

2015 BBB4M Exam Review

History of Canadian Trade

-Explorers from France and England landed and traded with the First Nation's people

<p>Trade with...</p> <p>Europe</p> <ul style="list-style-type: none">• increased after England defeated France in the Seven Year's war: Canada relied on England for finished goods, England relied on Canada for raw materials <p>United States</p> <ul style="list-style-type: none">• Canada supplied raw materials that were needed in the US <p>Asia</p> <ul style="list-style-type: none">• Canada began trading with Japan after WW2 because of their high quality electronics and automobiles, China products are inexpensive and well made which makes them popular <p>Mexico</p> <ul style="list-style-type: none">• Trade developed after signing NAFTA in 1993	<p>Middle East</p> <ul style="list-style-type: none">• Traditionally centred on oil, lack of industrialization and stability has limited trade <p>India</p> <ul style="list-style-type: none">• Young and well educated workforce has made it a major centre of outsourcing and manufacturing• Lack of infrastructure, corruption• Indian companies are expanding into international market <p>Africa</p> <ul style="list-style-type: none">• Rich in primary resources, imports to Canada are very low due to unstable gov. lack of infrastructure and rural economies
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Interdependence (primary, secondary, tertiary industries - examples)

Interdependence is the reliance of two or more nations on each other for products or services

Primary Industries: sector characterized by the extraction of natural resources from the earth or sea

Canada's Five Primary Industries: agriculture; fishing, hunting and trapping; forestry and logging; energy; mining

Secondary Industries: (industries that create a finished usable product) made up of primary and secondary manufacturing; secondary manufacturing produces capital goods and consumer goods

- Branch Plant: a factory owned by a company based in another country (Canada has a branch-plant economy based on businesses owned by foreign interests)

Tertiary Industries: industries that do not make a product or extract resources from the earth, but provide necessary services to consumers and other businesses; make up what is known as the service sector

How IB both helps and hurts Canadians

How IB Helps Canadians	How IB Hurts Canadians
<ul style="list-style-type: none"> • Variety of Products • New market, more jobs • Foreign Investments • New processes and technologies 	<ul style="list-style-type: none"> • Loss of Culture/Identity • Increased foreign ownership <ul style="list-style-type: none"> • Foreign companies are loyal to investors and executives in home country • Research and development occur in home country • Exports are reduced as products manufactured in branch plants stay in Canada • Revenues leave Canada to pay head office costs

There are two ways that non-canadians can invest in Canadian businesses: foreign direct investment and portfolio investment (purchase of stocks, bonds and other financial instruments)

Value Added

One problem with Canada's import and exports is the lack of value added to its products

Value added: is the amount of worth that is added to a product as it is processed; it is the difference between the cost of the raw materials and the cost of the finished goods

Example: The production of a dining room table

- Lumber comes from a company in BC and sells for \$50
- American company buys the lumber and makes a table and sells back to the retailer for \$3000
- Retailer sells to customer for \$4500
- American company makes the most money because it applies the most value added

Foreign Portfolio Investments

(licensing agreements, franchising, joint ventures, foreign subsidies + advantages & disadvantages)

Foreign Portfolio Investment: Investment in businesses located outside of Canada through stocks, bonds, and financial instruments

- Allows Canadians to spread out their investments which is less risky than investing in just one area

	Example	Advantages	Disadvantages
<p><u>Licensing Agreement:</u> An agreement that grants permission to a company to use a product, service, brand name, or patent in exchange for a fee or royalty</p>	<p>Virgin Mobile (a British company) has a licensing agreement with Bell Canada to use the Virgin Mobile brand in Canada</p>	<ul style="list-style-type: none"> • Faster growth for both companies • Canadians will have access to the product/service 	
<p><u>Exclusive Distribution Rights:</u> A form of licensing agreement that grants a company the right to be the only distributor of a product in a specific geographic area or country</p>	<p>When the iPhone entered Canada, Rogers had the only technology that would support it and had exclusive Canadian rights to sell it</p>	<ul style="list-style-type: none"> • Competitive advantage for the company • Little risk 	<ul style="list-style-type: none"> • Little monetary gain
<p><u>Franchise:</u> An agreement granted to an individual or group by a company to use that company's name, service, products and marketing</p>	<p>In Canada: McDonald's, Wendy's, Subway... etc</p>	<ul style="list-style-type: none"> • Less risk for franchisee • Access to expert knowledge, research, financial aide 	<ul style="list-style-type: none"> • Less profit • Stringent guidelines • Loss of control
<p><u>Joint Venture:</u> a new company with shared ownership is formed by two businesses, one of which is usually located in the country where the new company is established</p>	<p>Pizza Nova, a Toronto based company now delivers pizza in Cuba</p>	<ul style="list-style-type: none"> • Allows companies to gain access to markets, products, and customers • Sharing financing, managerial expertise, technology, cultural information, economies of scale and risk reduction 	<ul style="list-style-type: none"> • 50% of all joint ventures fail • Take years to generate profit • Take longer to negotiate and establish
<p><u>Foreign Subsidiaries:</u> (wholly owned subsidiary) a branch of a company that is run as an independent entity in a country outside of the one in which the parent company is located. The parent company often sets financial targets and allows the subsidiary to manage its own day-to-day operations as long as those targets are being met</p>	<ul style="list-style-type: none"> • Toyota in Canada • Bombardier • TD Bank Financial Group in the U.S 	<ul style="list-style-type: none"> • Saves on distribution cost • Provides jobs for a well-educated workforce • Increased profitability 	

Trade Barriers

Tariffs, trade quotas, trade embargos, protectionism, trade sanctions and standards (define and give examples for each)

Type of Trade Barrier	Example
<u>Tariffs</u> : the most common type of trade barrier, are taxes or duties put on imported products or services; they raise the cost of imports, so that locally manufactured products are less expensive	
<u>Protectionism</u> : the theory or practice of shielding domestic industries from foreign competition often through trade barriers	
<u>Trade Quotas</u> : a government-imposed limit on the amount of a product that can be imported in a certain period of time	Canada has a quota of 14.5 million kilograms of peanut butter that it can export to the U.S
<u>Trade Embargo</u> : a government-imposed ban on trade of a specific product or within a specific country, often declared to pressure the government to change their policies	In 2003, thirty countries placed a trade embargo on Canadian beef exports because mad cow disease was discovered in a cow in Alberta
<u>Trade Sanction</u> : economic action taken by a country to coerce another to conform to an international agreement or norms of conduct	<ul style="list-style-type: none"> • No Canadian is allowed to trade arms with anyone from Iraq • Strict guidelines that the U.S has for doing business in Cuba; no financing, trade and travel until Cuba begins to change into a democracy

Winners and Losers of a high Canadian Dollar

Winners	Losers
<ul style="list-style-type: none"> • Importers: companies get more for their money • Canadian Travellers: get more for their money; less expensive for them to travel to the U.S • Major League Sports Teams: pay their players in U.S dollars 	<ul style="list-style-type: none"> • Exporters: more difficult for Canadian to compete • Canadian tourism: Tourists choose not to visit • Canadian Retailers: many Canadians will shop in the U.S or over the internet

Global Map

Top Import/Export partners, BRICS countries, G8, G20

Top 10 Import	Top 10 Export	BRICS	G8	G20	G20 Continued
United States China Mexico Japan Germany United Kingdom Algeria France Norway South Korea	United States United Kingdom Japan China Mexico Germany Netherlands South Korea Belgium France	Brazil Russia India China South Africa	France United States Great Britain Italy Germany Japan Canada (Russia)	Argentina Australia Brazil Canada China France Germany India Indonesia Italy	Japan Mexico Russia Saudi Arabia South Africa South Korea Turkey United Kingdom U.S E.U

Compare and Describe cultures of Japan and Saudi Arabia

Saudi Arabia:

- Revolves around Islam and is illegal to practice another religion
- All activity stops 5 times a day for prayer
- Friday is the holiest day so the Saudi weekend begins Thursday and ends Saturday
- Loose and flowing clothing for men
- Women must wear an abaya and only leave the face, hands and feet bare
- Hot, dry climate

Japan:

- Predominant religious beliefs are Shintoism and Buddhism
- Belief in natural order
- Hierarchical relationship among the people of Japan
- Most wear western style dress but ceremonial kimono is still worn on special occasions
- Definite sense of etiquette
 - Gifts should be informal when visiting a household but formal when meeting someone for the first time or starting a business relationship
 - The wrapping and presentation of the gift is more important than the gift itself
 - Extravagant gifts are not appreciated
 - Should only be unwrapped when they are invited to do so
 - Belittle informal gifts but not formal gifts
 - Present informal gifts with both hands

Impact of Culture on the Labour market

(child labour, discrimination, wages, standards & practices and indigenous cultures)

Child Labour

- Difficult for Canadian importers to determine if child labour was involved in the production of items that they are buying from abroad
- In some nations it is acceptable for young people to enter the labour market at the age of 12
- Businesses in some nations exploit young people unfairly and may be forced to work in dangerous places
- Unacceptable in Canada and if found supporting, they will soon find their Canadian sales disappearing
- ex. Nike, Gap & Walmart were all accused and faced consumer backlash

Discrimination

- Canadian laws prohibit discrimination in the workplace
- Many countries do not have these laws (ex. Saudi Arabia)

Wages

- Reflect the standard of living in a country

Standards and Practices

- Cultural norms that are part of the Canadian workplace may be different elsewhere
- Labour unions are non-existent or severely limited in some countries
- Employee benefits vary greatly
- Canadians working in another country must respect their cultural norms

Indigenous Cultures

- A company must be aware of its effects on indigenous cultures
- Positive effects: increased employment, access to medical services and improve infrastructure
- Negative effects: take advantages, broken promises

Time and Spatial Perception

Cultures perceive time in two ways: monochronic or polychronic

Monochronic	Polychronic
<ul style="list-style-type: none"> • See time as linear and sequential For meetings... <ul style="list-style-type: none"> • Prompt beginnings and endings • Scheduled breaks • Deal with one agenda item at a time • Rely on specific, detailed, and explicit communication • Participants talk in sequence • Lateness viewed as showing a lack of respect 	<ul style="list-style-type: none"> • Many things happening simultaneously with the participation of many people Results are more important than schedules For meetings... <ul style="list-style-type: none"> • Flexible start and end times • Breaks happen when appropriate • Don't follow a rigid agenda • Often deal in broad concepts • Anyone with ideas may speak • Lateness is not take personally
Examples: Canada, Germany, GB, Scandinavia	Examples: France, Italy, Greece, Mexico

Spacial Perception: individual comfort levels with personal space and physical contact

Hofstede's Five Cultural Dimensions

Cultural Dimensions: Identified by Hofstede, a Dutch anthropologist who conducted a study of how values in the workplace are influence by culture; the five cultural dimensions provide a framework for understanding the differences between particular aspects of culture in different societies

The five cultural dimensions are:

1. Power Distance (PDI)

- Used to measure how the difference in power between people is perceived
- In cultures where some people are considered superior because of social status, gender, race, age, education, wealth...etc accept a *higher power distance* ex. Mexico, India
- Cultures that tend to assume equality among people and focus more on earned status have a *low power distance* ex. Canada, Austria

2. Uncertainty Avoidance (UAI)

- The way cultures adapt to change
- Countries that attempt to avoid uncertainty and prefer formal rules and rituals, place a high value on conformity and often have little tolerance for outsiders have a *high uncertainty avoidance* ex. Saudi Arabia, Japan
- Countries that value risk-taking and seek change instead of avoiding it have a *low uncertainty avoidance* ex. Canada, Sweden

3. Masculinity versus Femininity (MAS)

- *Masculinity* refers to the degree to which a culture values assertiveness, competitiveness, ambition and the accumulation of material goods ex. Japan, Mexico

- *Femininity* refers to the degree to which a culture values nurturing, family relationships, and social support systems ex. Thailand, Portugal

4. Individualism versus Collectivism (IDV)

- The extent to which people are expected to make their own decisions regarding their choice of education, job, or life partner

5. Orientation (LTO)

- *Long term orientation* values thrift and perseverance to achieve long-term goals
- Short term orientation holds that the “now” is often more important than the “then”; values tradition and strong work ethic

Mexico: high uncertainty avoidance, low individualism

Canada: high individualism, low long term orientation

Economic Systems

(market, centrally planned and mixed economy)

Market Economy: Also known as capitalism or private enterprise is an economic system determined by free competition, in which businesses, consumers, and government act independently of one another

- Market forces and self-interest determine what goods are created and sold
- Government has little direct involvement in business and instead creates an atmosphere in which it can be successful
- Encouraged to own private property
- Profit is the reward for the risk taken and belongs to the owners of the business
- Competition is critical and encourages companies to stay competitive

There are no true market economies in the world because every country has some government intervention but the U.S is very close

Centrally Planned Economy: (communism, command economy) decisions are made centrally by the government, it controls all elements of the economy and establishes how income is distributed

- Government provides education, health care, employment and housing to all members
- No ownership of private property; government determines who will work where and where they live
- All profit belongs to the government and is reinvested
- Competition is limited as the government determines the price, quality, style etc.

North Korea and Cuba are centrally planned economies

Mixed Economy: (modified free enterprise system) has the characteristics of both market and centrally planned economies

- Private property is owned by individuals, corporations and government however there are regulations

- Profit is encouraged by is taxed to support the government and provide social assistance
- Competition is very prevalent

Canada and Sweden are both mixed economies

Economic System	Advantages	Disadvantages
Market Economy	<ul style="list-style-type: none"> • Freedom of speech, religion, assembly • Efficient use of resources • New products • Economic growth • Good quality products • Low prices 	<ul style="list-style-type: none"> • Gap between rich and poor expands • Lack of consumer education • Unhealthy products
Centrally Planned Economy	<ul style="list-style-type: none"> • All citizens are assured a minimum standard of living • Health, education and other social programs are provided free to all citizens • No unemployment • Long-term stability 	<ul style="list-style-type: none"> • Restriction of individual freedoms • Little motivation to work hard • Lack of innovation • Large military presence • Corruption
Mixed Economy	<ul style="list-style-type: none"> • Individual incentive • Basic social services • Consumer protection 	<ul style="list-style-type: none"> • Higher taxation • Individuals have little input into how taxes are spent • Government intervention may stifle growth • Less motivation to work hard

Political Systems

(democracy and autocracy)

Democracy: A state governed by all eligible members of the population through elected representatives; characterized by free and fair elections, the rule of law, free speech, the right to assembly, a free press and freedom of religion

- All people have the right to govern themselves
- Each citizen is entitled to an education
- Economic opportunity for all citizens
- Accompanied by a market economy

Cons: politicians may be more concerned about being re-elected; women, minorities and the poor are often not represented; difficult to establish and expensive to maintain

Autocracy: A state governed by a single individual or small group of people with unlimited power

- Believes that one consistent government allows for rational decisions in the interests of the entire country and has long-term focus
- Cons: strong military presence, controls all aspects of its citizen's lives, citizens have no influence on government
ex. North Korea, Cuba

The Business Cycle

(economic indicators and describe each stage)

The Business Cycle: Recurring periods of increased and decreased economic activity, or expansions and contractions that is characterized by four stages: recession, trough, expansion and peak

Recession: (two consecutive quarters of GDP) the economy slows down, there is a decline in consumer purchasing, an increase in unemployment, a business contract or close

Trough: Production and unemployment reach their lowest levels; the economy completes the recession and turns towards prosperity

Expansion: the economy begins to grow again; employment wages, production and profits expand

Peak: top of the business cycle; the economy stops expanding and begins contracting

Economic Indicators of the Business Cycle:

Leading: adjust before the economy experiences a change and predict where the economy is going ex. housing starts

Lagging: does not adjust until after the economy has experienced a change ex. unemployment

Coincident: moves in conjunction with the business cycle ex. international trade

Understand the role of the government in IB

Ways the government affects international trade and business...

- Establishing import and export laws
- Setting tariffs
- Maintaining membership in trade organizations and negotiating trade agreements
- Determining monetary policy and currency exchange rates
- Determining fiscal policy including taxation laws
- Building infrastructure such as roads or sewer systems

The government establishes...

- Regulations that businesses must comply with
- Trade offices
- Government embassies, high commissions and consulates
- Trade missions

Corporate Influence on Governments

- Contribute large amounts to political campaigns
- Participate in trade missions with politicians
- Pressure government to change or adopt policies that will benefit businesses

Trade Agreements and Organizations

Agreement	About	Advantages	Disadvantages
NAFTA (North American Free Trade Agreement)	<ul style="list-style-type: none"> • Jan 1994 between Canada, U.S, Mexico • World's largest free trade area • Set rules surrounding the movement of goods, services and investments across North America • Eliminates tariffs and other trade barriers 	<ul style="list-style-type: none"> • Helped create higher paying jobs in Canada • Allows freer flow of goods and services in North America • Better access to raw materials, talent, capital and technology • Trade has tripled since it was put in place 	<ul style="list-style-type: none"> • Manufacturing jobs lost to Mexico • Mexican farmers loss their livelihoods • Canadian companies sold to foreign investors
EU (European Union)	<ul style="list-style-type: none"> • Trade agreement between 27 countries that promotes peace, economic growth, government cooperation and strong bonds between people • Share a common currency 	<ul style="list-style-type: none"> • Acts as a single market so labour, goods and services can flow from each of the EU countries • Eliminates protectionism • Allows governments to purchase goods from each of the EU countries 	
WTO (World Trade Organization)	<ul style="list-style-type: none"> • Settles trade disputes • Promote trade liberalization throughout the world • Three main purposes: forum for negotiations, a set of rules, dispute settlement • Provides protection of intellectual property 	<ul style="list-style-type: none"> • Promotes peace by ensure nations can trade fairly • Encourages governments to act fairly and limit protectionist policies 	<ul style="list-style-type: none"> • Destabilizes markets • Drains resources and labour from developing countries • Encourages to produce what they can do most efficiently • Unfair distribution of intellectual properties

APEC (Asia-Pacific Economic Co-Operation)	<ul style="list-style-type: none"> • Promotes trade in the Pacific Rim countries • Focuses on: trade and investment liberalization, business facilitation, and economic and technical co-operation 	<ul style="list-style-type: none"> • Decreased tariffs and trade barriers • Increased exports (by almost 400%) 	
The World Bank	<ul style="list-style-type: none"> • Provides loans and grants to poor countries to assist with education, health, infrastructure etc • Supports HIV/AIDS assistance, clean water, electricity etc and help poor countries move beyond conflict 		<ul style="list-style-type: none"> • Policies have caused many countries to suffer because of the rules it imposes in order to receive a loan

IMF (International Monetary Fund)

- Tracks economic trends, analyzes countries' financial performances, warns governments of potential financial problems, etc
- Purpose is to promote financial stability, prevent and solve economic crisis, encourage growth and assuage poverty; it does so by...
 - Encouraging countries to adopt responsible economic policies
 - Lending money to emerging and developing countries
 - Provide technical training in areas such as bank regulations and exchange rate policies

G8 (Group of Eight):

- Discusses macroeconomic issues such as trade, economic growth and poverty
- Meet once a year
- Also discusses terrorism, crime, drugs, climate control, nuclear energy etc.

G20 (Group of Twenty):

- Discusses financial stability and the growth of developing countries
- Strengthen economic ties throughout the world

OCED (Organization for Economic Development and Co-Operation)

- Promotes democracy and market economies
- Expand employment
- Improve the standard of living
- Sustain Financial stability
- Help countries' economic development
- Enhance world trade

Tax Treaties: A tax treaty is created to prevent double taxation and tax evasion for people who would pay taxes in Canada and another country on the same income. The treaty determines how much tax each country can collect on income received from pensions, wages, salaries, or interest. Canada has signed tax treaties with 92 other countries.

Benefits and Criticisms of CSR + Examples

Corporate Social Responsibility

The duty of a company’s management to work in the best interests of the society it relies on for its resources (human, material, and environmental), to advance the welfare of society, and to act as a good and global citizen through its policies

Corporate social responsibility can take many forms, including:

- making charitable donations
- treating employees ethically
- being environmentally conscious
- ensuring safe working environments
- supporting local sports teams
- creating and promoting diverse workplaces

Benefits of CSR	Criticisms of CSR
<ul style="list-style-type: none"> -Can be used as a marketing tool -Dissuades governments from implementing regulations that could interfere with business -Help companies attract and retain excellent employees 	<ul style="list-style-type: none"> -Costs money, detracts from profits -Uses employees’ time and energy CSR when the should be concentrating on maximizing shareholders’ wealth, obeying laws and paying taxes -Can distract customers from problems a company creates ** -A company may act ethically in one country but not another

Gap & Nike have improved their CSR as they used to use sweatshop labour. Gap implemented a pilot project that allows the company to track where the fibres in its clothing originated. Nike has recycled more than 18 million pairs of shoes and turned into surfaces of sport floors

** ex. Tobacco Canada donates 1 percent of its pre-tax profits to non-profit organizations through its CSR program but it does not change the fact that the company sells one of the most dangerous products available

Primary and Secondary Stakeholders

Stakeholder Analysis: Used to determine which group's interests are most important when a company is faced with an ethical dilemma

Primary stakeholders: including customers, suppliers, competitors and employees directly affect the company and its profitability. They are of critical importance and their interests should be considered first

Secondary stakeholders: have an impact on the company, but do not directly influence its success or contribute to profitability. ex. the local community, special interest groups, the media

Ethical Issues

(environmental, sweatshops, corporate corruption, dumping, poverty)

Business Ethics: Refers to a set of rules or guidelines that management or individuals follow when making decisions facing their company

The Guidelines used when making decisions include:

- Domestic and international laws
- The company's code of ethics and corporate governance
- The personal values of the individual making the decision

There are two methods of thinking about ethical issues in a global context:

Ethical Imperialism: A view of culture based on the idea that there are certain universal truths or values that are standard across all cultures; if something is wrong in one country, it is wrong in all countries.

Cultural Relativism: A view of culture based on the idea that a culture's different values should be respected, as the ethics of one culture are not better than those of another

Environmental Issues

-Canada's waterways have been polluted by mercury emitted by industrial sources such as coal-burning power plants and chlorine producers. Mercury has contaminated many kinds of fish, making them poisonous to eat and decimating a major food source and commerce for Native Canadians

-In Dec 2008 the wall of a holding tank at the Kingston Fossil Plant gave way, releasing wet coal ash in every direction and contaminating rivers, wildlife and destroyed several homes

Sweatshops

Sweatshops are factories in underdeveloped and developing countries where employees work in unsafe environments, are treated unfairly, and have no chance to address these conditions.

- Employ children
- Unrealistic Production Quotas

Why do they exist?

- Global competitiveness
- Corporate Greed
- Consumers expectations of low prices

Corporate Corruption

Corporate Corruption refers to involvement in illegal activities to further one's business interests
Livent - Garth Drabsinsky and Myron Gottlieb were found guilty of misstating Livent's financial situation by overstating profits, under-representing costs, and inflating the value of assets

Hollinger Inc. Conrad Black controlled a newspaper conglomerate that included the National Post, Chicago Sun-Times and the Daily Telegraph. He was found guilty of fraud and obstruction of justice by the SEC. He misappropriated millions of dollars from Hollinger

Benard Madoff Spend years defrauding investors out of \$50 billion in a Ponzi scheme (pays returns to current investors using new investors money rather than actual profits).

Different Forms of Corruption:

- Gift
- Tip
- "Grease" - smaller payments made to encourage people to negotiate faster and speed up business processes
- Commissions
- Bribes

Dumping

In an internationally business context means selling products in a foreign country below the cost of production or below the price in the home country.

- Company will dump its products to get rid of excess production in its home county without affecting home country prices
- May also lower the price of the product to increase sales and force its competition out of business in the host country; In this case, the exporter will then raise prices (**predatory dumping**)

Poverty

Microcredit is the granting of very small loans -often as little as \$100- to spur entrepreneurship

Marketing Activities

Marketing: the sum total of all the activities involved in getting goods and services from the original producer to the ultimate consumer

Market research: finds or collects data to help solve marketing problems

Secondary Data: is collected by someone other than the user, for example: censuses and surveys

Primary Data: is observed or collected by a business and relates specifically to its needs or problems

ex. focus groups, survey specific to business, (hire market research firm)

Product development

- Most companies use market research to develop new products, taking customer reactions into account
- Market research is a major part of product development as a company doesn't want to take the risk of high costs without some assurance that they will be successful

ex. film companies conduct audience tests to gauge reactions to their movies

-game developers run focus groups to test the "play value" of their new games

-soft drink companies test consumers' reactions to new flavours of sports drinks in specific test markets

Pricing

The price of a product takes into account the amount of labour, the cost of materials, and overhead (such as electricity). Items that are sold in stores are marked up, as the retailer needs to make money on the items it sells

Advertising and Promotion

Advertising and promotion are needed to convince the customer to buy the product. Businesses must identify the best way to reach the target market taking into consideration the cost of different methods.

For example, an internet ad or brochure is much less expensive than a magazine ad or TV commercial

Sales

Businesses must determine the best way to sell their product. Sales methods or venues may include

- Selling products to retailers
- Opening their own retail store
- Selling online

Logistics

Logistics consists of the flow of goods and services both into and out of an organization. They consist of transportation, inventory management, warehousing, storage and packaging

The 4 P's and 2 C's of International Marketing

Product: Canadian products that are sold outside of Canada must usually be modified to adapt to the culture, language, or laws of the foreign market

Modifications usually occur in the following areas:

- Packaging
 - package weights (metric system, imperial system)
 - colours (have symbolic meanings ex. white in Canada symbolizes purity but in China it means death)
 - legal requirements
 - labelling requirements (ingredients, food values, product warnings, pictures)
 - language requirements
- Ingredients
- Style

Place

A centralized strategy is a marketing strategy in which all of a company's manufacturing and marketing is performed in one location

A decentralized strategy is a marketing strategy in which a company sets up a manufacturing plant in another nation or hires a sales force there, or even licenses its brand to a local manufacturer rather than performing all manufacturing and marketing in one location

- E-commerce is the use of the internet by businesses to sell products and services to customers in a much larger area than what could be reached through a traditional retail location; using e-distribution, any business anywhere in the world can be an international business ex. Amazon, retailers that sell online

- B2C business to consumer
- B2G business to government
- B2B business to business
- Sales Agent is an individual hired and paid a commission by a company to market its product to potential buyers and distributors, often in a foreign country
- Trade Show is a collection of manufactures and distributors of similar products who rent a space, set up a display booth, and sell to registered buyers seeking products for their retail businesses
- Branch Plants: building and staffing a branch plant is the most expensive market entry strategy, but could be the most effective

Three major advantages to owning a branch plant in a foreign market

- shipping costs are lower (closer to consumers thus priced more competitively)
- import regulations and tariffs are no longer an issue
- product modifications are easier
- Licensing agreements are contracts giving someone the right to use a patent or trademark.

Three types include:

- manufacturing agreements: the rights to manufacture a product
- distribution agreements: the rights to sell a product
- franchising agreement: grants to the ownership of a manufacturing or distribution company to a local franchisee

Acquisition: Most effective way for a company to deal with competition in foreign or domestic markets is to buy the company it competes with, then close it or use its marketing connections to expand its market

ex: Alcan purchased french aluminum company which doubled its size and gave in entry into Europe

Price

- Companies that use centralized market entry strategy find that they must increase the price of their product when selling in foreign markets
- Sometimes the price of their product increases to the point that it is no longer competitive
- These increases arise because of added expenses in the following areas
 - Labour costs: labour in foreign countries is often much cheaper than in Canada
 - Shipping costs: the cost to ship goods long distances must be factored into their price
 - Duties and tariffs: some countries charge a tax on imports to protect local industries
 - Legal costs: modifications to conform to standards in a foreign market can be expensive

Promotion

There are three ways to promote and advertise products when selling in a foreign market:

- Use existing ads: saves money, but markets must be similar
- Translate ads: duplicating an ad campaign in another language is difficult
- Create new ads: expensive but internet has made customizing promotions easier

After a company has decided on its product, price, place, and promotion, it must be sure that there is enough demand for its product

Demand involves two factors:

1. Consumer
2. Competition

1. Consumer

A business must determine its target market. This is the segment of the consumer market to which a particular good is targeted

Target markets are typically defined by demographic information which is statistical data about various aspects (age, gender, etc.) of the population

Canadian businesses wanting to sell abroad must avoid ethnocentrism, the belief that your own culture, values, beliefs, and custom represents the right way of doing things and that other value systems are not important

Ways to avoid ethnocentric thinking:

- Visit the country you want to include in your marketing plan
- Read the country profiles, especially information provided by the Department of Foreign Affairs and International Trade
- Offer your product on the internet in the language of the target nation to determine if there is a demand for it

A business entering a foreign market must determine whether consumers will be able to afford to buy this product. Discretionary income is the money remaining from an individual's salary or wage after all essential living expenses had been paid

2. Competition

Similar products that already exist in a foreign market are a major marketing problem

There are two types of competition:

- Direct competition: businesses that provide products or services that are almost identical to those offered by the company are direct competitors
- Indirect competition: consumers in every country have certain amount of discretionary income, and regular spending habits. Any product that vies for consumers spending money is competition

Competitive advantage: In marketing, the ability of one company to produce a product more cheaply than another company

Typical competitive advantages are:

- lower production costs: according to the theory of economies of scale, the more products you can make in one factory, using the same labour and sharing overheads cost, the cheaper each individual unit is to make
- lower distribution costs: companies with factories in their target market have lower costs
- product differentiation: difference in flavour, quality, packaging, scents, etc.
- brand equity: the number of consumers that can identify the brand

Supply Chain

(inventory management, storage, cash flow management, supplier information and physical distribution)

Supply Chain: the sum total of all activities involved in moving raw materials, processed goods, and finished products into an organization, and moving the semi-processed or finished goods out of the organization toward the end-consumer

Vertical Integration: A form of business organization in which a company owns the whole supply chain, or significant portions of it, from acquisition of raw materials to retailing

Horizontal Integration: A method of expanding a company by acquiring its competitors

The main links of the supply chain are...

Inventory Management

- For retailers, this requires a system that records sales
- Usually a point-of-sale terminal, a system that tracks retail sales by recording the code or stock number of each stock-keeping unit (SKU)
- In larger companies, this becomes more complex, particular if the design and manufacture the products they sell

Storage

Four possible locations for the storage of goods

- Place where the goods are made
- A warehouse
- Distribution centre
- Place that receives the goods (companies are reluctant to be responsible for storage of goods)

Just-in-time inventory systems are used to eliminate storage altogether; it requires suppliers to make and ship the materials that the factory or retailer needs quickly enough that the goods and materials arrive just as they are needed

Cash-Flow Management:

Involves negotiating payment terms, setting up the method of payment and arranging the exchange of funds across the supply chain

Letter of Credit: A financial guarantee, issues by a buyer's bank, that they have sufficient collateral on deposit to pay for a shipment. Letters of credit are often used for international transactions

Supplier Management: Often referred to as sourcing or procurement is the practice of finding reliable suppliers for the products and services that a business needs

- Outsourcing: the strategic use of outside resources to perform activities that were previously handled internally by the company itself
- Nearsourcing: sourcing particular business functions or services such as telemarketing, to a company in a foreign country that is relatively close in distance
- In sourcing: a company's establishment of a specific division within the business, such as an advertising department or customer call centre, to handle a function that is normally outsourced
- Offshoring: the transfer of certain business functions by a company that is located in another country, usually to save on labour costs
- Inshoring: A company's contracting out of a function to other businesses within its own country, for example to another state or province where labour is cheaper or facilities are better

Physical Distribution

Inbound Distribution: the process of receiving goods that are sent to a company

Outbound Distribution: refers to arranging the shipment of goods from the company to its customers

Receiving process: the established system that a receiving manager uses to monitor and track goods arriving at a business. This process normally includes inspecting containers for obvious physical damage, making sure that all of the containers have arrived, assigning stock numbers to new items and recording the location of each item (ex. warehouse, selling floor)

Methods of Physical Distribution

(motorized carriers, rails, ocean freight, pipeline)

Issues in the Supply Chain

Canada's Competitive Advantages

Canada's Competitive Advantages

Canada has a supportive business environment, gateway to the world, strong infrastructure advantage, outstanding employees and is a great place to live

Banking Industry

- Dominated by the “Big Six”: RBC, TD, CIBC, National Bank, BMO, Scotiabank
- Tightly regulated by the federal government
- Designed to handle the ups and downs of the business cycle
- Profitably expanded its expertise around the world

Cultural Industry

- Includes publishing, theatre, visual art, music and film

Technology Industry

- Allows businesses and individuals to stay connected
- Blackberry
- Strong software industry and digital media industry

Canada is attractive to foreign investors because it offers: a supportive business environment, a gateway to the world, an infrastructure advantage, outstanding employees, a great place to live

Methods of Physical Distribution

Motorized carriers: Trucks, Vans, Motorcycles

- FTL costs less than LTL
- Freight consolidation: service offered where goods are stored until there is enough from other sellers to make a FTL

Rail:

- Trains are slower and are more limited in range
- Cheaper than truck therefore ideal for long distances
- Carries material inland

Ocean freight:

- Imports and exports
- Cheap but disadvantages are that it is slow and cannot go door to door therefore requiring at least one other carrier

Air freight:

- Very fast but expensive
- Limited by weight restrictions

Issues in the supply chain:

- Reliability of sources

- Oil prices: increase the cost of shipping goods
- Unstable political climate
- Piracy
- Optimization: making shipping process efficient so no fuel is wasted on unnecessary trips

Canada attracts foreign investment by:

- Offering a supportive business environment: strong economic ties and trade partnerships, starting a business is easy, stable economy (low interest, inflation, unemployment rates), low corporate taxes and many tax incentives
- Gateway to the world: close proximity of major cities to US border, NAFTA, connection to growing economies in Asia (proximity, immigration, APEC)
- Providing an infrastructure advantage: Commercial ports/St. Lawrence Seaway/Railway System/Highway System allows goods to be transported across Canada with ease, Smart Border Accord facilitates cross-border flow of goods between Canada and U.S.
- Skilled workforce: Canada spends more as a percentage of GDP on education than any other country
- Cultural diversity: liberal immigration policies attract highly educated immigrants
- A great place to live: 4th highest HDI

Changing Canadian Workplace

- Globalization has resulted in job opportunities outside of Canada
- There is a greater need for strong technical and interpersonal skills
- Telecommunications allow for employers to hire from anywhere in the world
- Increase presence of foreign temporary workers

Global Trends

The Green Revolution: a global effort to reduce carbon emissions by finding alternative energy sources

- This movement jeopardies the oil-dependent Canadian economy
- Other countries with feed-in tariffs attract Canadian renewable energy business
- Canada makes environmental concerns a greater priority in order to compete
- New car technology creates a manufacturing opportunity in Canada
- Reducing carbon footprint slows international business (buy local, buy less)

Protectionism:

"Buy American" policy in the U.S. after 2008 causes certain Canadian business to be shut out of its largest trading partner

Border Security:

- Post 9/11 travel across international borders has slowed
- imported goods become more expensive due to costs associated with security
- higher cost of international travel and longer wait times

-
- Pandemic protection:
- Disease can spread more easily worldwide due to international travel

Contaminated products:

- Lack of safety regulations for goods made in countries like China have lead to tainted, contaminated, and unsafe products

Fluctuating price of oil:

- The state of the Canadian economy depends on the price of oil (loonie increases/decreases relative to oil)
- Price increased almost 300% in 2008 and played a major role in the recession as many families could not afford to pay both a mortgage and their living expenses.

Sustainability:

To meet this generation's needs while still maintaining the interests of the following generations, there is now a global effort to avoid overusing certain resources.

Visas:

Types of Visa:

- Tourist: allows the traveller inside a foreign country for a specified short amount of time for tourist purposes only
- Residence: allows a foreigner to live inside the country but not work; usually for spouses of those with a work visa or students. Also called a student visa.
- Work: Allows a foreigner to work inside the country

Advantages to working abroad	Disadvantages for working abroad
Learn a new language Expand cultural awareness Earn a Canadian salary in a foreign country (dollar goes further) Valuable work experience	Miss family and friends Experience isolation (lack of understanding of language/culture) Poor living standards compared to Canada Exposure to dangers not otherwise seen in Canada

Articles to Review:

- **Russia may sanction their air space**
- **Aldo**
- **Iceland Loonie**
- **Protectionism (Buy America in your textbook)**
- **Oil Sands articles**

- **Walmart CSR**
- **Canadian vs. African Diamonds**

Video Worksheets to Review:

- **E-waste**
- **Death by China**
- **Meltdown (all four parts)**
 - **Be sure you understand the cause of the meltdown**
 - **Be able to clearly outline the impact of all countries involved**
 - **Use appropriate terms (ex. Foreclosure, subprime mortgages)**
 - **Describe the impact on Canada**
 - **Understand current state and forecast/predict future issues**
 - **Refer to Meltdown series, articles, class discussions and Chapter 10**

Economics Question