

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

**3.3 Impact of Globalisation on Global
Companies**

3.3.1 Responding to global demand

Notes



Globalisation vs glocalisation

Some firms might have a common marketing strategy for all of their operations across the globe. This is most effective when firms have similar expectations from every country they operate in.

Sometimes, markets are different, so firms have to adapt their marketing strategies to meet the expectations for each market. For example, McDonald's does not use beef in their burgers in India, since most of the population does not eat beef. In this way, they are meeting local preferences. Firms might adopt strategies such as this in order to adapt their products to suit each country. The approach taken by a firm depends on the needs of consumers in each country.

Different approaches to global markets:

○ **Domestic/ethnocentric**

Ethnocentric business involves doing business both domestically and internationally. Ethnocentrism involves comparing other cultures with the qualities of the domestic culture. Goods and services are most likely to be traded with countries that have similar cultures.

Ethnocentric consumers see the domestic culture as an ideal, so they are less likely to purchase foreign made goods. This helps domestic firms to survive and it keeps out competition from abroad. However, it can make it difficult for domestic firms to trade with other countries, especially if the other country is ethnocentric. Firms can overcome this by adapting to the local culture of the country they want to trade with.

○ **Mixed/geocentric**

This is a view based on the geography of a country. The management of the firm considers global opportunities and the ways of conducting business across the world. One of the advantages of this is that the world is becoming closer, so firms are more likely to be competitive wherever they end up.

However, it is hard to find managers and employees who have knowledge and expertise in many different cultures, rather than just the one.

○ **International/polycentric**



A polycentric approach is most appropriate in developed countries. This is because highly skilled staff can be employed. If a member of staff is from the host country, then they will be able to guide the firm on the domestic conditions of the country. It is also cheaper to employ staff from the local country. A possible disadvantage is that these staff could put the interests of the host country above the firm.

