



# Theme 5

## Risks in International Marketing



# ➔ Words from the lecture

words	words	words	words
consumer	demand	enterprise	expenditures
advancement	foreign	international	assets
peculiarity	surroundings	segmentation	satisfaction
cover	improvement	competition	cycle
bargain	internal	investigation	raw materials
abroad			
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>



# 1. The nature and types of risks in international marketing

## Risk

the probability of loss of profit as compared to the planned level

External risks can be subdivided into two major groups:

### ***Unpredictable:***

- irresistible force (force majeure);
- State intervention;
- Market risks

### ***Predictable:***

- political (including some social risks);
- financial (mainly determine the solvency of the country in terms of her and her legal entities loan capital);
- risks of operations of foreign trade activities (foreign risk);
- risks of production activities (production risk);
- science and technology;
- inflation and other macroeconomic factors.



## The nature and types of risks in international marketing

*For each individual risk can assess its share and evaluate it on a scale. It is therefore possible quantitative measurement as relative individual risk groups, and the entire risk of the whole country, as well as assessment on this basis, the investment climate.*

*Yearbook for most countries of the world in seven volumes under the title «Political Risk Yearbook», published by the American company «International Business Company USA Ink», evaluates the following risks:*

- - Political;
- - Financial transfers;
- - Exports;
- - Direct investment.



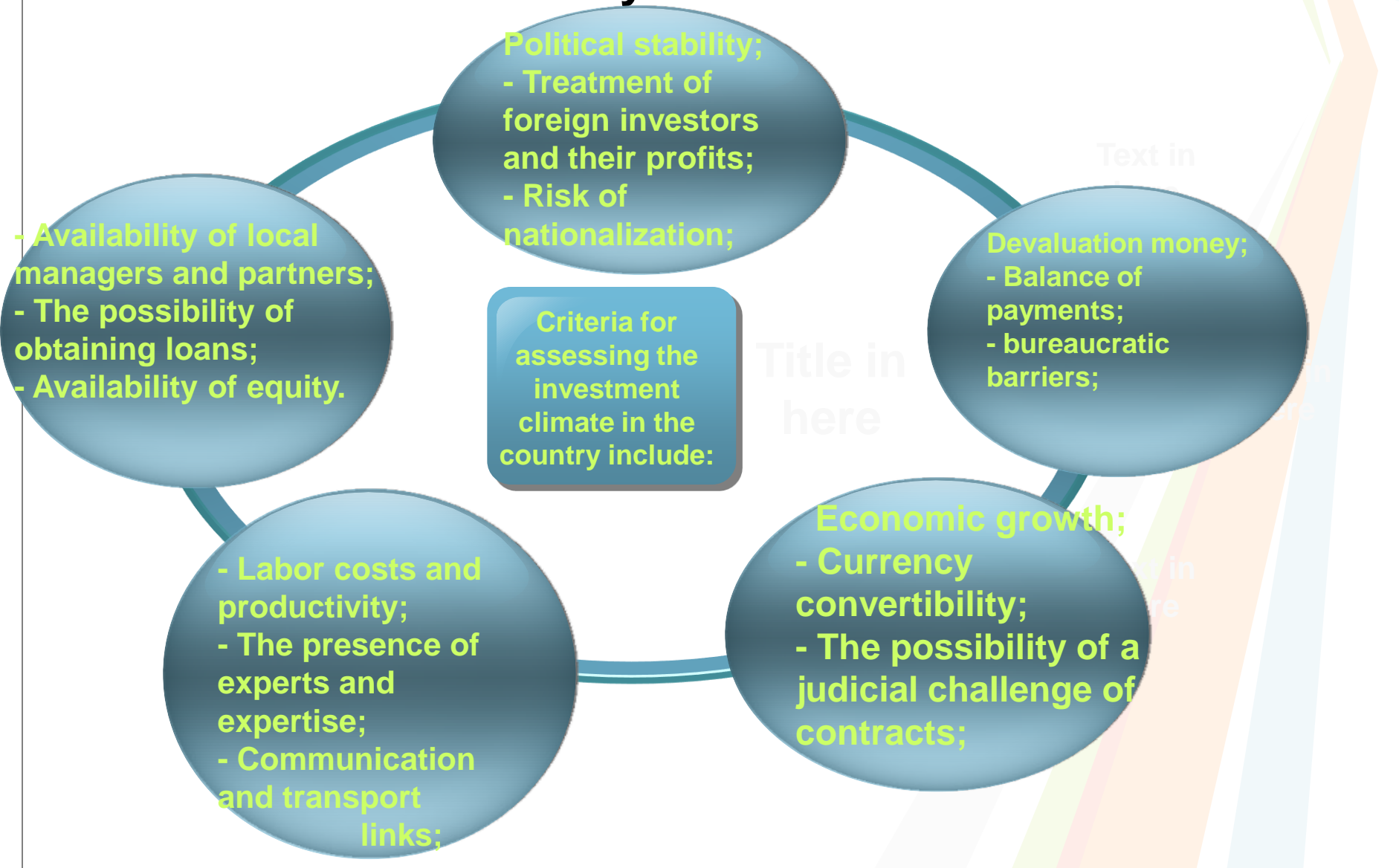
## The nature and types of risks in international marketing

Risks are assessed on a 12-point system, and the total score is not displayed. American company «International Reports Ink» evaluates individual risks and calculates the summary evaluation on a 100-point scale (100 points -highest score).

There is a method of assessing the riskiness of international business index «BERI» - Business Environment Risk Information. When data this assessment criteria are put on 15 points from 0 to 4: 0 - unbearable conditions; 1 - bad; 2 - satisfactory; 3 - good; 4 - very favorable.



# Criteria for assessing the investment climate in the country include:





## **2. ZONE acceptable risk in international marketing**

In international transactions is necessary to consider the consequences and to identify risk areas depending on the size of expected losses. Each potential investor or partner is committed to the right the combination of the following factors:

- security, which guarantees that the risk level is within reasonable limits and that there are certain safeguards against deterioration.

# Factors that contribute to risk



## reduction in international cooperation:

Simplification of registration, registration, regulation of economic activity

Stability of the state policy in the field of entrepreneurship and foreign economic activity

An effective system of protection of property, including intellectual

Factors that contribute to risk reduction in international cooperation:

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Measures to facilitate the inflow of funds in the business

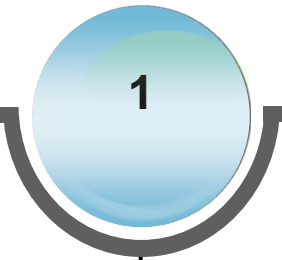
The creation of market infrastructure: innovation, consulting, marketing, IT, audit, insurance, mediation, credit and financial and other firms that contribute to the functioning of business



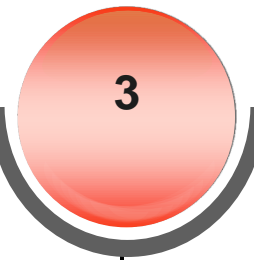
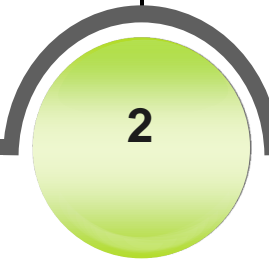


## There are various methods to reduce the risk:

- insurance risks (political risks), for example (Multilateral Investment Guarantee Agency (MIGA), a party which since 1992 and is Russia. It insures investments primarily in developing countries



- addition of the "risk premium" to the cost of the project



- selected a project that clearly need the host country and therefore will "look after" abroad





**Thank You!**

