not a lifestyle; it’s a “mind-style.” You have to have a positive attitude and an open mind. Once you understand this, you can develop and indulge in a powerful worldview – you’re prerequisite to taking on the world, and your foundation for starting and running a profitable global business.

- Map out your global journey. First, get organized. Explore your territory, conduct market research, choose a market, segment your product and market, keep yourself on track and create a thoughtfully crafted strategy that forces you to take action. Then, make sure your product or service will stand on its merits globally.

- Develop sales and distribution. Finding customers for your products can be accomplished through a range of programs (largely government-sponsored) such as trade shows, trade missions, and related trade-networking services. Define your cross-border customer. Make contact, consider low-cost advertising, exhibit at trade fairs and make the customers’ experiences ones they won’t forget. Your objective is to initiate, cultivate, and maintain

productive customer relationships and, ultimately, build an enduring global empire with customers for life.

- Make it happen. Congratulations: You've got a customer! You're ready to follow through, put a deal together, and make it happen. The next steps, I have labeled the six P's: Price your product. Prepare a quotation. Pick a payment method. Pack it up. Put transportation to work. And plan to document everything. You are now well-positioned to form relationships with the rest of the world.

- Build your business. The relationship between you and your overseas customer shouldn't end with a sale. If anything, after a sale, the buyer requires more attention. Once you've completed the initial transaction, expect to provide a broad spectrum of "free" services to encourage repeat business. I call it the "care and feeding" of customers, which keeps them coming back. Set an unprecedented standard of professionalism. Your customers will be deeply impressed, and they'll never again want to settle for less.

- Keep learning. That's what makes life rich, diverse, exciting — and, at times, unnerving. In the fast-changing world of international business, on-the-job education will play an increasingly important part in all our lives. Selling a product or service overseas takes particular sensitivity to the values and concerns of overseas customers. The greater your commitment to expanding your cultural consciousness, the more comfortably and effectively you will function within business and social environments beyond your country's borders.

- Create your future. As you take your business into the next decade, you'll find keeping ahead of the competition takes more than getting your product into export markets. You will also need to use the Internet to boost your global reach. The Internet's virtually instantaneous worldwide communications capabilities can transform your small business into a global powerhouse and enable you to find customers fast. If you're not already online, get connected. Create a web site. Build a blog. Get a free email account. Explore eBay. Join social and professional networks and research everything thoroughly. You'll be on your way to a competitive edge in the marketplace.

- Manifest new frontiers. Over the next five years, trade barriers will continue to fall, and fresh opportunities will open. Stake a claim to your share of the action now. Countries realize they need one another to survive economically. So seek out alliances, partnerships, joint ventures and new markets in economies unlike your own. New and experienced global business enthusiasts alike will benefit from reaching out to the world.

- Reap the rewards of global trade. Sure, there will be additional sales, profits and market opportunities. But first, expect to find yourself reinventing and redefining the way you do business. Global customers are the most demanding customers you will ever have. To service them, be smarter and produce faster than ever to keep up. Will it be worth it? You bet. And never forget that you are the most important and valuable business asset you have, and the human touch is even more crucial in our age of cyber-technology.

Task for P11:

Discuss how the policies/recommendations (any two policies) of SAARC will affect the performance of a Pakistani business. (Discuss both the positive and negative impacts)

The lecturer will provide you with guidance about the policies to be considered.

Impact of SAARC poverty alleviation plan on Pakistani Organizations

There are numerous organizations and businesses, which will be affected by SAARC poverty plan. For example:

ZaraiTaraqiati Bank Limited (ZTBL)

Small and Medium enterprise development authority (SMEDA)

DOSTI Welfare Organization

Aurat Foundation

ZaraiTaraqiati Bank Limited Pakistan

Most of the SAARC countries are agricultural and as mentioned in the SAARC poverty alleviation plan that agriculture should be given importance so that living standards of the people can be improved. SAARC poverty alleviation policy will have strong impact on ZaraiTaraqiati Bank (ZTBL). As ZTBL works to make better provision for financing agriculture and provide financial assistance to farmers so that they can improve the productivity which will help them as well as the country.

When SAARC poverty alleviation policy will be implemented, more emphasis will be given to ZTBL and it will be much strongly backed by the SAARC countries in order to improve the living standards of the poor people. SAARC countries will generate funds which will be distributed among different organizations like ZTBL. This will affect the policy of ZTBL and due to the availability of funds ZTBL will work more efficiently and effectively.

Small and medium enterprise development authority (SMEDA)

It is mentioned in the SAARC poverty alleviation policy that small and medium businesses should be encouraged which will help in the process of poverty alleviation. SMEDA works for the promotion of small and medium Enterprise business by giving them loans on soft terms so that people can start their own business. These way employment opportunities also increases and people will work hard. All the SAARC countries are agreed upon poverty alleviation plan and in Pakistan SMEDA will also have impact because of the policy.

DOSTI Welfare Organization

DOSTI is a non-profit Welfare Organization works for the poverty alleviation by providing education to children and improving the health facilities. Their objective is to alleviate the effects of poverty through education, health and medical facilities. According to the SAARC poverty alleviation policy health and medical facilities along with education should be provided so that people can improve their living standards.

DOSTI Welfare organization will have an impact of this policy. It is a private organization but is well established and has researched where the poverty level is high. Government can allocate funds to DOSTI in order to utilize it in the right place. Furthermore DOSTI is already working for the improvement of water and sanitation problems, so it will be the best option for government to handover this project to DOSTI Welfare Organization because they are in a better position to identify those areas where problems are.

Aurat Foundation

Aurat foundation works for the betterment of women by giving them vocational trainings, health facilities and social status. Etc. Women are given confidence by creating an environment in which they can feel independent. According to the SAARC poverty alleviation policy gender equality and empowerment of women will be ensured.

There will be a positive impact on Aurat Foundation as it is already working in this sector. SAARC countries will collectively participate for the betterment of women and in Pakistan government can implement this policy by giving funds to Aurat foundation which a very transparent welfare organization and is experienced in working for the improvement of women.

SAARC Convention on Regional arrangements for the promotion of Child Welfare in South-Asia

Quarter of the children in the world lives in South Asia and many of them need to be given proper assistance in order to protect, facilitated and provide them with their due rights. For this purpose SAARC countries have made a policy for the promotion of Child Welfare in South-Asia.

All the member countries have agreed upon that children will be treated well and all the ruthless activities against them will be control under the light of this policy.

Impact of Regional Arrangements for the Promotion of Child Welfare in South-Asia

The impact of regional arrangements for the promotion of child welfare in South Asia will be on many organizations and businesses such as;

Football industry in Pakistan

The impact of SAARC agreement for the promotion of child welfare on football industry in Pakistan will be very negative. Pakistan is one of the largest football manufacturing countries. It is unfortunate that there are many children involved in the production of footballs. Children are forced to work in order to earn money for their families. According to the research 81% of the children who are involved in the production of footballs are doing it for the sake of getting basic requirements of life such as; food, clothing and shelter.

According to the SAARC regional child welfare policy, child labor is strictly prohibited. This will deeply affect the football industry of Pakistan and there will be a huge loss. Many families will be affected, as their children will be unemployed.

SOS villages

SOS Children's villages is a private welfare organization which works for the orphaned and abandoned children and gives them a new home to live till they are independent and stand on their feet. In SOS village's children are

<https://assignbuster.com/perfect-competition-and-comparison-to-gold-market-economics-essay/>

educated and treated very well as if they are living in their own house, which gives them great confidence.

The impact of SAARC regional agreement for the promotion of Child Welfare will be on SOS villages. They are currently working for the development of child welfare and they can be one of the best options for government to financially support and implement the policy by cooperating with SOS villages.

Task for P12:

Discuss what can be the implications for Pakistan of entering the Single Currency Market. Discuss from the point of view of the Stakeholders involved in the business.

Pakistan is one of the proud members of the SAARC. They are involved in every step taken by the SAARC. The latest issue which was discussed in twelfth summit of SAARC that common currency should be used within the group of SAARC nations. The Indian members raised this issue. Since this was a very interesting issue because every country would have some benefits and some problem from this decision. When Pakistan looked upon this issue, they came about various arguments. The arguments are discussed as follows.

First, they argue that a common currency is a characteristic of strong regional economic integration and therefore a worthy goal.

Second, they point out that currency fusion will eliminate exchange risk and uncertainty and thereby promote inter-country trade and investment.

Third, these objectives will also be advanced by the reduction of transaction costs arising from currency conversions.

Fourth, advocates back a currency union in the belief that it will promote political unity amongst the constituent nations.

Now Let us consider these arguments in turn. The first argument is really not an argument at all. It simply states that regional economic integration is a good thing and therefore we should pursue it by all available means, including a common currency.

The second argument begs the obvious question of whether such integration is in the national economic interests of the cooperating nations.

The third argument reveals that this question can only be answered by exploring the costs and benefits of economic cooperation through various means. Similarly,

The fourth argument is only a statement of faith, not supported by experience.

The second and third arguments (of eliminated exchange risk and reduced transaction costs) are genuine economic benefits of a common currency.

These were some arguments regarding how this will affect as a whole. Now it will be discussed that how SAR currency will be beneficiary from Pakistan's point of view.

Pakistan's economy will be very positively boosted from the SAR currency. More and more people will invest money in our market and hence our economy will rise with that.

Pakistan's Industrial sector will get a lot of benefit from SAR currency. We will get those raw materials in cheap rates that we were getting them in past very expensive from other industries. E. g. In past we were getting raw materials for our car industry from Malaysia and Thailand. Since the introduction of SAR currency we will be getting those raw materials from India on cheap rates. Hence, our industrial sector will improve from that.

Pakistan's Sports and goods industry will be more domestically exported after the introduction of SAR currency. For instance in the past when we exported our sports goods to India, our profit rate was less because as compare to our currency rate Indians currency was more strong. But after the introduction of SAR currency their will be one specified rate through out SAARC country and our sports and goods industry will get more profit as compare to the previous system. Hence, our Sports goods industry will be very positively affected from it.

These were some aspects, which show that Pakistan will be benefited from the introduction of SAR currency. Now we will be discussing various issue that will give us more broadly view that how SAR currency would affect Pakistan in an unpleasant way.

The largest SAARC country, India, would consider ceding monetary autonomy to a regional SAARC central bank only if India effectively

controlled that institution's policies. Under those conditions the smaller SAARC nations are hardly likely to get something out of it.

The introduction of SAR currency will result in that all the powers will be with India because they are the soundest nation in SAARC and they will try to make such rules that are beneficiary to them.