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# 1.9

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## Exploring Business

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### Impact of Consumer Choices (Resources)

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## Learning Outcome Notes

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LO 1.10 - Discuss and evaluate how globalisation and developments in technology impact on consumer choice and behaviour.

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**CHAPTER QUESTIONS**

By the end of this chapter, you should be able to answer the following -

1. Define the term globalisation?
2. Explain the reasons why companies engage in foreign trade?
3. Define the term TNC?
4. Explain why TNC locate in Ireland?
5. Describe the impact of global companies and technology on consumer choice and behaviour?

**GLOBALISATION****Globalisation**

**Def** This is the process by which the world become interconnected due to increases trade. It is the increasing interconnectedness and interdependence of economies, societies, and cultures around the world. It is a phenomenon that has been driven by advances in technology, transportation, communication, and trade.

Globalisation has resulted in -

1. Increase international Trade.
2. Greater dependence on a global economy.
3. Freer movement of Capital and Goods.
4. Big companies trading all over the world and treating it as one market.

**Transnational Company**

**Def** This is a company that has its head office (Parent Company) in one country but also has subsidiaries around the world.

**Subsidiary**

**Def** This is a branch of business or a company that is controlled by a parent company.

## REASON FOR GLOBALISATION

There are several key reasons that have led to the development of globalisation:

### 1. Technological advancements

Advancements in communication, transportation, and information technology have made it easier and cheaper to connect with people and businesses across the globe. This has allowed for the development of global supply chains, the growth of e-commerce, and the ability to work remotely.

### 2. Liberalization of trade

Governments around the world have been working to reduce barriers to trade and investment, such as tariffs and quotas, to promote economic growth and job creation. This has led to the development of regional trade agreements, such as NAFTA and the EU, and the establishment of international organizations, such as the WTO.

### 3. Changing consumer preferences

Consumers today are increasingly looking for products and services that are unique, high-quality, and affordable. This has led to the development of global brands and the expansion of international markets, as companies seek to meet the demands of consumers worldwide.

### 4. Political changes

Changes in political systems and ideologies, such as the fall of communism and the rise of democracy, have opened up new opportunities for global trade and investment. This has led to the growth of emerging markets, such as China and India, which have become major players in the global economy.

### 5. Demographic shifts

Changes in population demographics, such as aging populations in developed countries and growing youth populations in developing countries, have led to new opportunities for global trade and investment. This has also led to the development of new markets for products and services targeted at specific demographics.

Overall, these factors have contributed to the growth of globalisation and the increasing interconnectedness of the world economy.

## DELIVERY SYSTEMS

### Delivery Systems

**Def** This refers to how the product gets transported from the manufacture to the consumer. It includes various components, such as transportation, logistics, communication, and storage.

Delivery System	Advantages	Disadvantages
Road	<ol style="list-style-type: none"> <li>1. Widely available and accessible.</li> <li>2. Flexible and customizable routes.</li> <li>3. Can transport small to medium-sized shipments.</li> <li>4. Door-to-door service.</li> <li>5. Quick delivery times for short distances.</li> </ol>	<ol style="list-style-type: none"> <li>1. Congestion and traffic delays.</li> <li>2. Limited capacity for large shipments.</li> <li>3. Can be affected by weather conditions and road closures.</li> <li>4. Higher risk of accidents and damage to goods.</li> </ol>
Rail	<ol style="list-style-type: none"> <li>1. Efficient and cost-effective for long-distance transport of large shipments.</li> <li>2. Lower carbon emissions compared to road transport.</li> <li>3. Dedicated rail lines and intermodal connections</li> <li>4. Can transport a wide variety of goods.</li> <li>5. Less affected by weather conditions compared to road transport</li> </ol>	<ol style="list-style-type: none"> <li>1. Limited accessibility to some locations.</li> <li>2. Fixed schedules and routes.</li> <li>3. Longer delivery times compared to air or road transport.</li> <li>4. Limited door-to-door service.</li> </ol>
Sea	<ol style="list-style-type: none"> <li>1. - Ideal for transporting large quantities of goods over long distances.</li> </ol>	<ol style="list-style-type: none"> <li>1. Longer delivery times compared to air or road transport.</li> </ol>

	<ol style="list-style-type: none"> <li>2. Lower transportation costs compared to air transport.</li> <li>3. Lower carbon emissions compared to road transport.</li> <li>4. Can transport a wide variety of goods.</li> <li>5. Intermodal connections with other modes of transport.</li> </ol>	<ol style="list-style-type: none"> <li>2. Limited accessibility to some locations.</li> <li>3. Can be affected by weather conditions and port congestion.</li> <li>4. Higher risk of damage to goods during transit.</li> </ol>
Air	<ol style="list-style-type: none"> <li>1. Fastest mode of transportation for long distances.</li> <li>2. High level of security and tracking.</li> <li>3. Can transport time-sensitive and high-value goods.</li> <li>4. Global accessibility.</li> <li>5. Limited risk of damage to goods during transit</li> </ol>	<ol style="list-style-type: none"> <li>1. Higher transportation costs compared to other modes.</li> <li>2. Limited capacity for large shipments.</li> <li>3. Can be affected by weather conditions and airport congestion.</li> <li>4. Limited accessibility to some locations.</li> </ol>

It's important to note that the advantages and disadvantages of each transportation mode can vary depending on the specific circumstances of the shipment, such as the distance, size, and value of the goods being transported.

**TRANSNATIONAL COMPANIES**

**Foreign Direct Investment** <sup>Def</sup> This is when a foreign company set ups a subsidiary of their parent company in Ireland or another country. It is also known as FDI and is called inward investment.

Transnational corporations (TNCs) are attracted to countries like Ireland for a variety of reasons, including:

### 1. Favourable business environment

Ireland has a business-friendly environment, with low corporate tax rates, streamlined regulations, and a skilled and educated workforce. This makes it an attractive location for TNCs looking to establish a presence in Europe.

### 2. Access to the EU market

As a member of the European Union, Ireland provides TNCs with access to a large and lucrative market of over 500 million consumers.

### 3. Investment incentives

The Irish government offers a range of investment incentives and supports for foreign companies, including grants, tax credits, and R&D funding.

### 4. Strong ICT infrastructure

Ireland has a strong information and communications technology (ICT) infrastructure, with high-speed internet, advanced data centres, and a growing tech ecosystem. This makes it an attractive location for TNCs in the tech and digital sectors.

### 5. English-speaking workforce

With English as its first language, Ireland offers TNCs a workforce that is proficient in the language of business and can easily communicate with clients and partners around the world.

### 6. Proximity to Europe and the US

Ireland's location on the western edge of Europe makes it a convenient gateway to both Europe and the United States, with direct flights and easy access to major transportation hubs.

Overall, these factors make Ireland an attractive location for TNCs looking to expand their operations, access new markets, and take advantage of a favourable business environment. However, it's important to note that there may also be challenges and risks associated with investing in a foreign country, such as cultural differences, political instability, and economic volatility.

### IMPACT OF GLOBALISATION

**Repatriation of Profits** <sup>Def</sup> This is when a TNC send their profits back to their home country

Remember that Globalisation means buying and selling goods abroad. This can have its advantages (Choice) but also Disadvantages (Carbon footprint)

Positive	Negative
<p>1. <b>Increased trade and investment</b> - Globalisation has led to increased trade and investment between countries, which has facilitated economic growth and development.</p>	<p>1. <b>Job losses and wage stagnation</b> - Globalisation has led to the relocation of jobs to lower-cost countries, which has resulted in job losses and wage stagnation in some industries and regions.</p>
<p>2. <b>Greater access to goods and services</b> - Globalisation has enabled people to access a wider range of goods and services from around the world, often at lower prices.</p>	<p>2. <b>Environmental degradation</b> - Globalisation has contributed to environmental degradation through increased consumption and production.</p>
<p>3. <b>Technological advancement</b> - Globalisation has spurred technological advancements, which have transformed the way people live and work.</p>	<p>3. <b>Growing income inequality</b> - Globalisation has led to the concentration of wealth and power in the hands of a few, exacerbating income inequality</p>
<p>4. <b>Improved living standards</b> - Globalisation has contributed to the reduction of poverty and the improvement of living standards in many countries,</p>	

### THE INFLUENCE OF DEVELOPMENT OF ICT

**ICT** <sup>Def</sup> This stand for Information Communication Technology. It refers to the use of technology to process, store, retrieve, transmit, and manipulate information. This includes a wide range of tools and technologies, such as computers, smartphones, the internet, social media, software, and other digital devices.

For example - the use of smartphones and social media to communicate and share information with others.

Here are some of the ways in which ICT has contributed to increased globalisation:

1. Communication

ICT has made it easier for people to communicate and share information across the globe, breaking down traditional barriers of time and space. This has enabled businesses to communicate with customers and partners in different parts of the world, and has facilitated the growth of international collaboration and innovation.

2. E-commerce

ICT has enabled businesses to sell products and services online, creating new opportunities for international trade and commerce. E-commerce platforms like Amazon and Alibaba have made it easier for businesses to reach customers in different countries, and for consumers to access a wider range of goods and services from around the world.

3. Data and information exchange

ICT has enabled the exchange of vast amounts of data and information across borders, which has facilitated international trade, investment, and research. For example, scientists and researchers can now collaborate on projects from different parts of the world, using digital tools to share data and insights.

4. Social media

ICT has enabled the growth of social media, which has transformed the way people connect and share information with each other. Social media platforms like Facebook, Twitter, and Instagram have created new opportunities for international communication and cultural exchange, as people can connect and interact with others from different parts of the world.

Overall, ICT has played a critical role in the growth of globalisation, enabling people and businesses to connect, communicate, and exchange information across borders and time zones. As ICT continues to evolve and advance, it is likely that it will continue to shape and drive the growth of globalisation in the years to come.



## THE IMPACT OF ICT ON CONSUMER CHOICE AND BEHAVIOUR

Information and Communication Technology (ICT) has had a significant impact on consumer choice and behaviour, transforming the way people shop, consume, and interact with products and services. Here are some of the keyways in which ICT has impacted consumer choice and behaviour:

### 1. Access to information

ICT has made it easier for consumers to access information about products and services, including pricing, quality, and availability. Consumers can now research and compare products online, read reviews and ratings from other consumers, and access a wealth of information that was previously difficult to find. This has enabled consumers to make more informed choices and to demand higher quality products and services.

### 2. Convenience

ICT has made it easier and more convenient for consumers to shop and consume products and services. E-commerce platforms like Amazon enable consumers to shop online from the comfort of their homes, while mobile apps and services like Ryanair and Deliveroo make it easier for consumers to access transportation and food delivery services.

### 3. Personalisation

ICT has enabled businesses to personalise their products and services to meet the individual needs and preferences of consumers. For example, online retailers can use data and analytics to recommend products based on a consumer's past purchase history, while streaming services like Netflix can personalize their recommendations based on a user's viewing history and preferences.

### 4. Social influence

ICT has enabled consumers to share their opinions and experiences with products and services through social media platforms, which can influence the purchasing decisions of others. Social media influencers and brand ambassadors can also have a significant impact on consumer behaviour, as they can promote products and services to their followers and generate buzz and excitement around new products.

Overall, ICT has had a profound impact on consumer choice and behaviour, enabling consumers to access more information, shop more conveniently, personalize their experiences, and be influenced by social media and other online channels. As ICT continues to evolve and advance, it is likely that it will continue to shape and transform consumer behaviour in new and unexpected ways.

**E-Commerce** <sup>Def</sup> E-commerce, short for electronic commerce, refers to the buying and selling of goods and services over the internet or other electronic networks. E-commerce allows businesses to reach a global market and sell their products and services online. Customers can browse and purchase products and services online using a computer, tablet or smartphone.

Advantage of E-Commerce	Disadvantage of E-Commerce
1. <b>Global reach:</b> E-commerce allows businesses to reach customers from around the world, opening up new markets and opportunities for growth.	1. <b>Lack of physical interaction:</b> E-commerce lacks the personal touch of physical stores and can make it difficult to see products before purchasing.
2. <b>Convenient:</b> Customers can shop online from anywhere and at any time, without the limitations of physical stores' opening hours.	2. <b>Security concerns:</b> E-commerce transactions may be vulnerable to security breaches, and hacking, which can compromise sensitive customer data.
3. <b>Cost-effective:</b> E-commerce eliminates the need for a physical store, reducing overhead costs associated with rent, utilities and staffing.	3. <b>Technical issues:</b> Technical issues such as website downtime and software errors can negatively impact the customer experience and lead to lost sales
4. <b>Personalization:</b> E-commerce enables businesses to personalize their marketing and customer experience based on customer data and preferences	4. <b>Dependence on technology:</b> E-commerce businesses are heavily reliant on technology and may face challenges if systems fail or require upgrades.
5. <b>Scalability:</b> E-commerce businesses can quickly and easily scale their operations to accommodate increases in demand.	5. <b>Shipping and logistics:</b> E-commerce businesses must manage shipping and logistics, which can be complex.