George yips drivers of internationalisation economics essay

There are four industry drivers: market drivers, cost drivers, government drivers and competitive drivers Yip 1992. Market drivers are customer needs and tastes become more common, the existence of global customers and transferable marketing between difference countries. Costs drivers are scale economies, favourable logistics, and country specific differences. Government drivers are numerous and include eliminate all tariff and non tariff barriers, liberalise trade policies, subsidies outlawed, ownership restrictions and technical standards compatible for all industries. Competitive drivers are competitors' global strategies and country interdependence. Yip's globalisation drivers on various industries are shown in table 3 of appendix 2. No other industry is more international than civil aviation industry which ranks first out of twelve industries in market and competitive globalisation drivers and second for cost globalisation drivers. The graph shows the airline and retail business are affected differently by the drivers. Market, cost and competitiveness drivers cause the airlines business to go for high globalisation. Government driver plays a key role on the domestic products.

Barriers to Globalisation

Governments impose legal and regulatory barriers can hinder the flow of goods and services and the movement of capital and people. Many states still maintain numerous tariffs on imports of goods due to various reasons. Developed countries impose particularly high tariffs on goods coming from underdeveloped countries. Subsidies can take the form of financial grants and tax concessions and are often given to protect domestic firm from foreign competitions such. In Japan, the government protects the farmers' interest through various rules and regulations. The western countries impose an embargo on high technology transfer to communist countries including China. Control on Capital in China and many other undeveloped countries can take the form of either controls on inflows or outflows of foreign direct and indirect investment. Government department, nationalized industries and public utilities often spend large amounts of public money purchasing goods and services. In the tendering process, government will often favour domestic companies over their foreign rivals even when domestic firms are less capable and more expensive. Border controls affect trade in goods. Exporter and importer may require filling in export/import forms. The customs officers may stop vehicles and check goods at the frontier. This will take time and add additional cost to traders' transport thus make goods less competitive in the foreign market. Many barriers remain to the movement of professionals and lobour force. Technical standards, operation licenses and regulations can be formidable barriers. There are thousands of different technical specifications relating to goods and services which can effectively protect domestic markets from foreign competition and consequently restrict trade.

Drivers against Barriers

Globalisation involves the fusion of economic, cultural, political, and physical between nations and countries. There are historically barriers between countries due to geographical distance, cultural and ideology difference, and national interest. Globalisation promotes mutual reliance between countries through all forms of drivers such as the cost drivers, government deregulation, mutual recognition of technical standards and qualifications. If drivers diminish, the barriers will become larger. After China entered the WTO in 2000, the government drivers effectively change the policies and regulations to enable the free trade and investment.

Conclusions

China is the emerging force in today’s business world and its domestic market bears huge growth potential for Tesco. Tesco is competing with others multinational companies such as Wal-Mart and Carrefour. The retail industry is not considered to be a prestigious industry by the Chinese government and is therefore not sanctioned like the state owned infrastructure and heavy industry sector. Local government would like to upgrade the city image by closing down some of the street wet markets. As Chinese getting wealthier, they are looking for better quality goods, services and good brand names. Foreign-funded retailers can normally meet the expectation of the younger generation. After knowing the macro environment of China, Tesco can formulate its China market strategy. Tesco can find a partner with local knowledge and deploy stores in major cities, and then gradually expand towards the second and third-tier cities. Domestic supermarkets mostly start in a central region, and then radiate towards the periphery areas. For example, Lianhua started in Shanghai, Better-Life in Hunan and Jiangxi, Meet-All in Shanxi, Wu-Mart and Jingkelong in North China and New Huadu in Fujian respectively.

In the coming China’s twelfth five-year plan, the annual GDP growth is expected to be 7-8%. Along with China continue to reform under the new leadership and increasing people’s income, the development of China’s supermarket industry will have the following trends in the future:

Firstly, other than the first-tier big cities (Beijing, Shanghai and Guangzhou), the second-tier and third-tier cities (Chongqing, Xian, Tianjin and Chengdu) will have a faster growth rate,

Secondly, the suburbanisation of big cities will promote the growth of the suburban supermarket market. The urban expansion and population growth will expand the urban surrounding areas, thus the centre of retail industry will proliferate to suburb from downtown.

Thirdly, the focus of supermarket operation will shift from just selling goods to service quality. Along with the continuous increase of consumer’s income, the expectation and demand for consumables will have great changes. Besides quality and price, consumers will pay more attention to factors such as brand name, convenience and shopping experience. Furthermore, the quality of commodities provided by various supermarkets will have a dwindling gap, so the competition of the supermarket industry in the future will focus more on the service level.

The civil aviation industry ranks highest for market globalisation drivers because end users in different countries have the same needs for the products and the customers search the entire world for suppliers. The major players of the civil aero engine are Pratt & Whitney, General Electric, CFM International and Rolls Royce. Competitive globalisation drivers are high. Cost globalisation drivers in aero engines industry is rank high because of huge development cost and one single national market is not enough to pay back the investment.

By 2030, China will need more than four thousand aeroplanes. Aero engine is one of the essential components installed on the aeroplane. As in the foreseeable ten years, China is still unable to produce the national civil aero engines for commercial usage. Rolls Royce should formulate its China's market short, medium and long term strategy to catch the business opportunity. Short term strategy should include setting up of marketing and after sale support office in Beijing. Medium term is to set up maintenance repair shop in China to provide better support and reduce the maintenance cost. In China twelfth five year plan, China plan to invest RMB100M to develop a national aero engine. The Chinese Authority is seeking foreign partner and international collaboration. Rolls Royce medium term strategy can be working with the Chinese partner on licensed production of Rolls Royce engines to power the Chinese aircraft. For the long term strategy, Rolls Royce can entered into international collaboration with the Chinese partner in the design, development and production of advanced commercial aero engines.