

Answer on Question #44609 – Economics - Economics of Enterprise

How does international trade benefits Firms?

International trade has many benefits, some of which are more obvious than others. The main advantages of international trade for firms are:

#1 Grow Your Business

When trading internationally the “universe” of potential clients and suppliers will increase significantly. Just imagine increasing the number of potential clients by 100% each time you start selling in a new country. In all likelihood, this will probably be much easier than trying to expand your market place in your “home” country.

#2 Diversify Risk

The idea that a business relies solely on one market and directs all its resources into a single currency may prove to be more risky than it may first seem. Just look at the number of unprecedented global “disasters” (financial meltdown, earthquakes and unrest in the Middle East) over the last few years and the drastic impacts have had on these markets. Your home market could contract or even disappear, but your business may be saved by the business it generates overseas.

#3 Better Margins

As well as seeing increased sales, you may well enjoy better margins. Sterling which is currently weak may give you a head start when exporting. Pricing pressure could be less and it could also reduce seasonal market fluctuations.

#4 Earlier Payments

When working with companies overseas, both you and your customer will want to execute the transaction in the safest and most efficient manner. One of advantages is that overseas payers often pay upfront. This reduces payment risk and may well help your working capital.

#5 Less Competition

The ability to stand out amongst competitors is a crucial factor in business. When there are fewer competitors, this task is made easier. Your business, which may be viewed as comparable to others in the UK, may, when placed in a larger and more diverse environment, turn out to be a unique product or service not to be missed. By making the product or service available to worldwide buyers, you instantly create another life line for the business by being in less competition and increasing the possibility of standing out. This will in turn boost sales potential and allow your business to flourish.