# International Business: Two Contrasting Businesses That Trade Internationally

## International Business

### Introduction:

Within this assignment I will be looking at two contrasting Businesses that trade internationally

### Why trade internationally?

When trading internationally companies can create a greater revenue, it then also enables them security within certain revenue streams, also having a differentiation in products companies can protect themselves from downturns within certain markets.

Another pro of trading internationally is that you get a lot more advertising and brand exposure, companies also then use thriving Business in different countries to help them create their products under a specific license. Trading internationally enables Businesses the chance to grow their sales and offer goods and services in countries that may not have contact with them before,

Another good reason to trade internationally is that it can increase your market share for example Dyson have 60% market share of the hoover industry and by trading internationally this has boosted it. Once you're are a market leader of a certain industry you can work on how to make your products better and therefore increase profits.

A con of trading internationally is it is very expensive to do it, creating a labour force to create the products needed and ensuring that it is of high quality. And in most cases, there are already huge companies already a step ahead so is hard to compete in those international markets.

Trading internationally can also enable opportunity to import products at a much cheaper rate than the country Nike or Yamaha may be operating in

### Nike

Nike is based in Portland, they sell all types of products ranging from shoes, water bottles and footballs. They started trading internationally in 1981 and then 1984 Michael Jordan introduced his Jordan brand. The Oregon-based company Nike operates in 120 countries and has more than 44,000 employees. Although Nike does not disclose all the details about the countries they are in, some of the known countries include Indonesia, China, Taiwan, India, Thailand, Vietnam, Pakistan, the Philippines and Malaysia.

Nike has a geographic organizational structure. This structure is based on the company's needs in its global organization, as well as the unique items in regional markets. The following characteristics are notable in Nike's organizational structure:

- Global corporate leadership
- Semi-autonomous geographic divisions
- Global divisions for Converse and brand licensing

Nike produces a wide range of sports equipment. Their first products were track running shoes. They also make many variants of shoes, jerseys, shorts, etc. for a wide range of sports, including track and field, baseball, ice hockey, tennis, association football (soccer), basketball. Nike is a multinational Business and it also imports a lot its products, as it produces its products in countries such as Vietnam, Thailand and that is why it gets imports.

Nike trade in all sorts of economies for example a less developed economy that Nike trade in is Indonesia and they have been known to exploit thousands of workers on very low pay. They get paid $3.50 a day which for a six-day week is around $21.

But in contrast a well-developed economy that Nike trade in would be the UK their workers get paid around £7.50 an hour which is nearly double what people in Indonesia get in a day, this shows how wealth is a key factor on how much people get paid

An emerging economy that is emerging for Nike is India this is where the country is developing quickly and also an emerging market is also described as being advanced due to its rapid growth in industrialisation, India have been known for making there fake brands and using the Nike logo illegally as rules against copyright in that country are not as strict as maybe the UK.

One-way Nike and Yamaha can guarantee their products is that they can prepay the importer so they know exactly when and ow many products they are getting, they also both use letters of credit for importers this is so the bank can tell the importer that Nike or Yamaha have enough money so they can import there products.

## Yamaha

Yamaha is a Japanese company that makes motorcycle's and many other things such as recorders, pianos and guitars they are also deemed to be very high quality, they have been around for 125 years. They have made 4.4 billion US$ since 2003 and continue being a very successful company. Yamahas mission statement is “Yamaha Motor strives to realize peoples' dreams with ingenuity and passion, and to always be a company people look to for the next exciting product or concept that provides exceptional value and deep satisfaction.”

Yamaha repaired an imported reed organ. Since then, Yamaha has aimed to contribute to the enriched lifestyles of people while concentrating its business on sound and music. Guided by this aim, Yamaha has continued to move forward with a history that spans over 130 years.

Yamaha also create musical instrument such as:

Pianos Digital musical instruments (digital pianos, portable keyboards, etc.) Wind instruments and educational musical instruments String and percussion instruments (guitars, drums, violins, etc.) Music and English language schools Music-related software and content (publications, online music distribution, etc.)

Yamaha set up the first of its international subsidiaries in this period beginning with Thailand in 1964, and the Netherlands in 1968. Yamaha operate global development, production and sales networks. Yamahas products are sold in more than 180 countries. Yamahas headquarters is headquartered in Iwata, Shizuoka, Japan. Yamaha are a multinational company who export to countries like the UK as they manufacture in Japan, they have 3 factories in Japan that make musical instruments, engines, motorcycles.

Yamahas organisational structure is based on hierarchy. This is where they have the people who are most important and influential to the Business are at the top and people who are at the top can fire there people below them at any point.

## Trading blocs

Trading blocs are where barriers to trade are reduced to eliminate participating countries that are currently trading. Trading blocs are also there to encourage trade for example the world trade organisation (WTO) they look at all trade between all the different countries trading. There are four types of trading blocs, the WTO are an arbutory organisation that regulate importing and exporting and regulate trading disputes by different countries.

In the EU there are 28 member states Belgium, Bulgaria, Croatia, Czech Republic, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, The Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland, Sweden, UK. The EU has a common market and a customs union.

Preferential Trade Area. Preferential Trade Areas (PTAs) get put in place when certain countries are geographically near to them and they may reduce tax for them if they are geographically near.

- free-trade area is where a region within a trade bloc has signed a free trade agreement and the agreements may involve a reduction in trade barriers, quotas, tax and increase the amount of goods and services.
- customs union is a type of trade bloc which is within a free trade area with a common type of tariff. Customs unions are created through trade forms where the certain countries within the custom union set up common external trade policy.

A common market is a free trade area with free movement of services. The EU Community is sometimes referred to as the 'Common Market”.

## Effects of globalisation

Globalisation can affect Businesses like Nike and Yamaha as currencies can fluctuate which may result in them loosing money if exchange rates drastically change, Due to better technology businesses from all over the world can trade more easily with each other and businesses are now more interconnected

This has increased the production and trade of goods around the world

There are many multinational companies with subsidiaries in many countries

Globalisation has led to:

- Increased international trade
- Companies operating in 1 country
- Greater dependence on the global economy – e.g. Steel tariffs in USA
- Freer movement of money, goods and services
- Recognition of companies e.g. McDonalds and Starbucks all around the world

## Export declaration

An export declaration is a form that is signed by a worker/exporter at the port of the export. It shows the information about the goods being shipped, such as price and number of units. This information is used by customs to control exports, this then can compile certain information and statistics about certain countries and how much they export.

## Barriers of trade

Barriers of trade are put in place by governments to stop companies from cheating the system, there are four types of barriers of trade. Methods for protecting Yamaha and Nike would be legal restrictions as Nike would need to think about how their labour is done and how the product is manufactured, for example Primark in Bangladesh used child labour and they got caught out for it so then they had to put restrictions in place to stop this from happening

Tariffs are taxes that are put in place by the government on imported goods or services. Tariffs are usually done to raise the cost of products to consumers in order to make them as expensive or more expensive than local goods or services. In a lot of cases, tariffs are used look after/protect local Business that would not be able to compete against foreign traders. Yamaha and Nike would use this as they are both very well-known brands, so they can have high prices and people will still buy the products as both companies are very trusted. In Yamahas case there is car tariff but has only just decreased from 10% to 8.8%

Operating risks are risks that Businesses may come across or take and may lose a lot of money as a result for example Nike may not correctly adhere to their internal policies and as a result jobs may be lost and then the brand image of the company may be tarnished

Protectionism refers to government actions and policies that restrict or limit/hold down international trade for the benefit of a single domestic (process of people making, selling, and buying things). Protectionist policies are usually put into use with the goal to improve money-based activity within a domestic (process of people making, selling, and buying things) but can also be put into use for safety or quality concerns.

## Brexit

A political factor that may affect Nike and Yamaha is BREXIT, this is a major effect on all Businesses as exporting and importing is going to be a lot harder unless there are trade agreements in place to keep their operations running smoothly. The UK is very dependent on both Yamaha and Nike as Nike is one of the most popular in the UK.

Nike and Yamaha work in emerging and developing markets.


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