
Chapter 4: Global Opportunities

Business Ownership

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Ch. 4.1: Global Entrepreneurship

■ Objectives

- ❑ Describe the role of small business and entrepreneurship in today's multicultural, global economy.
 - ❑ Explain why the global market is important
 - ❑ Discuss how to recognize and examine current trends that provide both domestic and global opportunities for entrepreneurs.
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Definitions

- Global economy – the interconnected economies of the nations of the world
- Exporting – the selling and shipping of goods to another country
- Importing – buying or bringing in goods from other countries to sell
- Trade barrier – restriction on goods entering or leaving a country
- Tariff – a kind of trade barrier imposed by a government as a tax on imported or exported goods
- Gross Domestic Product (GDP)- total value of all goods produced during the year

Global Economy

- Our global economy is linked by free trade agreements and advances in communication technology
 - International markets present opportunities in all regions of the world.
 - The World Trade Organization (WTO) is a global coalition of governments that make the rules that govern international trade. It works to promote free trade by eliminating trade barriers (or reducing them).
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Global Opportunities

- Asia – a growing source of products and services. Manufacturing is outsourced to China where wages are lower
 - Latin America – Includes South America, Central America and North America. Purchases are based on family needs and merits of product.
 - Europe – Difficult market as there is no common European culture, although the EURO monetary system has united them financially. Marketers need to segment markets by cultural similarities, not national boundaries.
 - Regions in Transition – Russia, Eastern Europe, Africa and the Middle East – need to know your rights.
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Global Marketplace Differences

- Countries differ in their cultures, political systems, economic systems, legal systems, and levels of economic development
 - Management of an international business is more complicated than the management of a domestic business
 - Conducting business transactions across borders requires an in-depth understanding of the rules of international trade and the restrictions of foreign governments
 - International business must have policies for dealing with movements in exchange rates (and labor issues)
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Ch. 4.2: Ways to Enter the Global Market

■ Objectives

- ❑ Describe the benefits and risks of international trade
 - ❑ Explain how to find the best international markets
 - ❑ Compare and contrast importing and exporting
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Definitions

- Interpreter – one who translates another language into your language (e.g. English)
 - Standard Industrial Trade Classification (SITC) codes – a system that details the kinds of products that are traded in specific countries and how well certain products do in different marketplaces
 - International Business Exchange (IBEX) – electronic commerce system that allows businesses to sell products and services online anywhere in the world
 - Trade Missions – let small business owners meet and talk with foreign agents, distributors, or potential business partners.
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Definitions, cont'd

- 'Best Prospect' list – products that other countries are looking to purchase
 - Disposable Income – money left to spend after paying for necessary expenses (non-business).
 - Trade intermediary – agency that serves as a distributor in a foreign country
 - Foreign Joint Venture – an alliance between an American small business and a company in a foreign country
 - Export management company – business that handles all the tasks related to exporting for a manufacturer (DHL)
 - Freight forwarder – business that handles overseas shipments
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Understanding Culture

■ Show Respect

- ❑ Dress conservatively
 - ❑ Do not correct other person's English
 - ❑ Be prepared to remove your shoes if necessary
 - ❑ Only praise food – respect different tastes
 - ❑ Before meeting, know something about the country and its culture
 - ❑ Build trust with your potential business partner
 - ❑ Bring your own interpreter
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Strategies for Entering International Markets

- Sources found in the US Census Bureau's:
 - Guide to Foreign Trade – use SITC codes
 - International Business Exchange (IBEX) – lets you sell products online and find trading partners
 - Trade missions let small business owners meet and talk with foreign agents
 - Best Prospect List lists products other countries are looking to purchase
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Importing and Exporting

- Best products for exporting:
 - Paper products
 - Electronic equipment
 - Chemical products
 - Apparel
 - Industrial machinery
 - Computers
 - Agricultural products
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Opportunities:

■ Import Opportunities

- ❑ Trade Shows
- ❑ Trade publications
- ❑ Catalogs
- ❑ Potential Customers

■ Export Opportunities

- ❑ Establish e-commerce web site
 - ❑ Use a trade intermediary
 - ❑ Establish a foreign joint venture
 - ❑ License foreign businesses to sell your products
 - ❑ Use an export management company
 - ❑ Hire a freight forwarder
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Government Regulations

- Over 100 federal agencies are involved in the import and export process, e.g. FDA and the U.S. Customs Service
 - U.S. has 104 domestic Export Assistance Centers in cooperation with the Small Business Administration and the Export-Import Bank of the United States.
 - Provide Marketing and trade finance support
 - Advice and assistance to small and medium sized businesses interested in exporting.
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Things to Consider before Going Global

- Do you have solutions?
 - Do you have a new idea?
 - Is there a market for the product or service?
 - How good are you at handling risk and frustration?
 - Do you have any good contacts in other countries?
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