

Edexcel (B) Economics A-level
Theme 3: The Global Economy

**3.3 Impact of Globalisation on Global
Companies**

3.3.2 Demand-side factors in global markets

Notes



Cultural/social factors:

- **Cultural differences and different tastes**

Firms face difficulties when they operate in countries across the globe. They have to be aware of the country's culture and preferences when conducting business. For example, global fast food chains, such as McDonald's, have to adapt their menus to meet local requirements. In India, most of the population does not eat beef. Instead of using beef in burgers, alternatives such as chicken or vegetarian burgers are offered instead.

If firms do not adapt to the market conditions of the country where they are operating, they will be unable to successfully grow their business.

Information and communication factors:

- **Language, unintended meanings, inappropriate/inaccurate translations**

Firms have to ensure that they are advertising their goods correctly, clearly and without unintended meanings. The language used in presenting a good is important to ensure consumers know exactly what the good is, and that there are no misunderstandings. When the name or description of a good or service is translated, the result can be misleading, inaccurate and sometimes amusing.

How firms respond to these demand-side factors:

- **Adapting marketing strategies for niche and mass markets**

A mass market is the largest group of consumers for a product, such as restaurants. A niche market is a smaller market, where a specific product is focused on. For example, it might be a particular cuisine, such as Italian. The price mechanism can allocate resources to where they are needed and wanted. A niche market is generally better at allocating resources to where consumers want, since niche markets are closer to the consumer. It could be argued that it is more profitable to be in a niche market, since the consumers are targeted directly, rather than generally. This makes the allocation of resources more efficient.

Niche markets could be found globally, or only in a unique location or culture. This part of the business could change the prospects of businesses, since it gives them the opportunity



to enter a new market, where only specific needs are met. Therefore, the firm can differentiate their products in order to adapt to this market. They could take advantage of higher prices, since goods are more likely to be specialist, and the quality of the good might be better.

