

Global Economy : Analysing Global Industries

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Learning Objectives

- Understand the structure of the global economy.
- Analyse how international markets influence the development of the industry and the business opportunities.
- Identify sectors with strong growth potential for new business ventures.
- Use analytical tools to evaluate the competitive environment of global industries.
- Determine viable market opportunities for international business expansion.
- Learn industry analysis techniques within a business plan for market analysis and strategy sections.
- Learn how technology, innovation, and digital transformation help shape the global industry.
- Identify regulatory, political, and economic factors that influence international industries and market entry decisions.
- Understand how supply chains and global value chains influence production networks and cost structures.

Introduction to Global Economy

- It is an interconnected system of economic activities which occurs across different countries.
- In today's inter-connected world, business is influenced by markets, technologies, and resources shared across borders.
- The analysis of global economy helps to understand the structure, size and potential growth in different sectors.
- The global economy analysis helps business to recognise profitable opportunities.
- This analysis also helps in understanding the competition level within international markets.
- Some of the key factors which influence global industries are:
 - ❖ Technological Innovations
 - ❖ International Trade Policies
 - ❖ Economic Conditions
 - ❖ Digital Transformation

Key Characteristics of Global Economy

- **Economic Interdependence** due to interconnected trade, investment, and financial systems.
- **Expansion of International Trade** due to exchange of goods and services across borders that create opportunities to larger markets access and increasing revenue.
- **Global Value Chains** as designing, manufacturing, assembling, and distributing processes are often divided across multiple countries.
- **Technological Advancement and Digitalisation** which enable businesses to reach international customers more easily due to enhanced communication, transportation, and data exchange.
- **Increased Mobility of Capital and Investment** through foreign direct investment (FDI), international banking, and global financial markets.



Key Characteristics of Global Economy, Cont.

- **Growing Role of Multinational Enterprises** as many multinational companies operate in several countries simultaneously.
- **Diverse Regulatory and Economic Environments** requiring the business to adapt to different regulations, trade policies, labour laws, and economic conditions.
- **Focus on Sustainability and Responsible Business** as the modern business organisation are required to prioritise sustainable development and ethical business practices.
- **Increased Competition Across Markets** requiring business to innovate and improve efficiency to remain competitive in international markets.
- **Opportunities for Entrepreneurship and Cooperative Enterprises** allowing new business to access larger markets, develop partnerships, and participate in international chains.



Importance of Industry Analysis in a Business Plan

- **Understanding the Market Environment** which provides peek into market size, growth trends and the economic conditions.
- **Identifying Business Opportunities** by recognising gaps in the market where new products or services can succeed.
- **Supporting Strategic Decision-Making** when it comes to pricing, target markets, marketing strategies and operational planning.
- **Assessing Risks and Challenges** which allows businesses to develop strategies to mitigate them before problems escalates.
- **Strengthening the Business Plan** which help investors, financial institutions, and partners to better understand the market potential and feasibility of the business.
- **Guiding Long-Term Business Growth** as entrepreneurs can anticipate future development of the sector.

Globalisation and Its Impact on Industries

- **Expansion of International Markets** as globalisation allows business to operate beyond national borders.
- **Increased Global Competition** as companies from different countries compete within the same field.
- **Development of Global Supply Chains** as the result of production activities which spread across multiple countries.
- **Technological Diffusion and Innovation** which allows business organisation to improve productivity and compete globally.
- **Changes in Employment and Labour Markets** as expanding industries increases job competition, especially when it comes to skilled human resources.
- **Greater Opportunities for Entrepreneurship** due to easy access to international markets, business partnerships and participate in global value chains.
- **Regulatory and Economic Challenges** requiring business to comply with different regulations, trade policies and cultural practices.

Global Market Trends and Opportunities

- **Rising Global Trade and Market Integration** allowing business to reach broader markets through exports which create new business opportunities.
- **Expansion of Digital and Online Markets** allowing any rising organisation to access international customers through various digital technologies and e-commerce platforms.
- **Increasing Demand in Emerging Economies** which creates business opportunities in industries such as tourism, technology, food services, education, and healthcare.
- **Growing Importance of Sustainable and Responsible Business** requiring business to integrate sustainability and ethics into their business models.
- **Opportunities Through Innovation and Technology** allowing the industry to develop innovative products and access markets easily.



Major Drivers of Global Economic Growth

- **Technological Innovation and Digital Transformation** as the result the output of the industries increases which positively contribute to the overall productivity and efficiency.
- **Expansion of International Trade** as there are no traditional trade barriers allowing the business organisation to access new markets with specialised products and services.
- **Human Capital Development and Education** produces skilled workforce which improves business performance and enables economies to adapt to technological changes.
- **Entrepreneurship and Business Development** helps in creating new businesses, jobs, and innovative products as the result of effective business planning, market analysis, and financial management.
- **Infrastructure Development and Investment** that reduces transaction costs, improves connectivity between markets, and increases productivity which promote long-term economic growth and sustainability.

Identifying Target Industries in the Global Economy

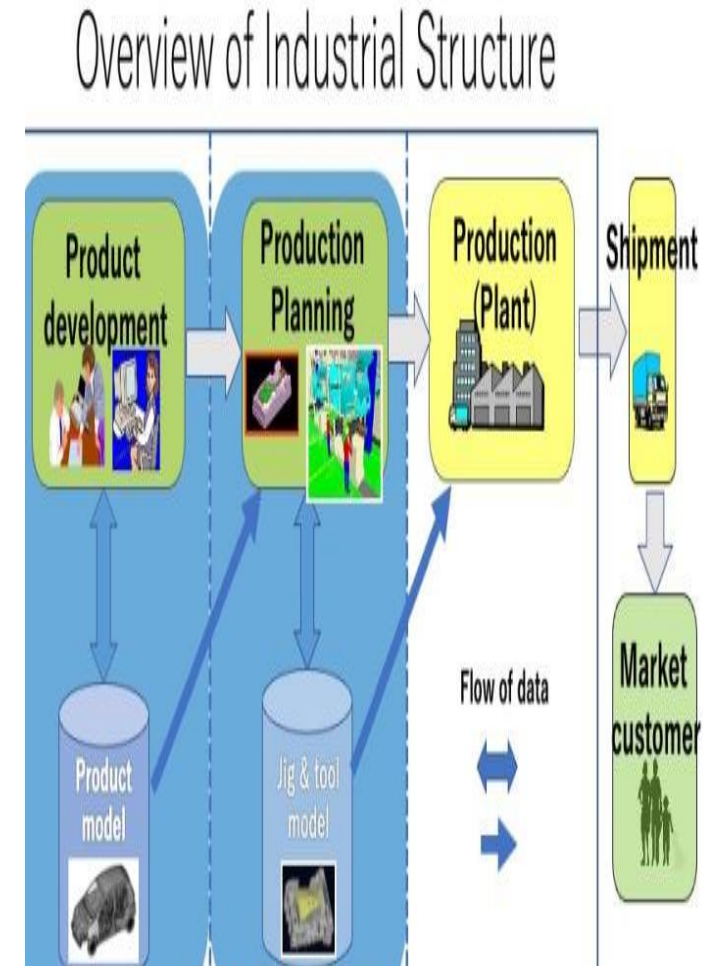
Some of the key strategies involved are:

- ❖ **Assessing Global Market Demand** for products and services by examining consumption patterns, demographic trends and economic conditions in different markets.
- ❖ **Evaluating Industry Growth Potential** which involves examining the current global economic trends, technological developments and new emerging sectors that helps in determining whether industry has long-term growth potential or not.
- ❖ **Analysing Competitive Environment** by identifying existing competitors, their strengths, pricing strategies and market share before jumping into the new market.
- ❖ **Considering Resource Availability and Capabilities** of the organisation by identifying financial resources, human resources, technology and availability of raw materials.
- ❖ **Evaluating Sustainability and Social Impact** by planning an organisation that promote environmental sustainability and social responsibility.

Global Industry Structure & Competitive Dynamics

Global Industry Structure refers to the organisation and interactions of firms within an industry across international markets.

- The business structure comprises of:
 - ❖ **number of competitors**- organisations providing the similar kinds of service.
 - ❖ **market share distribution**- organisation holding the piece of the overall market.
 - ❖ **level of market concentration**- for determining the level of competition.
- The knowledge of the structure helps in early identification of potential benefits and risks.
- Generally, it is seen that densely concentrated industries are controlled by small number of large firms having strong market presence.



Global Industry Structure & Competitive Dynamics, Cont.

- In the fragmented industries, many smaller companies compete for market share.

Competitive Dynamics refer to the approach of how the business organisation compete through pricing, innovation, quality, and market strategies.

- Some of the key factors which impact the structure and dynamics are:

❖ **Innovation and Technology.**

❖ **Barriers to entry due to limited capital, technology and strict regulations.**

❖ **High investment in research, new tools and technologies.**

❖ **Strategic positioning of the business organisation.**

- Understanding global competitive dynamics helps entrepreneurs and cooperatives develop effective business strategies.

Market Size & Growth Rates

Market Size refers to the total demand of the product/service within the specific market.

- The identification helps in determining the potential income and profit generating opportunities.
- Both the local and the global market size should be analysed when preparing a business plan.
- For any business organisation, large market means greater opportunities for higher revenue and profit.
- The market size is generally measured in terms of :

❖ **Total Sales Value.**

❖ **Revenue generated.**

❖ **Total number of potential customers.**

How to calculate market size

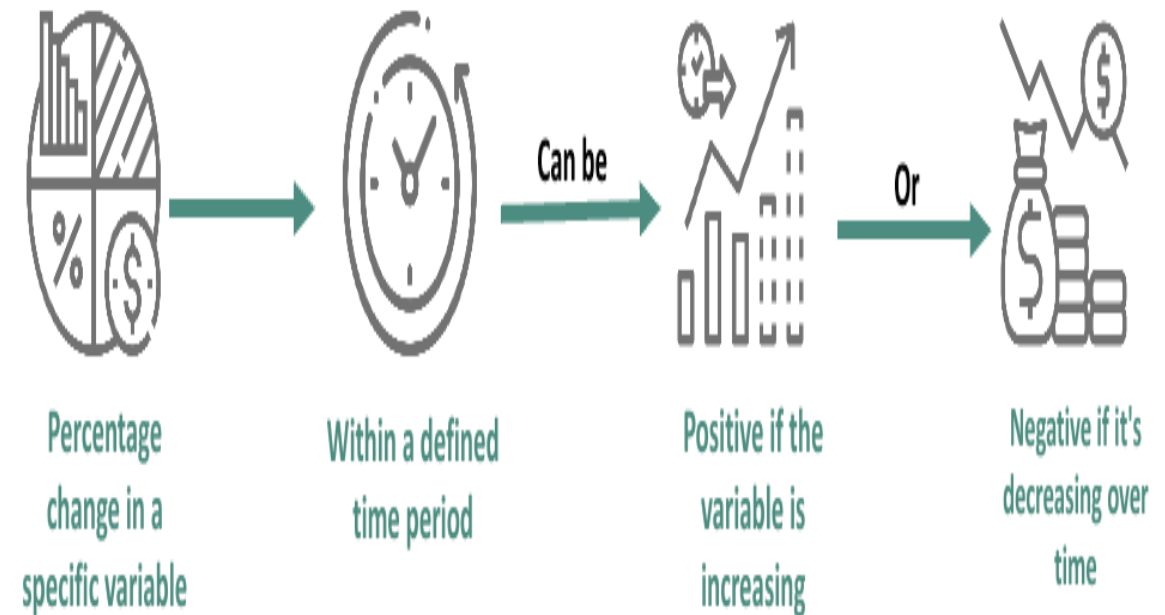
$$\begin{array}{c} \text{Core} \\ \text{Target} \\ \text{Market} \end{array} \times \begin{array}{c} \text{Potential} \\ \text{Penetration} \\ \text{of Target} \\ \text{Market} \end{array} = \text{Market Size}$$

Market Size & Growth Rates, Cont.

Growth rate refers to how quickly is the organisation expanding within the given time frame.

- It is generally calculated annually and is expressed in percentage of the market expansion.
- ❖ **High growth rate = Increasing demand and favourable conditions.**
- ❖ **Low/Declining rate = Tough competition and Stagnant market.**
- Entrepreneurs identify long-term opportunities and business risk by analysing future growth projections.
- Analysis of market size and growth rate helps in better decision making.

What Are Growth Rates?



Global Customer Segmentation & Market Needs

Global Customer Segmentation is the process dividing a large market into smaller groups of customers with similar characteristics or needs.

- It helps business to identify the various types of needs of each customer segment.
- Designing products/services which match customer requirement depends on the proper segmentation.
- Customers are segmented on the following basis:
 - ❖ **Demographic segmentation:** Based on age, gender, income, education, and occupation.
 - ❖ **Geographic segmentation:** Based on region, country, climate, or locations (urban and rural).
 - ❖ **Psychographic segmentation:** Based on customer lifestyles, values, interests, and attitudes.
 - ❖ **Behavioral segmentation:** Based on purchasing habits, brand loyalty, product usage and motivation.
- Identification of customer needs help business to develop targeted marketing strategies and prepare products that provide real value to customers.

Competitive Analysis

- Competitive analysis helps industries to realise the level of competition within the industry.
- It aims at identifying local, national and international business competitors.
- The competitors are analysed based on their products, pricing strategies, distribution channels, and marketing strategies.
- It helps business:
 - ❖ To understand market structure and industry dynamics.
 - ❖ With brand reputation, technology, and identification of financial resources.
 - ❖ Determine rival's service quality and customer satisfaction.
 - ❖ Gain new customers (from rivals).
 - ❖ Determine their unique value proposition and how they can differentiate themselves.
 - ❖ Implement best practices and successful business strategies.
 - ❖ Evolve with the changing time and customer demand.

Role of Innovation and Technology

Conclusion

Discussion Questions

Learning References

Thank you



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