

Question No.4 Comment on the following:

a) Geographic environment do not affect demand pattern of the people living in the country.



Solution: Geographic environment is *an* important component the foreign environment and refers to a country's climate, topography, natural resources and people. Everyone engaged in international business must have some knowledge of geographic features of the foreign country as these influence the nature and characteristics of a society. It also affect demand pattern of the people living in the country. Geography is a major contributory factor to the development of business systems, -trade centres and routes.

Different climatic conditions give rise to demand for different types of products. It is largely due to climatic differences that people differ in their housing, clothing, food, medical and recreational needs. Many a time needs are same, and demanded. But because of the climatic and topographic differences, products need adaptation or modifications to suit local conditions.

Geographic conditions also affect a firm's plant location decision. A firm prefers to set up its manufacturing plant in a country which has favourable climatic conditions, possesses suitable topography and where raw materials, energy and labour are cheaply and abundantly available. Foreign country's nearness to other markets and its strategic location on major trade routes are other equally important considerations.

Firms' distribution and logistics strategies are directly influenced by geographic conditions in the foreign markets, Re-order points and safety level stocks are kept generally higher for those countries or places which are not easily accessible and can be cut off suddenly and heavily due to bad weather.

Location of a country on the world map is an equally important consideration. It affects its trade prospects with other countries. Landlocked countries such as Bolivia, Zambia and Zimbabwe, are not only costly to reach but are also difficult to penetrate as trading with these countries depend upon their relations with neighbouring countries through which goods have to cross.

Consumer demand for many a low priced and essential product is directly related to the number of people living in a country. It is primarily due to large populations that the countries like China and India have become the targets of the multinational corporations which are vying with one another to gain a foothold in these markets, To arrive at a correct estimate of the market size, however, one needs to take into account other factors also such as population growth, population density and population distribution by age, income, location and occupation, taken together, these variables provide better estimates of the present and future market potentials and also help in providing information relevant for communication, distribution, product quality and pricing decisions.