

International Business
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Lecture – 58
Global Sourcing, Distribution System, Role of Internet

Welcome friends, welcome again to the class of a International Business. So, in the last lecture we started discussing about the effect of supply chain management, global sourcing and manufacturing strategy on international business right, of a firm.

So, as we discussed that you know the most important thing that firms today are doing, are managing their supply chain in the most efficient manner right. And thanks to the internet that it today it has been possible that supply chain systems have become very much effective right. In comparison to the earlier days when there was no that not much of internet systems and there was no development in that.

So, we realize that today companies are all competing against each other, for maybe it is a for example, companies like you talk about the big Unilever or for example, Johnson and Johnson, or you talk about Hyundai, you talk about Honda Motors, you talk about Toyota, you talk about for example, Apple right, Cisco Systems.

So, all these companies whoever you can think of right, whichever company you can think of they have created a very strong robust, very strong efficient you know a supply chain system right. And then we also talked about what is the role of global sourcing because today the whole world has become like one big market.

No wonder that you know most of the American companies are having their operations in China, in Taiwan, in India, because they find it they find that the markets are also there and not. And as well as you know there is lot of opportunity in production and manufacturing because the quality is good enough and in addition to the good quality there is a high advantage of low cost manufacturing right.

So, in the last lecture we discussed we started discussing about this global sourcing and production strategy.

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So, look at this diagram right. So, when you talk about global sourcing and the production strategy. So, the how does it look like, first it starts with a sourcing of the raw materials the parts and the components, which are important in the production or the manufacturing process right.

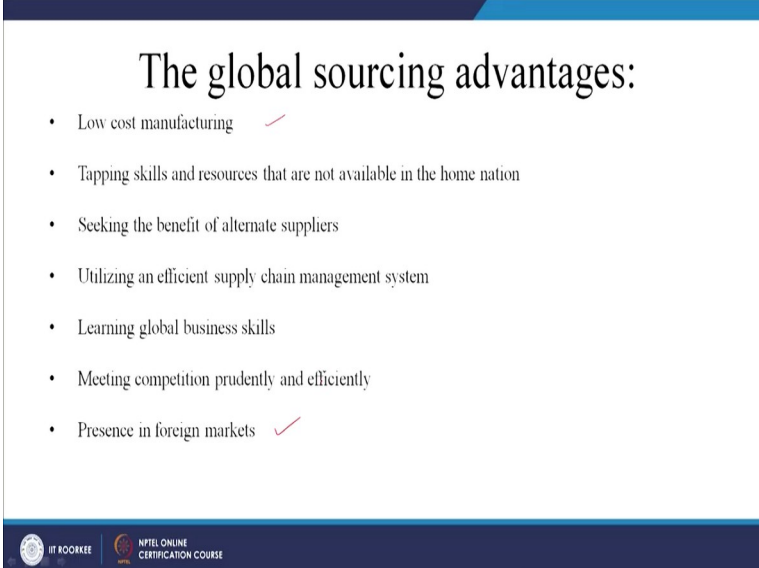
So, once this components are sourced right, it could be sourced you know from the home country or abroad or you know some foreign other places or both right. Then it goes to the manufacture and assembly of components and the final products. So, either it goes into the manufacturing system or the assembling of the parts. For example, most of the computer manufacturers are today assemblers whereas, you see most of the car manufacturer or you know or many other companies, they manufacture their own products.

So, that then it goes to the manufacturing a process or assembly process. Then finally, it goes to the sales of the products. So, this is the, this stage is called the stage of production and sales where you source manufacture and sell the product. So, and this is the location of the sourcing right.

It could be home in the home country or it could be somewhere outside. So, it depends and all this then done efficiently this complex system when they can be managed efficiently, it leads to a very high optimization all of the businesses right.

So, the global firms they do extremely well because they could they can manage this supply chain systems and everything right. So, they gain advantage, they created differentiating factor, they become low cost manufacturers and that is how they become successful.

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The global sourcing advantages:

- Low cost manufacturing ✓
- Tapping skills and resources that are not available in the home nation
- Seeking the benefit of alternate suppliers
- Utilizing an efficient supply chain management system
- Learning global business skills
- Meeting competition prudently and efficiently
- Presence in foreign markets ✓

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Now, what is the advantage of the global sourcing? Now first of all when you talk about the global sourcing, you see all the countries when you talk about international business, you have to talk about you know global sourcing we have already understood that. Now why global sourcing is required first of all it creates a low cost manufacturing right.

So, you most of the companies who come to India from Europe or USA or from Canada anywhere from, so most of these companies come to these places the Asian economics, just because they find a good market and also equally a very low cost manufacturing system, then tapping skills and resources that are not available in the home nation.

Now that can be some skill or resources. For example, India can is a very Indians are very good at mathematics right and their data analytic skills are very good. So, many Indians are hired for programming and you know data analytics like job which is a very good skill. So, that becomes an advantage for the companies to hire people with such certain skills and at a good at a cost which is beneficial to them, then seeking the benefit of alternate suppliers.

So, global sourcing helps you to, you know to have several suppliers. So, sometimes there is not a debate whether it should be one supplier or few supplier which is preferable or multiple supplier theory. So, it should accompany have large number of supplier base. So, that in case something goes wrong and they can back up on some other suppliers or they should depend only a few ones and try to invest in them and develop them.

Now, that is a debate which has been going on. Some theorists have been saying this you know few supplier theory is good some have been saying, the you know the large supplier base is good. Now that is a very debatable there a both have their own pros and cons so will see that.

Utilizing an efficient supply chain management system right and it helps you to learn the global business skills right, global sourcing also helps you to learn global business skills right meeting competition prudently and efficiently. You understand when you know I am sourcing from different places, who are what are my competitors doing, how are they manufacturing and do I have an advantage over them or they are having an advantage of over us right. And it also helps you to make a presence in the foreign markets.

So, these are some of the sourcing advantages by sourcing the raw material the market also becomes accessible to the manufacturer right.

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Disadvantages of global sourcing :

- No exposure of international culture, traditions and beliefs
- Hidden costs related to different time zones and languages, *Productivity*
- Financial and political risks associated with emerging economies
- Risk of losing intellectual properties, patents and copyrights
- Long lead times
- Labor problems and labor related issues
- Unnecessary shutdowns and supply interruptions
- Difficulty in supervision
- Difficulty of monitoring goods and services quality

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But, it is not that global sourcing is without disadvantages, they have a lot of disadvantage also. What happens? No exposure of international culture tradition and beliefs right. So, when you are you know, suppose you do not have an exposure of international culture and so, when you are sourcing it from globally you may run into a risk of offending somebody or you know trying to disturb somebody's hurt somebody's sentiments or culture.

So, that becomes a difficult how to manage, actually this is something you can understand managing the supply chain because of the difference in the culture and this you know behaviours becomes a big challenge right. Cross cultural you know aspects are very important right.

Second is the hidden costs related to different time zones and languages and also you can say the productivity right of the people right or the skills. So, sometimes it is argued that some markets like for example, the Indian market the labour is very cheap, but then some other argue that it is not so, because if you see the Indian labour works for a lesser time in comparison to a worker in China or for example, Japan.

Now, the overall cost when we count sometimes it is not what one assumes right. So, that becomes another disadvantage. If one runs into a market where the productivity of the workers is less right, financial and political risks associated with the emerging economies right.

When you are getting into a global sourcing; so, there is a financial and political risk the political risk like for example, there could be a political de stability in the country, in those countries or there could be a financial issues, which may run into a you know currency exposure or a you know currency issue.

So, then risk of losing intellectual properties, patents for example, many pharmaceutical industries their major complaint is that their intellectual property is not getting, is being not safe in safety in safe hands. When it comes to the emerging economies it is being copied and the players in these economies they are copying technology and products and making or non their own.

Long lead times also becomes a major issue. Labour problems are another issue for example, I remember one company in Orissa, which came to start its operations called

Posco a South Korean company. They had a major issue right, they could not they had invested lots of money and time in to start their operations, but they could not do it because of the you know political issues and the labour issues.

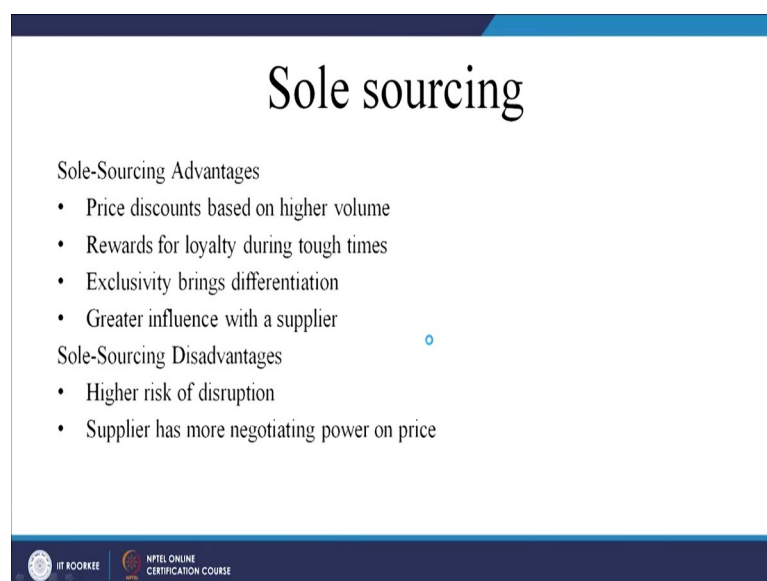
So, they had to suffer right, many companies do not understand the **labor** regulations also in another country, that becomes a difficulty. Unnecessary shutdowns and supply interruptions are also main stay in many emerging economies.

So, how do this MNC's, how do they control how do they take care of it, because maybe looking at this overall sometimes it becomes more costlier to be in a country, where just the labour cost might be less. But other issues might make it more costlier right, difficulty in supervision and then difficulty of monitoring the quality of the goods and services.

So, all these are different issues which are also involved with the global sourcing actually rather saying disadvantages, I would say it is deceiving difficulties of global sourcing right rather saying disadvantages.

Now, sometimes as we discussed that some arguments are there that companies should go for a sole sourcing or only sourcing from very few vendors right, but then what there are arguments as I was saying in the just some time back.

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Sole sourcing

Sole-Sourcing Advantages

- Price discounts based on higher volume
- Rewards for loyalty during tough times
- Exclusivity brings differentiation
- Greater influence with a supplier

Sole-Sourcing Disadvantages

- Higher risk of disruption
- Supplier has more negotiating power on price

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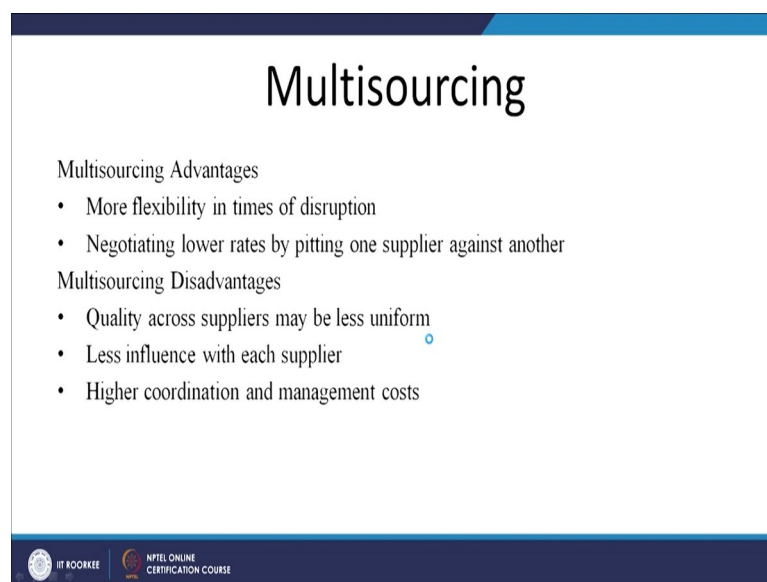
So, for example, what are the sole sourcing advantage is, when companies go for a few companies they get some advantages for example, the advantage could be price discounts based on higher volume, rewards for loyalty during tough times. So, many companies have seen you know employed this strategy and they have got the rewards also, because by being loyal to their vendors the vendors have repaid back in a difficult times right.

Exclusivity brings differentiation also right and greater influence with the supplier. So, companies like Tata's for example, India they have invested a lot in developing their suppliers. So, that this suppliers can help in the differentiation of their products and bring in new innovations and changes.

But there are disadvantages because higher risk of disruption, suppose there is a you know a logistical problem or there is a issue in the company. Then the if you have few suppliers maybe the getting the raw material or the component becomes a challenge.

And then sometimes even if your choice of supplier is wrong or bad, then the negotiating you know issues come into play. And the supplier may be tries to negotiate on basis of it is power right. So, these are some of the advantages and disadvantages of the sole sourcing right.

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Multisourcing

Multisourcing Advantages

- More flexibility in times of disruption
- Negotiating lower rates by pitting one supplier against another

Multisourcing Disadvantages

- Quality across suppliers may be less uniform
- Less influence with each supplier
- Higher coordination and management costs

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Similarly, multi sourcing it has it is own advantages and disadvantages. Multi sourcing means multiple sourcing from multiple sources and large number of vendors. So, you

have flexibility in terms of disruption for example, as of today when the Corona is going on.

So, countries have understood that had the dependence on Chinese vendors been little less, it would have been much better because the supply chain disruptions would not have been as high as it is today.

Negotiating lower rates by pitting one supplier against another there, so by comparing making the suppliers compete against each other the buyer can take advantage of the price, price advantage. But what is the disadvantage? Disadvantage is the disadvantage is that because of the lesser price may be the quality suffers suppose a vendor is selected on basis of price the quality of the produce might the component might be severely affected.

Similarly, the influence with each suppliers also low, because you are not involved you do not know who the supplier is exactly as good as when you have few suppliers, so that also becomes a disadvantage. And we have seen you know and moreover that the third point can tell you better the higher coordination and the management cost. Because you have large number of suppliers how to coordinate with them and how to manage the coordination cost. So, that becomes a challenge.

So, overall it has been seen in the recent times that companies have preferred a sole sourcing strategy, but that would not be say true to say in as an umbrella you know, you know a blanket of ice. Because it depends on the what kind of products also the companies are manufacturing.

If the company's products are very sensitive or very, you know much elastic price is highly sensitive to price and all and they are very suppose sensitive products. In that case a you know you need to have a lot of backup. So, that time maybe you know depending on a of large numbers of suppliers might be good, but suppose it is a regular right product to be manufactured, then a few suppliers is always preferable. So, there could be different arguments for and against both the points right.

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The slide is titled "Major sourcing configurations" in a large, black, serif font. Below the title, there is a bulleted list with two items: "Vertical integration" and "Industrial clusters". To the right of "Vertical integration", the name "Ronald Coase" is handwritten in red ink and underlined. To the right of "Industrial clusters", the name "Williamson" is handwritten in red ink and underlined. Below the list, the phrase "Transaction cost:" is handwritten in red ink. At the bottom of the slide, there is a dark blue footer bar containing two logos: the IIT ROORKEE logo on the left and the NPTEL ONLINE CERTIFICATION COURSE logo on the right.

Major sourcing configurations

- Vertical integration Ronald Coase
- Industrial clusters Williamson

Transaction cost:

Now, major sourcing configurations, so earlier since the past it has been seen the world has gone through several changes. For example, when you talk about the sourcing companies in the past had gone for a after you know, when Ronald coarse theory came up, Ronald coarse gave this theory of transition cost right and with Williamson. So, not with Williamson, Williamson in a different time frame, but Williamson also has talked about transition cost.

So, vertical integration was a concept which said that companies need to be independent and they should do everything on their own. So, that there is very little dependency on outsiders and that is how they can control the maximum. So, they would not have a problem of let us say quality, problem of availability of raw material or all these things right.

But, then these sourcing methods were sometimes were largely challenged and vertical integration give way to a you know to new methods of thinking in the recent future. And companies thought why not get into a more specialized thing right where companies one company does only one thing in a good way. And not that one company does everything on it is own. So, this help in reducing the cost of the products.

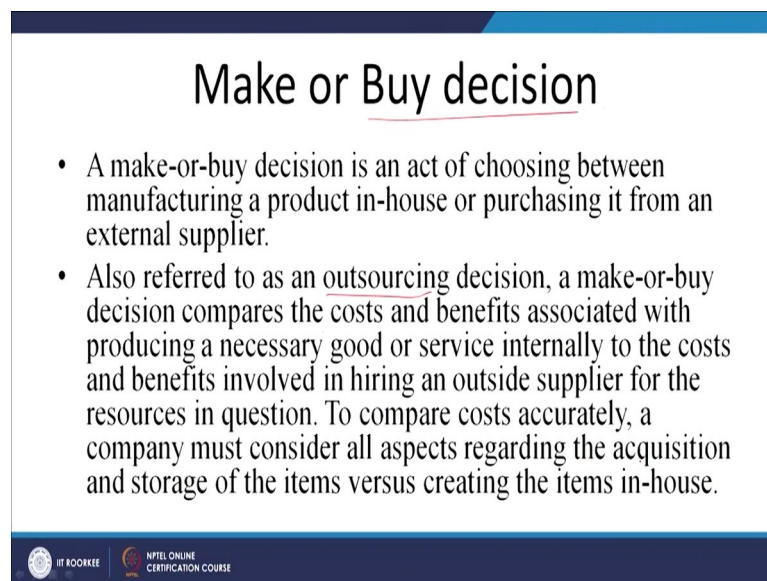
Because; obviously vertical integration you are doing everything so you did not have the, you could not optimize and everything and the cost of manufacturing was not being able to control. But when the idea specialisation came in though the companies did only one

or two things and they become experts in that become really helpful for reducing cost and having better qualities.

Similarly, industrial clusters are preferred to nowadays because industrial clusters also help in reducing the transaction cost to a large extent because a large number of industries are clustered around. And because they are close to each other the transportation costs are very less, that is how the idea of a you know special economic zone has also come into play.

So, industrial clusters are very also important concepts which help in sourcing right. Another important point when the company talks about you know manufacturing strategy and optimizing and supply chain optimization, it is to make to decide whether to make or buy right.

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Make or Buy decision

- A make-or-buy decision is an act of choosing between manufacturing a product in-house or purchasing it from an external supplier.
- Also referred to as an outsourcing decision, a make-or-buy decision compares the costs and benefits associated with producing a necessary good or service internally to the costs and benefits involved in hiring an outside supplier for the resources in question. To compare costs accurately, a company must consider all aspects regarding the acquisition and storage of the items versus creating the items in-house.

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So, this becomes what it is saying is the make or buy decision is an act of choosing between manufacturing a product in house or purchasing it, from an external supplier. So, would you like to make it in house; that means, would the manufacturer want would like to make the product by it is own or they would like to give it to somebody else. Now this was an idea which came out from the theory of Prahalad and Hamel Gary Hamel, when they talked about the idea of core competency.

They said there is no it is not wise that a company should do you know this the product the you know everything on their own, rather they should depend on most of the product, they should do it they get should get it from outside from vendors who are good at doing this right.

So, core competency was the idea which said that, a company has a core competency and they should focus on their core competency right. So, the make or buy decision become a very integral part after that when this kind of discussions arised right. So, sometimes it is referred to as an outsourcing this buy decision is sometimes referred to as an outsourcing also right.

So, it the a make or buy decision compares the cost and benefits associated with producing a necessary good or service internally, to the cost and benefits involved in hiring an outside supplier. Now to compare cause accurately a company must consider all aspects regarding the acquisition and storage versus creating the items in house.

So, the point is this is a very debatable thing, there have been lots of research papers on this. Whether the company should go for a make decision or should they go for a buy decision and I am talking about only on a from economical point of view, I am not talking from a political point of view.

So, if you talk from economical point of view sometimes it looks imperative to make it because as vertical integration said you do everything on your own, but then they later on they said there is no point in doing everything. Rather you work on your core competency and you buy the other products from suppliers or vendors who are good at it.

But the question is, if you know do this buying decision. Or you do make it you have to first compare one has the company has to compare, whether in the trade off if they make it is a profitable or they buy it is a profitable. And this profitability is necessarily to be seen not only from a short term perspective, it is from a long term perspective also.

Because there is a very famous paper called the hollow corporation in which, the author Betvis has said that, buy outsourcing most of the products from external vendors, the companies are losing their ability to manufacture in house.

So, that is a very threatening point. For a short term profit it is ok, but what about when a company outsources you know system, for a very long time and it loses its ability to have it in house. And then after that maybe the companies or the suppliers can have a higher negotiation power. So, that is kind of these are the kind of worries which one can have when you talk about a make or buy decision right.

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Global Logistics and Distribution

- Global logistics and distribution have played a critical role in the growth and development of world trade and in the integration of manufacturing on a worldwide scale.
- The use of appropriate distribution channels in international markets increases the chances of success dramatically.
- As firms start operating on a global basis, logistics managers need to manage shipping of raw materials, components, and supplies among various manufacturing sites at the most economical and reliable rates.
- The development of intermodal transportation and electronic tracking technology has resulted in a quantum jump in the efficiency of the logistic methods employed by firms worldwide.

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Then we talk about the global logistics and the distribution, how global logistics happen and what is how it you know with the how the distribution happens. Now global logistics and distribution have played a critical role in the growth and development of world trade and in the integration of manufacturing on a worldwide scale. Because we understand logistics is basically the entire transfer of goods and services right from one place to the other.

Now, when you talk about this the use of appropriate distribution channels in the international markets, increases the chances of success dramatically now what kind of a distribution channel? If you have a right distribution channel, now what is the right distribution channel?

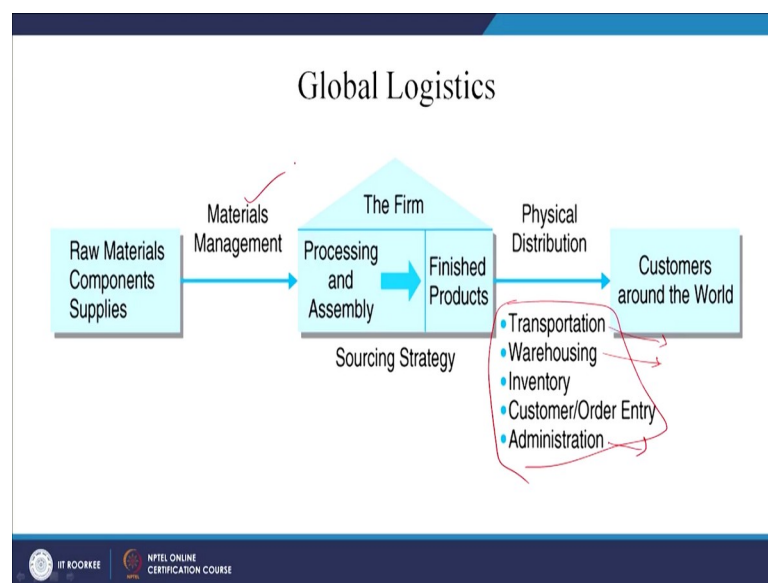
A right distribution channel is a my means what I mean is that the channel should be as per the local conditions. So, in some countries the distribution channels are very long some the distribution channels are very short. So, it depends on the culture of the country right.

As firms start operating on global basis logistic managers need to manage shipping of raw materials components and supplies among various manufacturing sites, at the most economical and reliable rates. So, and finally, the development of intermodal transportation and electronic tracking methods has resulted in a quantum jump in efficiency of the logistic method.

So, as I said thanks to internet and you know all this RFID and you know systems like which can tracking devices and all, which have helped in maintaining the logistics and optimizing in the logistic sector.

So, earlier it is what used to happen for a, let us say a shipping or a truck has moved. So, we did not know where it was and how it was doing where it how many days would take to reach the destination, but today it has become very simple to keep a track on it and then you know manage it right. So, let us look at this how it looks the global logistics.

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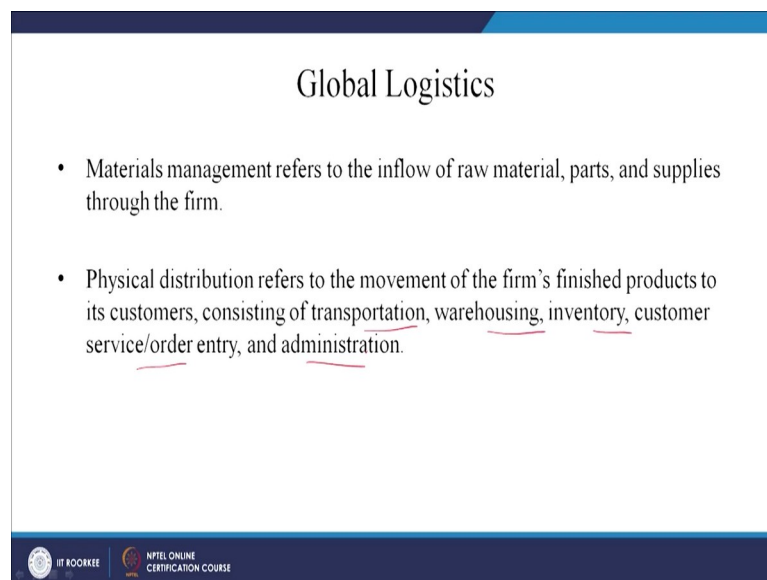
So, the raw materials components and supplies this is the raw material component and supplies and it goes. So, this is goes to the firm right. So, this part is called the material management. And here when it comes to the firm there is processing and assembly right and finished products are made right. So, this is the sourcing strategy of the firm and after this finished product is made then physical distribution happens.

So, there are you there are sub topic like a transportation, how to transport, how to wear to warehouse and how to warehouse, how to manage the inventory how to take the customer you know order entry and how to administer it or what how to you know, what is the administration method.

So, these factors affect the physical distribution also right. So, now, and then with the help of this thus a product is supplied to customers around the world. Now these processes this only three steps, they are looks it looks very simple, but there is a lot to work on it and it is every step you can see in transportation you can optimize, how you can optimize in the warehousing system you, how to manage your inventory, how to forecast your inventory, how to take the order, how to reduce the lead time everything right, how to manage your people the labour, who is working right how to create a total quality management.

All these things in total have a large impact on the global logistics system. And further on the international business or the profitability of the company to spread their business in so many different countries right.

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The slide is titled "Global Logistics" and contains two bullet points. The first bullet point defines materials management as the inflow of raw material, parts, and supplies through the firm. The second bullet point defines physical distribution as the movement of the firm's finished products to its customers, consisting of transportation, warehousing, inventory, customer service/order entry, and administration. The slide also features logos for IIT ROORKEE and NPTEL ONLINE CERTIFICATION COURSE at the bottom.

Global Logistics

- Materials management refers to the inflow of raw material, parts, and supplies through the firm.
- Physical distribution refers to the movement of the firm's finished products to its customers, consisting of transportation, warehousing, inventory, customer service/order entry, and administration.

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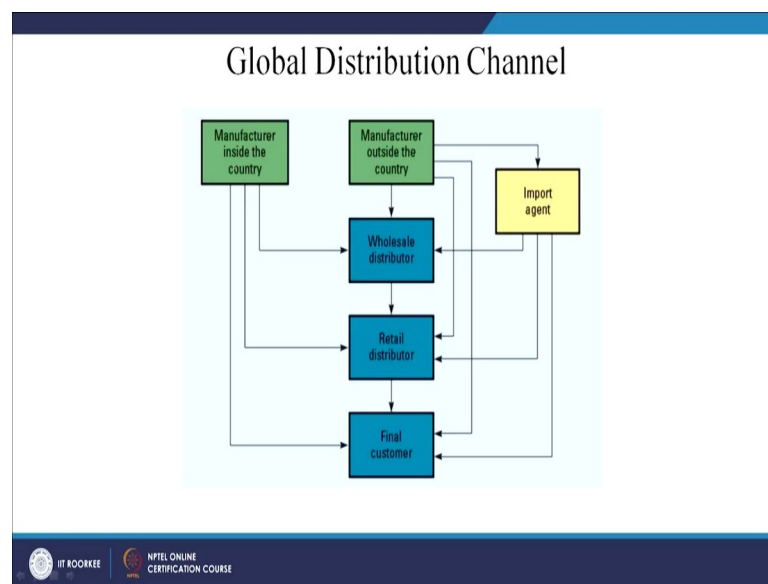
Now, how do you define this global logistics? Material management refers to the inflow of raw material parts and supplies through the form so, when you talk about this here this point material management? So, when you talk about global logistics we said if the entire

spread of you know distribution, or spread of the goods and services from one part to the other is logistics.

Now, this two things let us say will discuss, material management out of it refers to the inflow of raw material parts and supplies it is not all through the firm. So, material management also includes the even the managing the products for example, how to code the products how to manage it in different order in a particular order.

So, that getting it in the right time becomes easier and simpler right. And what is physical distribution when we say physical distribution refers to the movement of the finished products, to it is customers consisting of transportation warehousing inventory order entry and administration which we discuss.

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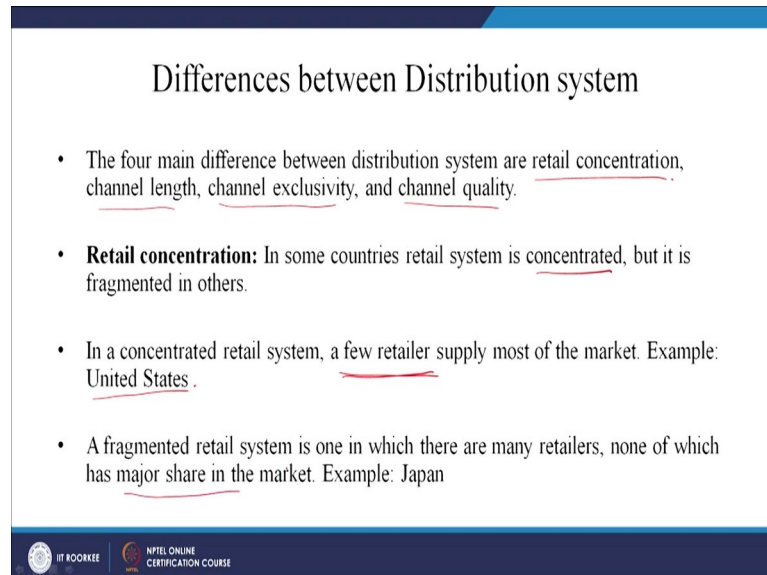


Now, this is how a distribution channel looks like. So, the manufacturer inside the country the manufacturer is inside the country, the when the manufacturers outside the country. So, there is a you see there is a wholesale distributor, then a retail distributor and the final customer right.

So, when it is outside the country the manufacture out is outside the country, it has an import agent and this import agent then tries to connect through the wholesale distributors, or the retail distributes or the final customers. So, the manufacturer can do it



directly or you can do it through an import agent, but when it is inside the country it can have a better control over the distribution channel.

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Differences between Distribution system

- The four main difference between distribution system are retail concentration, channel length, channel exclusivity, and channel quality.
- **Retail concentration:** In some countries retail system is concentrated, but it is fragmented in others.
- In a concentrated retail system, a few retailer supply most of the market. Example: United States.
- A fragmented retail system is one in which there are many retailers, none of which has major share in the market. Example: Japan

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Now, what are the differences between the distribution system? Now four main differences between the distribution system exists. What are they? Retail concentration, so what is retail concentration? We will see first let us discuss the four retail concentration, length of the channel, channel exclusivity and channel quality right.

What they are let us see one by one. Retail concentration in some countries retail system is concentrated, but it is fragmented in others, now what is it is meaning? In a concentrated system a few; that means, concentrated is few retail supplier supply most of the market, the most of the products in the United States example.

A few retailers are large retailers control the system. In a fragmented retail system there are many retailers and none of them have a major share in the market. For example, Japan you cannot although you can there is if there are few major ones, but you cannot say as in US you have large ones like the Walmart, home depot or anybody you cannot find that in this fragmented system ok.

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Differences between Distribution system

- **Channel Length:** It refers to number of intermediaries between the producer and the consumer. If producers sells directly to the consumer, the channel is very short. If the producer sells through an import agent, a wholesaler, and a retailer, a long channel exists.
- The most important determinant of channel length is the degree to which the retail system is fragmented. Fragmented retail system tend to promote the growth of wholesaler to serve retailers, which lengthens channels.
- Japan, India have larger channel length. ✓
- U.S., Britain, Germany have shorter channel length.

Handwritten diagram: P → C & F → W → D → R → C

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Now, what is channel length? It refers to the number of intermediaries between the producer and the consumer. If producer sells directly to the consumer the channel is very short, if the producer sells through an import agent a wholesaler a retailer and long and retailer is the channel length is exit increasing. In some countries in fact, they have a short channel lengths.

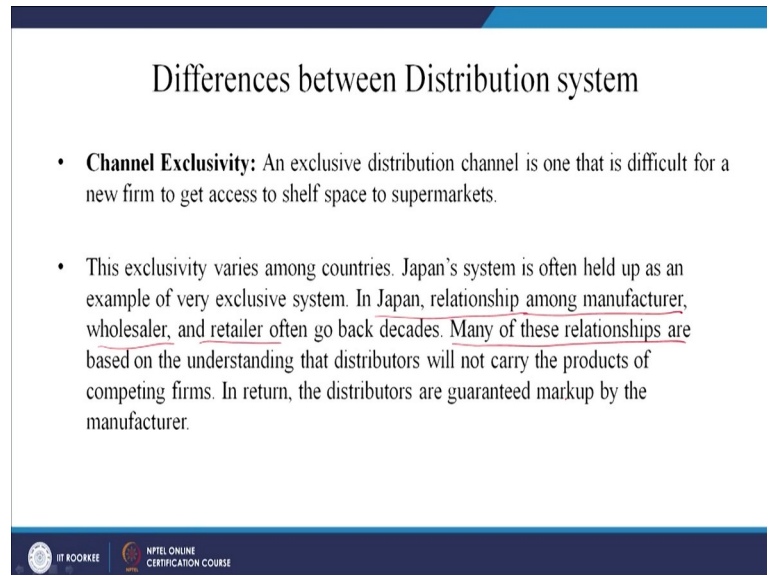
That means, they try to remove the intermediaries as much as possible. For example, there could be for example, let us see the manufacturer then there is a C and F agent, there is a wholesaler, there is a distributor, also there is a retailer, then there is a customer.

So, 1, 2, 3, 4, 5, 6 so, there can be 6 lengths also right. But in some countries they could be they could you know just jumbled up 1 or 2 of them and then make it 1 right. Or even these 3 could be made 1 right. So, this you know intermediary works like all the 3 jobs it is doing. So, the more the channel length we can understand; obviously, the more the cost also, but to maintain the efficiency that the quality sometimes it is important and the spread also to make it you know efficient.

So, the most important determinant of a channel length is the degree to which, the retail system is fragmented. Fragmented retail system tend to promote the growth of wholesaler, to serve retailers, which lengthens the channel. Now if you have a very concentrated channel then it is you have few. So, there is a you can there is scope of



reducing the channel length. Japan and India have a larger or longer instead of a larger longer channel length. US, Britain, Germany have shorter channel lengths ok.

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Differences between Distribution system

- **Channel Exclusivity:** An exclusive distribution channel is one that is difficult for a new firm to get access to shelf space to supermarkets.
- This exclusivity varies among countries. Japan's system is often held up as an example of very exclusive system. In Japan, relationship among manufacturer, wholesaler, and retailer often go back decades. Many of these relationships are based on the understanding that distributors will not carry the products of competing firms. In return, the distributors are guaranteed markup by the manufacturer.

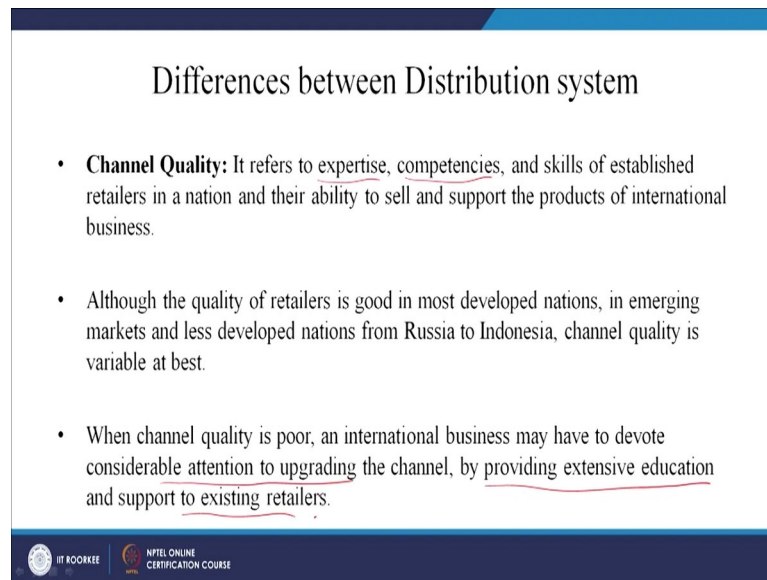
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Third point is the channel exclusivity. Now exclusive distribution channel is one, that is difficult for a new firm, to get access to the self space to the supermarkets. Now this exclusivity varies among countries. Let us see Japan system is often held up as an example of very exclusive system. In Japan why you see this is important relationship among the manufacturer wholesaler and retailer often go back to decades.

Because the Japanese give lot of importance to loyalty and trust right. So, they do not they would not switch from one supplier to the other just because of a some small change in the price, some benefit in price or cost. So, because of this, this is an exclusive distribution system right.

Many of these relationships are based on the understanding that, distributors will not carry the products of the competing firms that kind of a trust or loyalties there. In return the distributors are guaranteed mark up by the manufacturer. So, the distributor also guaranteed about the product and the benefits to the that it offers.

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The slide is titled "Differences between Distribution system". It contains three bullet points. The first bullet point defines "Channel Quality" as expertise, competencies, and skills of established retailers in a nation and their ability to sell and support the products of international business. The second bullet point states that although the quality of retailers is good in most developed nations, in emerging markets and less developed nations from Russia to Indonesia, channel quality is variable at best. The third bullet point states that when channel quality is poor, an international business may have to devote considerable attention to upgrading the channel, by providing extensive education and support to existing retailers. The slide footer includes the logos of IIT ROORKEE and NFTEL ONLINE CERTIFICATION COURSE.

Differences between Distribution system

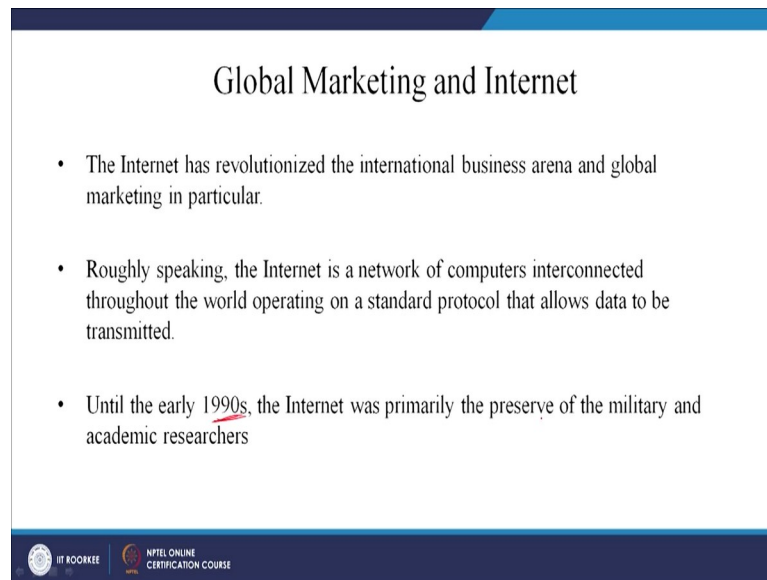
- **Channel Quality:** It refers to expertise, competencies, and skills of established retailers in a nation and their ability to sell and support the products of international business.
- Although the quality of retailers is good in most developed nations, in emerging markets and less developed nations from Russia to Indonesia, channel quality is variable at best.
- When channel quality is poor, an international business may have to devote considerable attention to upgrading the channel, by providing extensive education and support to existing retailers.

Finally the channel quality, it refers to expertise, competencies and skills of established retailers in a nation, and their ability to sell and support the products of international business right. So, what is the expertise they are having, what competencies and the skills that they have although. The quality of retailers is good in most developed nations in emerging markets like for example, India you know and the close by nations. And less developing nations from Russia to Indonesia channel quality is variable right.

So, sometimes it is good, but sometimes it is not so good. When channel quality is poor international business may have to devote a lot of attention to upgrading the channel and providing extensive education and support to the existing retailers. So, this becomes also a channel challenge for managing the distribution system.

And as we have understood the distribution system is basically nothing, but the intermediary between the manufacturer and the customer. So, this is a major player in the entire process. So, any small disturbance also can affect the profitability, the image brand image and the acceptance of the you know company in the local market ok.

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Global Marketing and Internet

- The Internet has revolutionized the international business arena and global marketing in particular.
- Roughly speaking, the Internet is a network of computers interconnected throughout the world operating on a standard protocol that allows data to be transmitted.
- Until the early 1990s, the Internet was primarily the preserve of the military and academic researchers

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Thanks to you know international business, global marketing, thanks to internet actually for you know the expansion in global marketing and international business right. Because of the internet as we have discussed it has revolutionized the international business arena and global marketing in particular. Roughly speaking, the internet is a network of computers interconnected through the world operating on a standard protocol that allows data to be transmitted.

Until the early 90s, so that was a time when we said supply chain was there, but then it was not as efficient as it is today. But today you see the supply chain system as I said the one company wins over the other with an efficient because of an efficient supplies **in**. The internet was primarily the preserve of the military and academic researchers it was not available for business largely.

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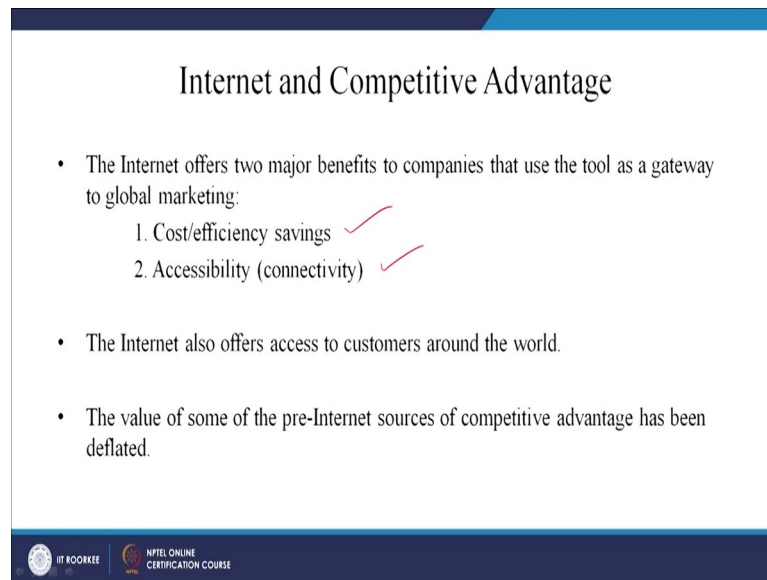
Top 15 countries in Internet Usage				
Country	Internet Users (in millions)	% of World Users	Penetration (as % of country's population)	User Growth (2000-2008)
1. China	253.0	17.3	19.0	1,024.4
2. United States	220.1	15.0	72.5 ✓	130.9
3. Japan	✓94.0	6.4	73.8 ✓	99.7
4. India	60.0	4.1	5.2	1,100.0
5. Germany	52.5	3.6	63.8 ✓	118.9
6. Brazil	50.0	3.4	26.1	900.0
7. United Kingdom	41.8	2.9	68.6 ✓	171.5
8. France	36.1	2.5	58.1 ✓	325.3
9. South Korea	34.8	2.4	70.7 ✓	82.9
10. Italy	34.7	2.4	59.7 ✓	162.9
11. Russia	32.7	2.2	23.2	954.8
12. Canada	28.0	1.9	84.3 ✓	120.5
13. Turkey	26.5	1.8	36.9	1,225.0
14. Spain	25.6	1.8	63.3 ✓	375.6
15. Indonesia	25.0	1.7	10.5	1,150.0
Worldwide Total	1,463.6	100.0	21.9	305.5

Now, this is how today the top 15 countries in internet usage is visible right. So, this is a little old data, but this is must have increased dramatically, but still it gives you a fair amount of idea. Now if you look at the kind of China and has 253 internet users in millions, 253 million users, United States 220, Japan 94. So, it depends on the percentage of world uses if you can see and penetration of the country.

For example: in the 73.8 percent of penetration because Japans population is also less right. So, Japan has a very high penetration, United States has a very high penetration, Germany has a very high penetration, then United Kingdom has a high penetration, France is also there, South Korea is there, Italy is also there and then Canada is also very high, even Spain is very high.

So, you can get a understanding that most of this country which ever high penetration of internet they are actually the developed ones and they are doing well right. So; that means, there is a correlation between the internet usage and the kind of growth in international business that has happened.

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The slide is titled "Internet and Competitive Advantage". It contains three main bullet points. The first bullet point states that the Internet offers two major benefits to companies that use it as a gateway to global marketing, followed by a numbered list: 1. Cost/efficiency savings (marked with a red checkmark) and 2. Accessibility (connectivity) (marked with a red checkmark). The second bullet point states that the Internet also offers access to customers around the world. The third bullet point states that the value of some of the pre-Internet sources of competitive advantage has been deflated. The footer includes the IIT Kharagpur logo and the text "IIT Kharagpur" and "NPTEL ONLINE CERTIFICATION COURSE".

Internet and Competitive Advantage

- The Internet offers two major benefits to companies that use the tool as a gateway to global marketing:
 1. Cost/efficiency savings ✓
 2. Accessibility (connectivity) ✓
- The Internet also offers access to customers around the world.
- The value of some of the pre-Internet sources of competitive advantage has been deflated.

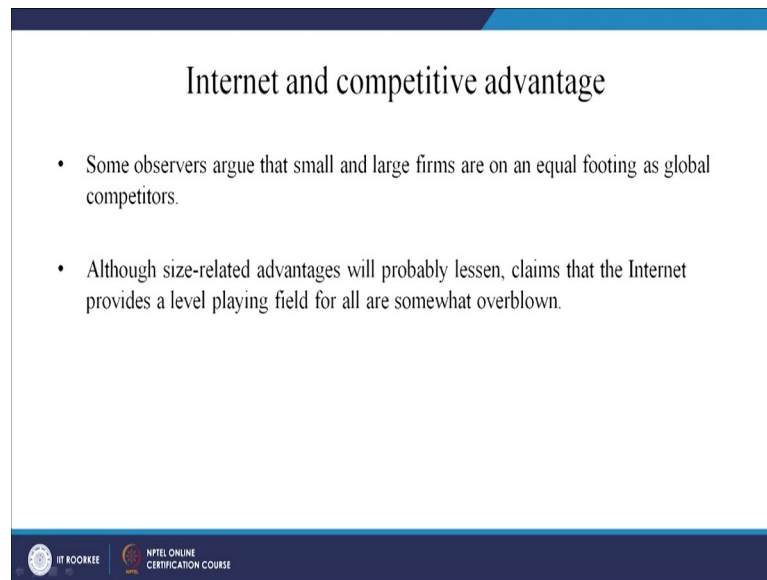
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So, internet and the competitive advantage so, the internet offers two major benefits to the companies, that use this tool as a gateway to the global marketing and you know managing their supply chain. One it helps in cost and efficiency savings. Second is accessibility.

Today taking an order from a foreign buyer or a supplier has become very simple right, it is just through a mail you can do. It earlier days it use to be; obviously, tough because there was no proper technology. The internet also offers access to customers around the world right, the value of some of the pre internet source of competitive advantage has been deflated.

So, the competitive advantage which earlier companies had before when, internet was not there today these companies today are no more having those competitive advantage; because they have been completely flattened after the advent of the internet right.

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The slide is titled "Internet and competitive advantage". It contains two bullet points. The first bullet point states: "Some observers argue that small and large firms are on an equal footing as global competitors." The second bullet point states: "Although size-related advantages will probably lessen, claims that the Internet provides a level playing field for all are somewhat overblown." At the bottom of the slide, there are two logos: "IIT ROORKEE" on the left and "NPTEL ONLINE CERTIFICATION COURSE" on the right.

Internet and competitive advantage

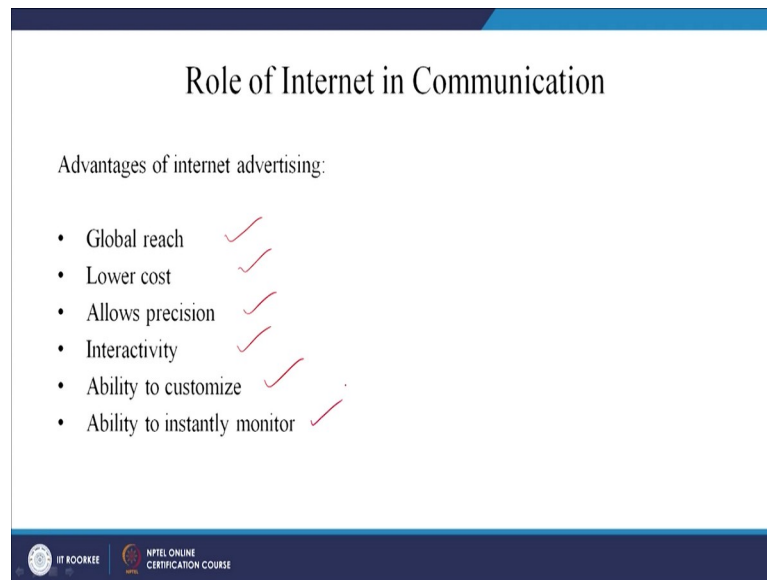
- Some observers argue that small and large firms are on an equal footing as global competitors.
- Although size-related advantages will probably lessen, claims that the Internet provides a level playing field for all are somewhat overblown.

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Some observers argue that a small and large firms are on equal footing, as equal global competitors because today it does not matter what your size is. Earlier days it was a point of concern because a big firm used to have take the advantage, but internet has helped in making everybody equal. Because, now what is important is you may be a small firm, but then if you are you are fast and accessible you can do better business.

Although size related advantages will probably lessen, claims that the internet provides a level playing field for all are somewhat a somewhat overblown, but then it is through a to a large extent ok.

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So, how internet is helping? For example, advantage of internet advertising a global reach, low cost, allows precision. So, who you want to target for example, how, whom do you want to target you can just do that. Interactivity; so, you can interact with your customer's ability to customize, ability to instantly monitor. So, all these are very important you know aspects of the internet.

So, after internet has come you see, as I said it has been very easy to monitor the supply chain, to control the supply chain movements right, the logistics; the logistics movements. And today you know what exactly your customer is thinking, what your customer want us, how he want us, what you can segment your customer very cleanly, you can target your customer in a more efficient manner.

So, all these things and you can even buy through interaction with your customers you know online system, you can understand what he **want us** and how you can achieve those kind of you know activities.

So, all this has a helped you know in improving the global business to a very large extent. And today's international business has become highly dependent on the internet. And; obviously, the other factors, but the internet has really become a boom and improving the global supply chain the production and the manufacturing system.

Even you can think of a manufacturing process today there have been. So, many different activities which are helping, for example, you know you can control the you know through machines, the you can control your machines through an online system, you can track the monitoring of the work and everything. So, all this has become a very highly advantage, big advantage and which has led to zero waste management.

Zero wastage, you know zero waste and you can also control automation has improved dramatically. So, less of labour is required in condition where labours are in short. So, all these things have become a very important factor right.

So, today we have completed the supply chain management part. So, how supply, global supply chain management and how it affects the international business. What it is role is how do companies make the most with the help of the supply chain systems and how internet has helped in there we have discussed today.

So, this is all for the day.

Thank you very much.