

# Globalisation & Exchange Rates

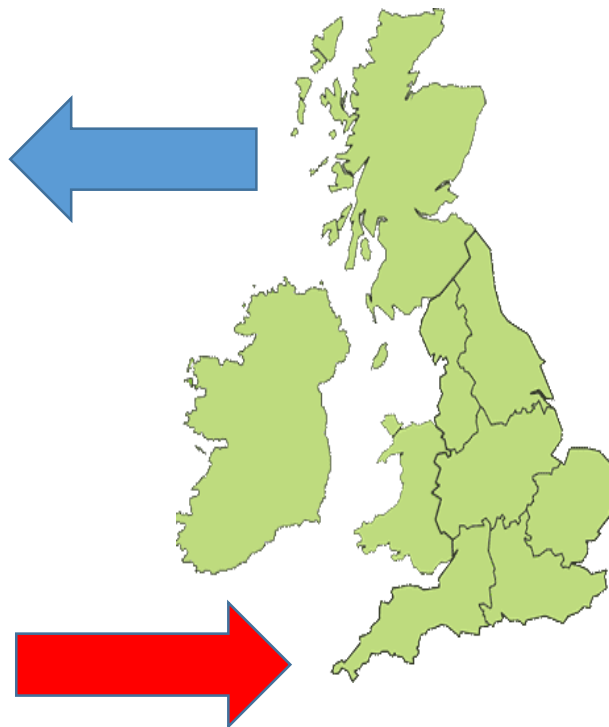
## Imports

- Is a good or service that is purchased from a foreign business that leads to a flow of money out of the UK.

## Exports

- This is the sale of a good or service to a foreign buyer that leads to a flow of money into the UK

**S**trong  
**P**ound  
**I**mports  
**C**heaper  
**E**xports  
**D**earer



## Is globalisation good or bad for UK businesses?

### Benefits of Globalisation

1. Able to sell in **overseas markets**, especially fast growing markets
2. Can **specialize in high quality products** that developing countries cannot make
3. Can choose to **outsource** some parts of a business to lower cost countries
4. Efficiency gains from **sharing ideas/skills/technologies** across borders
5. Global businesses gain **economies of scale** which can lead to cheaper prices

### Disadvantages of Globalisation

1. Local businesses face **competition from overseas**
2. UK factories **cannot produce as cheaply** as those in lower cost countries
3. External shocks, e.g. war, in other countries can **disrupt trade flows**
4. Dominant global brands may **squeeze out local producers**
5. Costs of goods and services are affected by changes in **exchange rates**

To improve evaluation, think if its good for an individual business; or for UK businesses overall.

## Ethics:

Businesses decision are MORALLY right or wrong.... Ethical decisions are made on the basis of what is judged to be morally right.

### Ethical Activity:

- Paying the living wage or more according to the age of the employee.
- No child labour
- Donating profits to charities
- Setting up businesses in areas of high unemployment to create jobs
- Advertise truthfully and fairly
- Treat employees fairly with good working conditions
- Pay suppliers on time and a FAIR PRICE
- Offer high quality training to staff (even if it means they may leave)



Marketing	Human Resources	Operations	Finance
Design product to reduce the impact on the environment. Eg, electric cars	Pay wages that enable staff to have a decent standard of living	Buy raw materials from ethical suppliers eg not the ones who use child labour or who destroy rainforests	Spend money on the local community to improve the facilities (parks, libraries etc)
Avoid targeting children with junk food	Offer staff training despite the cost	Make products that can be recycled	Pay workers to undertake charitable work in the local community (visit schools with projects)
Avoid charging unacceptably high prices just because you are dominant in the market (Apple, Pharmaceutical companies)			Pay the right amount of tax

## Technology

Using computers and computer systems to do business more efficiently: faster and cheaper.

Intranet	Internal communication systems in a business
Extranet	Communication systems that can be accessed by internal and external stakeholders (such as suppliers)
E-Commerce	Buying and selling products using an electronic system such as the internet
M-Commerce	Buying a selling products through hand held devises such as smartphones
Software Robots	Advanced computer programmes that carry out administration tasks instead of employees. Including self service checkouts
Clouds	Storage of large amounts of data (safe)
Digital Communication	Transferring information electronically between computing devises ( send images of prototypes, get feedback and amend quickly) Including: Emails, Texts, WEbchats, video conferencing, social media, apps)
Webchat	Communication in real time. Face to face on the computer. (employees could be in different counties, therefore cheap and efficient no cost and no travel/times)
Apps	Software applications for smartphones and tablets
Social Media	Online communication Groups of similar people (professional contacts)

### Benefits:

- Quick to communicate and share information.
- Workers can work from home.
- Businesses work more efficiently.
- Less staff needed, therefore lower total costs.
- Data is collected and can be used to effectively target customers.
- Constant up to date market research: trends, changes in consumer behaviour can be detected and products amended accordingly.
- Businesses can target more customers in different markets (national and global markets) very important for small businesses
- Customers can easily communicated with the business and visa versa

## Legislation

### 1. Employment law:

National minimum wage/living wage

The *Equality Act (2010)*

### 2. Health and Safety law:

Health and safety law including: the *Health and Safety at Work Act (1974)*

### 3. Consumer law:

Trade Descriptions

## Effect of Legislation on Businesses:

1. Increase the businesses costs of production HOWEVER, can motivate worker making them more efficient and productive THEREFORE profits could consequently rise.
2. Businesses may employ less staff
3. Businesses may need legal advice to ensure they are adhering to the laws which could be expensive
4. Discrimination laws can benefits businesses, in not discriminating they may be employing the BEST person for the job.
5. Business are bring ETHICAL and doing the right thing which may lead to a positive reputation for the business.
6. Meting the requirement of the law avoid Business having to pay large fines

## Competitive Environment

Buyers and Sellers come together in a market.

Market can be geographical like The Trafford centre or online.

Competition exists where businesses compete to attract the same customers



<b>No of Firms</b>	A large number of small/medium sized firms	A few large firms	A single business =MONOPOLY
<b>Examples</b>	Indian restaurant. Painters/Decorators. Cafes/Coffee Shops.	Mobile phone manufacturers.  Supermarkets.	Water suppliers Railways between some destinations  (In the past: BT, Royal Mail, British Gas)
<b>Products</b>	Products can be similar or different from each other	Products will be different r advertised as if they are different	Only 1 main product is available
<b>Prices</b>	Generally low, especially if the products are similar	Can be high especially if firms compete in other ways	Prices can be high as little or NO competition
<b>Other means of competing</b>	Advertising High quality service Convenience of location	Advertising Launch new products	Little of no competition

## Risk & Uncertainty:

**Uncertainty:** When there is a lack of information about a situation, therefore outcomes are difficult to predict.

Economic uncertainty (Interest Rates, Exchange Rates, Inflation, Unemployment, Disposable Income), Competitor uncertainty, Social change uncertainty

**Risk:** The possibility of something going wrong.

Preparing an accurate business plan, Investing in training, using experts and consultants, selling in different markets (diversification)

