Exercise walk-through

3.1 Introduction to International Business

GAC Business

You must be able to

- distinguish imports from exports
- compare exporting, a joint venture, and a foreign subsidiary
- justify an entry decision for a new market

1 The method

Method — Enter carefully

A bicycle-light company has online orders from Malaysia. It can begin by **exporting 出口** a small range from its home country. This needs less investment and tests real demand.

A **joint venture 合资企业** with a local retailer could later provide local knowledge and contacts. A foreign subsidiary gives more control, but it costs more and has greater risk if demand is uncertain.

2 Practice

Practice 2.1 ▪ 1 mark

State whether a firm selling goods to another country is importing or exporting.

Solution 2.1

Method: Enter carefully — p.4

Worked steps

- Exporting. **B1**

Practice 2.2 ▪ 1 mark

Identify one benefit of a joint venture with a local business.

Solution 2.2

Method: Enter carefully — p.4

Worked steps

- Local knowledge or local contacts. **B1**

Practice 2.3 ▪ 2 marks

Explain why exporting may be a useful first step into an uncertain market.

Solution 2.3

Method: Enter carefully — p.4

Worked steps

- It needs less investment than building a foreign operation. **B1**
- The firm can test whether customers really buy the product. **A1**

3 Exam-style

Exam-style 3.1 ▪ 4 marks

A snack company is popular at home but has no overseas experience. Recommend an entry route for a nearby new market. Justify your answer.

Solution 3.1

Method: Enter carefully — p.4

Worked steps

- Export a small range first. **B1**
- This is a lower-commitment route for a firm without overseas experience. **A1**
- It lets the firm test demand, delivery, and returns before investing heavily. **A1**
- This limits the loss if the snack does not suit the new market. **B1**

Exam-style 3.2 ▪ 4 marks

Explain two risks the snack company should investigate before it expands internationally.

Solution 3.2

Worked steps

- Local customer tastes and language may differ, so the product or packaging may not sell. **B1** **A1**
- Transport delays, exchange-rate changes, or overseas rules can raise costs or interrupt supply. **B1** **A1**