Domestic Business Vs International Business

Entities engaged in international business often face more difficulties than the entities which conduct domestic business. Although international business enjoys large customer base as they operate in multiple countries. Here is an article which compiles the important differences between domestic and international business.

1. [Definition](https://keydifferences.com/difference-between-domestic-and-international-business.html#Definition)
2. [Comparison Chart](https://keydifferences.com/difference-between-domestic-and-international-business.html#ComparisonChart)

**Definition of Domestic Business**

The business transaction that occurs within the geographical limits of the country is known as domestic business. It is a business entity whose commercial activities are performed within a nation. Alternately known as internal business or sometimes as home trade. The producer and customers of the firm both reside in the country. In a domestic trade, the buyer and seller belong to the same country and so the trade agreement is based on the practices, laws and customs that are followed in the country.

There are many privileges which a domestic business enjoys like low transaction cost, less period between production and sale of goods, low transportation cost, encourages small-scale enterprises, etc.

**Definition of International Business**

International Business is one whose manufacturing and trade occur beyond the borders of the home country. All the economic activities indulged in cross-border transactions comes under international or external business. It includes all the commercial activities like sales, investment, logistics, etc., in which two or more countries are involved.

The company conducting international business is known as a multinational or transnational company. These companies enjoy a large customer base from different countries, and it does not have to depend on a single country for resources. Further, the international business expands the trade and investment amongst countries.

**Comparison Chart**

| **BASIS FOR COMPARISON** | **DOMESTIC BUSINESS** | **INTERNATIONAL BUSINESS** |
| --- | --- | --- |
| Meaning | A business is said to be domestic, when its economic transactions are conducted within the geographical boundaries of the country. | International business is one which is engaged in economic transaction with several countries in the world. |
| Area of operation | Within the country | Whole world |
| Quality standards | Quite low | Very high |
| Deals in | Single currency | Multiple currencies |
| Capital investment | Less | Huge |
| Restrictions | Few | Many |
| Nature of customers | Homogeneous | Heterogeneous |
| Business research | It can be conducted easily. | It is difficult to conduct research. |
| Mobility of factors of production | Free | Restricted |

**Problems of International Business**

Going global is usually a worthy endeavor, but it does bring with it some challenges. If you are interested in [taking your business global](http://www.dynamiclanguage.com/language-services/localization/), it is crucial you have a plan in place to address some of the main hurdles you will need to overcome to succeed.  There are 10 main challenges for companies going global that will help prepare managers for global expansion.

**The following points highlight the seven main problems of International business.**

**The problems are:**

**1. Different Trade Patterns**

**2. Regulatory Measures**

**3. Lop Sided Development of Developing Countries**

**4. Economic Unions**

**5. National Policy of Development**

**6. Procedural Difficulties**

**7. Organizational Communication**

**8. Tariffs and Export Fees**

**9. Human Resources**

**10. Choosing the Right Countries**

**1. Different Trade Patterns:**

International business has to deal with the business patterns among the various countries of the world.

It has to take into account these business policies of various countries which govern their imports and exports. These policies and practices impose certain constraints and restrictions on international business.

**2. Regulatory Measures:**

Every country wants to export its surplus natural resources, agricultural produce and manufactured goods to the extent, it can and import only these goods and products which are not produced or manufactured within the country. For this purpose regulatory measures like tariff barriers (custom duties) non-tariff barriers, quota restrictions, foreign exchange restrictions, technological and administrative regulations, consulter for­malities, state trading and preferential arrangements, trade agreements and joint commis­sions etc. Come in the way of free trade and unfettered flow of foreign business.

**3. Lop Sided Development of Developing Countries:**

Developed counters are equipped with sophisticated, technologies capable of transforming raw materials into finished goods on a large scale. While developing countries on the other-hand lack technological knowledge and latest equipment. It leads to the lop sided development in the international business.

**4. Economic Unions:**

There is an increasing tendency among nations to form small groups of Economic Unions which help them to negotiate terms for the business with other countries.

**5. National Policy of Development:** The country desirous of achieving self-sufficiency, follows a strategy of importing capital goods equipped with latest and sophisticated technology and restricting imports of less important consumer goods with a view to lowering down its import bill.

**6. Procedural Difficulties:**

Different countries have evolved different procedures, practices and documents in order to regulate the export trade. Some of these such as foreign exchange control regulations and others have been formulated after keeping in view the national objectives and have posed certain procedural problems to exporters and importers.

**7. Organizational Communication**

The way team members handling your globalization efforts communicate, report, and track their efforts will have a big impact on how well you can succeed at taking your business into foreign markets. You need to have an effective system and set of protocols in place so that company leadership can keep tabs on what is going on with your international expansion since they will not be there to manage in person.

**8. Tariffs and Export Fees**

Most countries have some type of tariff or fee that is charged to companies bringing goods into their country. You need to know about these tariffs so you can incorporate them into the financial planning element of your globalization plans. Also remember the legal side of globalization: you may have to pay different kinds of fees depending on the shipping and logistics laws in place in that specific country.

**9. Human Resources**

When [taking your business global](http://www.dynamiclanguage.com/language-services/localization/), it is important to consider how you will meet the manpower requirements for operating in a foreign country. You may need to hire new team members which will require an additional investment. If you decide to send some of your existing team members to new global markets, you have to account for the roles that they will leave vacant.
**10. Choosing the Right Countries**

We need to have done enough research to understand where the best place to expand is. If there are several options, analyze the relative benefits and drawbacks of each country to determine which markets are most ideal for globalization.

**11. Other Problems:**

Apart from the problems written above there are many other internal difficulties which restrict our export business and consequently affect the foreign exchange earnings. **They are:**

(i) Business and industry have not recognised the importance of international business,

(ii) Inflation, high prices and black marketing are starting us in the face. If the situation persists it may put our price level beyond the means of our customers abroad, no matter how badly they need our export,

(iii) Our internal economy is being managed very badly in recent years. If it continues we cannot supply our own essential need. What to say about supply to other nations,

(iv) Poor business ethics is also responsible for our international business.

**Conclusion**

Carrying out the activities of international business and its management is far more difficult than conducting a domestic business. Due to changes in political, economic, socio-cultural environment across the nations, most business entities find it difficult to expand their business globally. To become a successful player in the international market firms need to plan their business strategies as per the requirement of the foreign market.