

Sports exports essay



**ASSIGN
BUSTER**

1. What are some of the disadvantages Blades could face as a result of foreign trade in the short run? In the long run? There are several disadvantages to foreign trade. The currency fluctuations in Thailand dollar would affect Blades. For instance the dollar cost of imported inputs may become more expensive over time.

Blades would also be exposed to the economic conditions in Thailand. For example, if there is a recession, Blades would suffer from decreased sales in Thailand. In the long run, Blades should be aware of any regulatory and environmental constraints the Thai government may impose on it. Blades should be aware of the political risk involved in operating in Thailand; they should research the likelihood of expropriation by the Thai government. They should also figure out how they would monitor the foreign subsidiary with such a huge geographical distance.

2. Which theories of international business described in this chapter apply to Blades, Inc. in the short run? In the long run? There are three commonly held theories as to why firms want to expand their business internationally (1) theory of comparative advantage (2) imperfect markets theory and (3) the product cycle theory. In the short run the imperfect markets theory applies, because Blades wants to import their inputs such as rubber and plastic from Thailand because the cost of them are cheaper there.

Also, it would like to export to Thailand to take advantage of the fact that there are very few of their competitors who sell roller blades in Thailand. The theory of comparative advantage would apply to Blades in the long run because of the superiority of its production process. Also Blades goal is to

possibly establish a subsidiary in Thailand and to be one of the first roller blade manufacturers there. The product cycle theory also applies to Blades, since its U. S. sales are declining and Blades feels that it must eventually establish a subsidiary in Thailand in order to preserve its competitive advantage.

3. What long-range plans other than the establishment of a subsidiary in Thailand are an option for Blades and may be more suitable for the company? Blades should consider a joint venture with Thai firms that manufacture roller blades. The advantage would be access to Thai distribution channels, able to become familiar of Thai firms, customs and ethics, and start off in an already established market.

01. Is Sports Exports Company a multinational corporation?

Answer: Multinational corporations (MNCs) are defined as firms that engage in some form of international business. As the Sports Export Company sells its products to foreign countries & face to global environment. So, the Sports Exports Company is a multinational corporation.

02. Why are the agency costs lower for Sports Exports Company than for most MNCs?

Answer: The costs of ensuring that managers maximize shareholder wealth (referred to as agency cost) are normally higher for MNCs than the agency cost of Sports Export Company. Agency costs are lower for Sports Export Company simply because the owner and manager are the same. The owner

does not have managers who are based in other countries or even in the same country at very early stage.

03. Does Sports Exports Company have any comparative advantage over potential competitors in foreign countries that could produce and sell footballs there?

Answer: Obviously, the Sports Exports Company has a comparative advantage over potential competitors to other foreign countries. By applying an idea of producing low cost football and at the same time selling those items on a wholesale basis was become very successful in the U. S. Market. As the Sports Exports Company are producing the item for a long time, the company will certainly enjoy some benefits like the advantages of being a first mover and at the same time will be able to build a rapport with customers.

The Sports Exports Company will be the first firm to benefit from the popularity. The potential competitors initially will not get the advantages of becoming a first mover and enough market shares. Also, the Sports Exports Company has a comparative advantage over the U. S. firms that produce the top-of-the-line footballs in the U. S. market and it also sells the footballs at a low price.