1. INTRODUCTION TO INTERNATIONAL BUSINESS

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Agenda

A. Overview
B. Key concepts
C. Internationalization of companies

C-1. Motives for internationalization

C-2. Risks of internationalization
Why do firms internationalize?

1. Seek opportunities for growth
2. Earn higher margins and profit
3. Gain new ideas about products, services, and business methods
4. Be closer to supply sources, benefit from global sourcing advantages, or gain flexibility in the sourcing of products
5. Invest in a potentially rewarding relationship with a foreign partner
6. Gain access to lower-cost or better-value factors of production
7. Develop economies of scale in sourcing, production, marketing, and R&D
8. Better serve key customers that have relocated abroad
9. Confront international competitors more effectively or thwart the growth of competition in the home market
1. Growth opportunities

Intuitive surgical: concerns remain but expansion into emerging markets could revive growth

- The global market for medical robotic systems is estimated to reach almost $18 billion by 2020, from less than $8 billion in 2014.
- Asia-pacific is likely to be the fastest growing region of the surgical robots market.
- The factors likely to drive this growth are improving disposable incomes, increasing healthcare expenditures and growing awareness about medical procedures.

Source: Economist 2014, Jan 25

Thirsty for Growth, Liquor Giant Taps African Market

- The global spirits industry sees Africa as the final frontier—a potentially huge market that is largely untapped.
- Between 2013 and 2017, the continent’s liquor market is projected to grow by 45%, to $2.39 billion.
- Much of the rest of the world isn’t looking as promising. Sales growth has abated in the U.S., Western Europe and China. Source: WSJ 2015, Jul 30

Wine and spirits sales in Africa

Source: Forbes, 2014, Sep 29
The next big untapped fashion market: Muslim women

Globally, the Muslim population is a youthful and growing demographic. This makes Muslims a very important consumer segment.

- DKNY unveiled a women’s capsule collection for Ramadan in 2014.
- Tommy Hilfiger launched its own Ramadan capsule collection this June (2015).
- Fashion designers, manufacturers and retailers including Net-a-Porter, Zara, Oscar de la Renta, and Mango are currently offering lines specially themed for the holiday as well.
- Arabic-speaking countries made up 5% of the Mango’s sales in 2014.

Source: Fortune 2015, “The next big untapped fashion market: Muslim women,” Jul 15

Read more on https://www.pinterest.com/drkardes/ch-1-what-is-ib/
Western cosmetics brands are ...  
- tapping new sources of inspiration from the far east: bamboo grass, mushrooms and snails.  
- increasingly reaching into South Korea and China to find products with global potential.

**Clinique** brand: a lotion with rice bran extract and pomegranate inspired by beauty rituals from Asia.

**MAC** brand: lipstick shades inspired by the pinks and corals favored by South Korea.

**Bobbi Brown** brand: a skin foundation with bamboo grass, lychee extract and cordyceps mushroom, ingredients often used in traditional Chinese medicine to increase energy and boost health.


Read more on  [https://www.pinterest.com/drkardes/ch-1-what-is-ib/](https://www.pinterest.com/drkardes/ch-1-what-is-ib/)
4. Global sourcing advantages

Boeing is synonymous with American-made jets, but to build the new 787 it's getting a world of help.

**THE WORLD ON A PLANE**

- **Japan:**
  - Wing trailing edges
  - Wing boxes
  - Fuselage sections

- **Australia:**
  - Wing flaps

- **France:**
  - Passenger doors

- **Sweden:**
  - Cargo doors

- **South Korea:**
  - Wingtips
  - Tail cone

- **Italy:**
  - Horizontal stabilizers
  - Fuselage sections

- **China:**
  - Wing-to-body panel
  - Leading edge of tailfin
  - Rudder

- **United States:**
  - Wing leading edges
  - Engine mounts
  - Tailfin
  - Nose section

- **Canada:**
  - Landing-gear doors
  - Fairings

- **United Kingdom:**
  - Engines
  - Landing gear
Dr. Ilke Kardes

5. Invest in a potentially rewarding relationship with a foreign partner

**ERICSSON**

End consumer

**HENWEI**

Procurement (Building the infrastructure of telecommunication)

**IBM**

Business

**MICROENSURE**

(Mobile insurance)

**Microsoft**

Not outsourced!

**AVAYA**

**Firstsource**

**Core offer**

**Extended offers**

**Marketing**

**CRM**

**Finance**

**HR**
6. Access to lower-cost or better-value factors of production
Oil & Natural Gas Corp. of India and China National Petroleum Corp. will jointly explore assets for oil and natural gas worldwide.

The companies also agreed to expand cooperation in refining and processing of crude oil and natural gas, marketing and distribution of petroleum products, and construction and operation of oil and gas pipelines.

Main reason:
Better use their combined financial resources and expertise to secure energy supplies for their fast-growing economies.


For more information: https://www.pinterest.com/drkardes/ch-1-what-is-ib/
A Portuguese company in the area of plastic packaging.

Some clients: Coca Cola, Nestle, Unilever, Danone, etc.

Internationalization strategy: through partnerships with clients not with suppliers.

Success factor: production of packages in specialised production units, located close to the producer’s plant, or within it.

The internationalization path:
- Spain: in 1994 – geographical proximity
- Brazil: in 1995 – as a supplier of Danone
- France: in 1997 – as a supplier of Coca Cola
- Britain: in 1998 – as a supplier of Procter & Gamble
- Italy: in 2003 – as a supplier of Unilever

9. Confront international competitors

The current situation in French fast food market:
- McDonalds has more than 1,300 restaurants.
- Burger King has about 50 restaurants.

The aim of Burger King:
- Increase Burger King's presence in France.
- Take on McDonald's - the behemoth of the French fast food world.

The strategy of Burger King:
- Boosting halal-meat-only offering: Opening of about 40 restaurants serving only burgers with meat from cattle slaughtered in accordance with Islamic law.
- The acquisition of Belgian fast-food chain Quick, which operates almost 400 outlets in France.

Summary: Motives for Intl.

1) Growth
2) Profit
3) New ideas
4) Supply sources
5) Partnership
6) Factors of production
7) Economies of scale
8) Customers
9) Competition
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