

MK 333/326
International Marketing
Chapter 1

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Chapter 1

The Scope and Challenge of International Marketing

International Marketing

18th Edition



Learning Objectives

- 1-1 The benefits of international markets
- 1-2 The changing face of U.S. business
- 1-3 The scope of the international marketing task
- 1-4 The importance of the self-reference criterion (SRC) in international marketing
- 1-5 The increasing importance of global awareness
- 1-6 The progression of becoming a global marketer

Forever 21...Why did it file for bankruptcy?



International Marketing...



Global Commerce Causes Peace 1 of 3

Global commerce thrives during peacetime

- Economic boom in North America in late 1990s
 - The end of the Cold War
 - Opening former communist countries to world trading system

Global Commerce Causes Peace 2 of 3

International trade is important

- Lack of consistent and predictable trade policies can lead to tension
- Many world events affect trade
 - Company scandals and layoffs
 - Wars and political unrest
 - Natural disasters
 - Financial and economic disruptions
 - Populist developments
 - U.K. break with the European Union via Brexit vote
 - Populist candidates like Donald Trump in the U.S. are elected

WAR

List down what trade products, services will effect Thailand if there was a WAR ?



[U]

Natural Disasters

Climate Supply Chain

The Business Case for Action

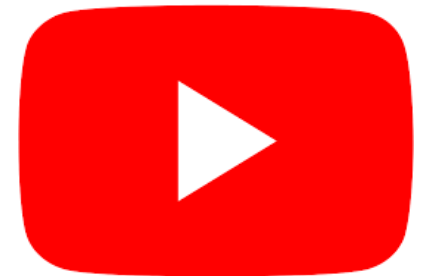


In 2011, Thailand's severe flooding disrupted supply chains in more than 14,500 companies worldwide.

Total insured losses were estimated between
US\$15B and
US\$20B



Populist Disruptions: U.S. China Trade War



Populist Disruptions

II. THE ORIGIN OF THE TRADE WAR:

A summary:

- To sum up: **accusation of currency manipulation is less and less based**, especially since 2016.
- The trade restrictions on certain imports and investments exist but are slowly disappearing. Also China pledged to increase its imports and remove restrictions to reduce long term disequilibrium.
- Intellectual propriety theft of high tech is where there are the biggest concerns. The initiative of China to **upgrade its manufactory power to go up the global value chain** through the made in China 2025 policy is a big concern since innovation and high tech is the competitive advantage used by the US. 2011 electronic product deficit for the US: 136 billions, but only 54 billion if you count for added value deficit.
- Another factors not mentioned: **Trump's personality**. He is a businessman. He uses threats and confrontation as a way of obtaining "good deals"

U.S. China Trade War

The U.S.-China Trade War: A Brief Recap



U.S. action



January 22, 2018

Tariffs implemented against washing machines and solar cell imports



March 8, 2018

Signed tariffs on imported steel and aluminum from all nations



May 25, 2018

Announced a \$1.3 billion fine and other penalties for ZTE, the Chinese telecommunication tech company



June 15, 2018

Announced tariffs on \$50 billion of goods, rolled out between July and August on imports



July 6, 2018

Tariffs on \$34 billion of goods (25%)



August 23, 2018

Tariffs on \$16 billion of goods (25%)



September 24, 2018

10% tariff on \$200 billion Chinese exports began and remained effective till the end of 2018, with potential to rise to 25% after



December 1, 2018

U.S. and China agreed to talks/halt new tariffs for 90 days



March 1, 2019

Trump extended 90-day deadline



May 5, 2019

Trump tweeted intent to raise tariffs to 25% on goods worth \$325 billion

May 10, 2019

Tariffs raised to 25% on \$200 billion of Chinese goods



August 1, 2019

Additional 10% tariff on \$300 billion worth of goods and products announced for September 1st

Total tariffs

25% on \$250 billion worth of Chinese products;
10% tariff on \$300 billion worth of Chinese goods



Chinese action



April 2, 2018

Tariffs on \$3 billion of goods

April 17, 2018

Began collecting anti-dumping tariffs on sorghum imports from the U.S. worth \$1 billion



June 15, 2018

Responded with announcement of \$50 billion in tariffs, rolled out between July and August



July 6, 2018

Tariffs on \$34 billion of goods (25%)



August 23, 2018

Tariffs on \$16 billion of goods (25%)



September 24, 2018

Retaliated with 5-10% tariffs on \$60 billion of goods, with option of a raise



December 1, 2018

U.S. and China agree to talks/halt new tariffs for 90 days



May 10, 2019

Intention to retaliate by raising tariffs up to 25% on \$60 billion of U.S. goods

May 13, 2019

Tariffs raised to 25% on \$60 billion U.S. goods, effective June 1

Total tariffs

25% tariffs on \$110 billion worth of U.S. products

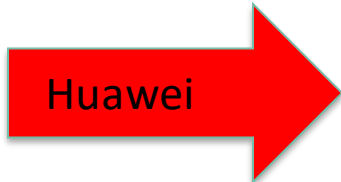
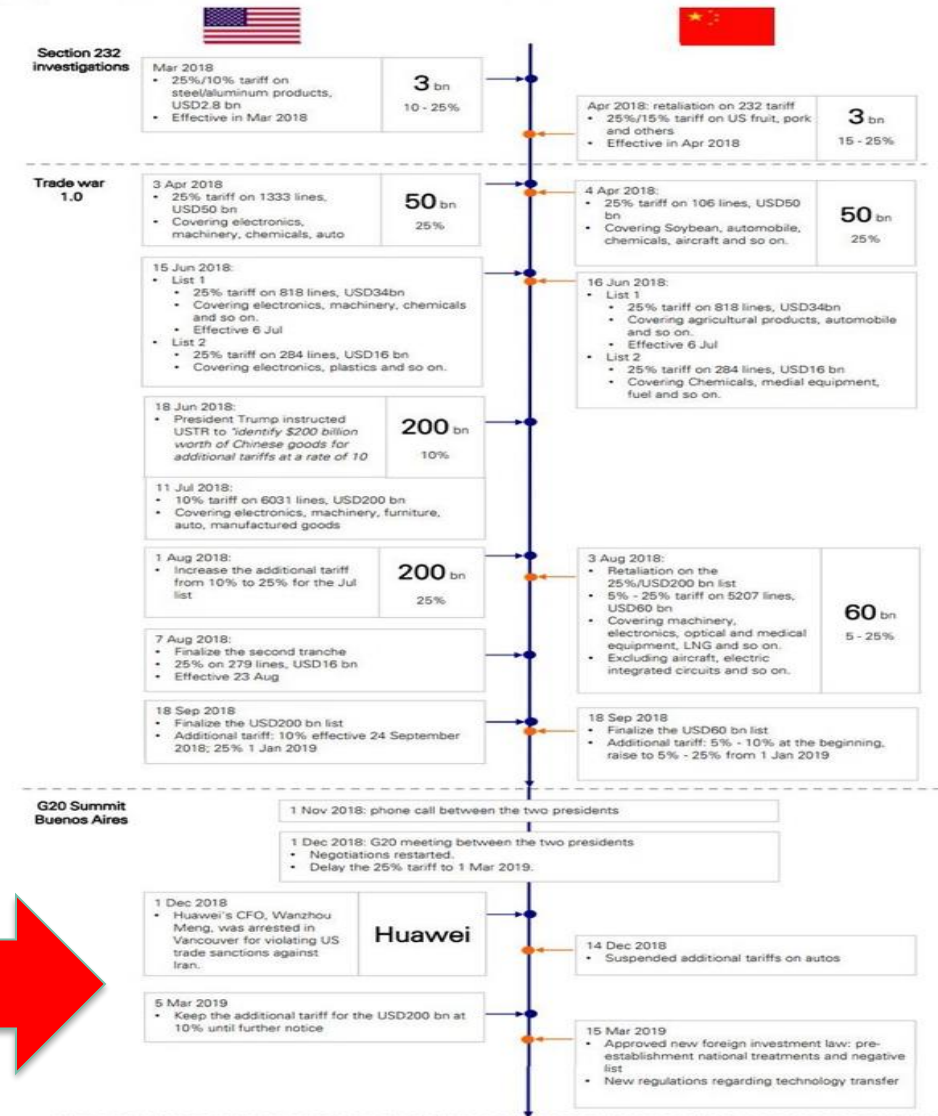


©StatistaCharts Sources: Bloomberg, Reuters

statista

U.S. China Trade War

Figure 9: A timeline for the US-China trade war



Trade War Effects on Thailand

TRADE WAR CASUALTY

Thailand's net exports fell by US\$779.9 million from Q1 2018 to Q1 2019 as a result of the US's punitive tariff policy



Direct effects from higher US tariffs

Thai exports to the US were valued at **\$838 million**, down **27.4%** or a value loss of **\$316.5 million**



Solar cells



Washing machines



Steel



Aluminium

Note: Data as of May 2019
The US began imposing higher import tariffs between February and March 2018, but the impact on Thai exports was assessed since January

Effects from being a part of China's supply chain

Thai exports to China were valued at **\$13.3 billion**, down **7.6%** or a value loss of **\$1.1 billion**



Automobiles and auto parts



Home and office appliances



Computer parts and electric circuits



Electrical appliances



Machines and machinery parts



Flavoured foods and beverages

Substitution effect of Thai exports replacing Chinese goods in the US

Thai exports to the US were valued at **\$10.83 billion**, up **6.3%** or a value gain of **\$637.8 million**



Automobiles and auto parts



Apparel, jewellery and cosmetics



Computer parts and electric circuits



Electrical appliances



Machines and machinery parts



Flavoured foods and beverages

Note: Indirect effect on Thai exports has been assessed since Q4 2018 as the tit-for-tat tariff measures of the US and China began in September

Global Commerce Causes Peace 3 of 3

Four Trends Affecting Global Business

1. Growth of the WTO and open trade agreements
2. Developing countries moving toward free trade
3. The Internet, cellular, and networked communication
4. A mandate to manage the global environment for the future

ASEAN SUMMIT



ASEAN SUMMIT

ASSOCIATION OF SOUTHEAST ASIAN NATIONS (ASEAN)

ASEAN Secretariat: Jakarta, Indonesia

Population: 650 million

Chair rotates annually among member states.

The ASEAN Community was realized on December 31, 2015.



ASEAN.org

BRUNEI

Capital: Bandar Seri Begawan

Population: 434 thousand

Member Since: 1984

US-Brunei treaty relations have been active since 1850.



INDONESIA

Capital: Jakarta

Population: 265.3 million

Member Since: 1967

Indonesia, the world's 4th most populous country, and the United States upgraded their relations to a "strategic partnership" in 2015.



CAMBODIA

Capital: Phnom Penh

Population: 16.3 million

Member Since: 1999

The United States is the largest purchaser of Cambodia's exports, including over \$2 billion in apparel.



LAOS

Capital: Vientiane

Population: 6.7 million

Member Since: 1997

In 2016, then President Barack Obama became the first sitting US President to visit Laos.



MALAYSIA

Capital: Kuala Lumpur

Population: 32.4 million

Member Since: 1967

Malaysia is the United States' 2nd largest trading partner in ASEAN.



SINGAPORE

Capital: Singapore

Population: 5.6 million

Member Since: 1967

Singapore was the first US bilateral free trade partner in the Indo-Pacific and in 2015 the two countries signed an enhanced Defense Cooperation Agreement.



MYANMAR

Capital: Nay Pyi Taw

Population: 52.8 million

Member Since: 1997

The United States restored full diplomatic relations with Myanmar in 2012 and removed all sanctions in 2016.



THAILAND

Capital: Bangkok

Population: 69.1 million

Member Since: 1967

Thailand is the oldest US treaty partner in the Indo-Pacific, dating from 1833.



PHILIPPINES

Capital: Manila

Population: 107 million

Member Since: 1967

The largest Filipino diaspora is in the United States and remittances from the United States to the Philippines are valued at \$11 billion.



VIETNAM

Capital: Hanoi

Population: 94.6 million

Member Since: 1995

Since 1995, US trade with Vietnam grew 230-fold to \$58 billion. US-Vietnam security cooperation has enhanced steadily including high-level defense visits, military sales, and exchanges.

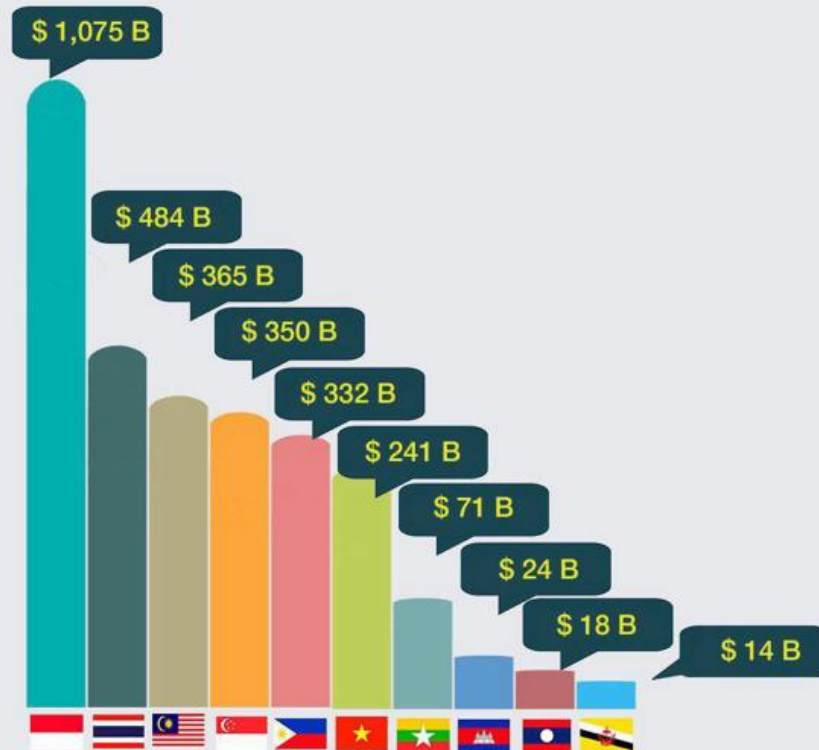


Source (Population): International Monetary Fund World Economic Outlook, 2018 data



ASEAN SUMMIT

Gross Domestic Product (GDP) ASEAN Countries 2018



ASEAN SUMMIT

Thailand's Investment Factsheet

Foreign Direct Investment (FDI)

Jan. - Dec. 2018



Foreign Direct Investment (FDI)

Jan.- Dec. (2016 - 2018)



(bil. Baht)

Source: Bank of Thailand(BOT)

Top 10 FDI by Economies

Jan. - Dec. 2018

Value (bil. Baht)

Rank	Economy	Value (bil. Baht)
1.	Japan	143
2.	Singapore	58
3.	Hong Kong	53
4.	United States	35
5.	China	20
6.	Germany	17
7.	Denmark	12
8.	Mauritius	8.8
9.	Korea	6.1
10.	United Kingdom	5.2

Top 10 FDI by Industries

Jan. - Dec. 2018

Value (bil. Baht)

Rank	Industry	Value (bil. Baht)
1.	Manufacturing	101.08
2.	Financial and Insurance activities	60.9
3.	Real estate activities	21.83
4.	Wholesale and Retail trade	19.05
5.	Mining and Quarrying	2.26
6.	Electricity, Gas, Steam and Air conditioning supply	2.19
7.	Transportation and Storage	2.14
8.	Accommodation and Food service activities	1.81
9.	Construction	1.58
10.	Agriculture, Forestry and Fishing	0.15

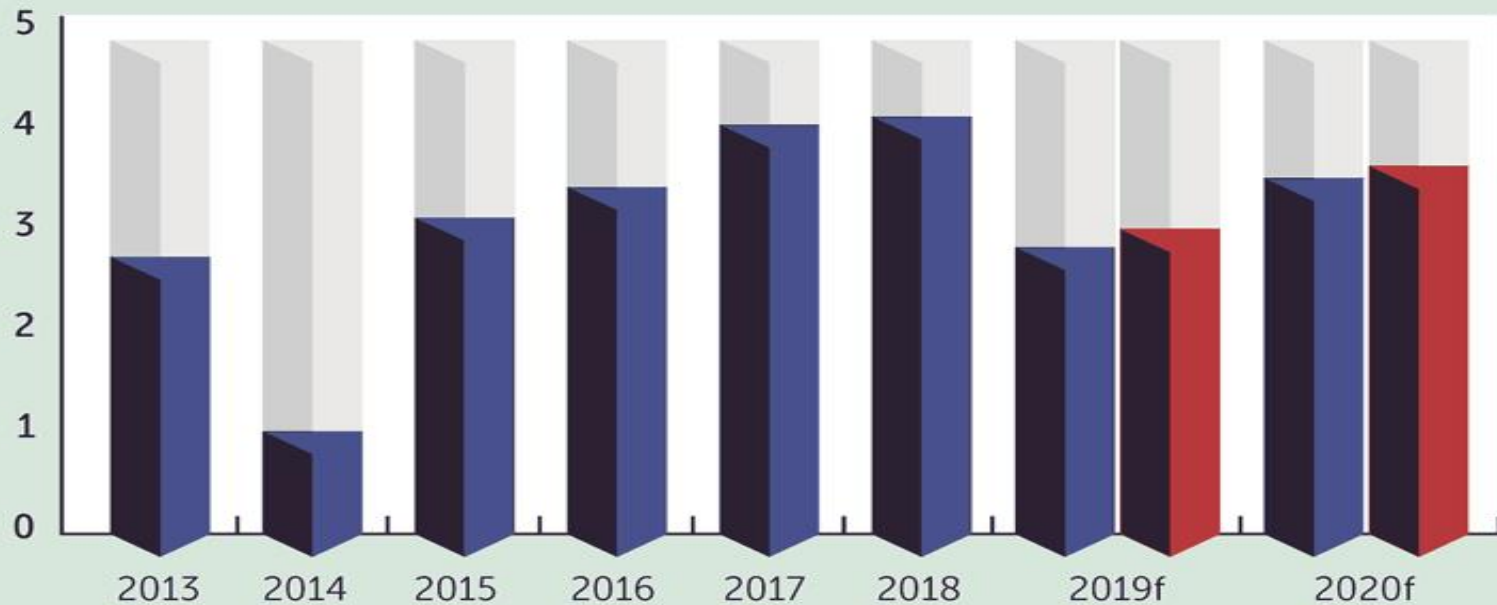
Total Applications Submitted to BOI (Jan - Mar 2019)



Thailand

WEAKER DOMESTIC DEMAND PROMPTS LOWER GROWTH OUTLOOK

Thailand's real GDP growth, %



Real GDP growth

Previous forecasts

Note: f = Fitch Solutions forecast

Sources: NESDC, Fitch Solutions

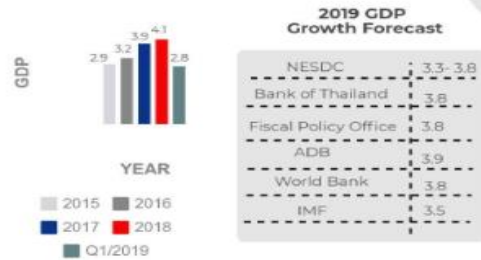


BANGKOK POST GRAPHICS

Thailand

Thailand's Economic Factsheet

Economic Figures



2019 GDP Growth Forecast

NESDC	3.3-3.8
Bank of Thailand	3.8
Fiscal Policy Office	3.8
ADB	3.9
World Bank	3.8
IMF	3.5



Trade Statistics (bil. USD)

	Export Value	Import Value	Trade Balance
Q1/2019	257.7	237.9	+19.9
2018	252.2	229.8	+22.3
2017	235.3	201.1	+34.2

Exports

- Total 254.0 bil. USD**
Top 10 Exports (Jan. - Apr. 2019)
1. Auto Parts & Accessories
 2. Computer, Equipment, & Parts
 3. Precious Stones & Accessories
 4. Rubber Products
 5. Plastic Pellets
 6. Chemical Products
 7. Refined Fuels
 8. Electronic Integrated Circuits
 9. Machinery & Parts
 10. Air conditioner & Parts
- Top 10 Exports Destinations** (Jan. - Apr. 2019)
1. USA
 2. China
 3. Japan
 4. Vietnam
 5. Malaysia
 6. Singapore
 7. Australia
 8. Korea
 9. India
 10. Canada

Tourism

- Top Tourists (Jan. - Mar. 2019)**
1. China (4.01 mil.)
 2. Malaysia (1.24 mil.)
 3. Russia (0.72 mil.)
 4. South Korea (0.65 mil.)
 5. Japan (0.62 mil.)
 5. India (0.61 mil.)
- Foreign Tourists (Jan. - Mar. 2019)**
- 2018: 38.28 million
2019: 13.99 million

Imports

- Total 256.2 bil. USD**
Top 10 Imports (Jan. - Apr. 2019)
1. Crude Oil
 2. Machinery & Parts
 3. Electrical Machinery & Parts
 4. Chemical Products
 5. Iron, Steel, & Products
 6. Auto Parts & Accessories
 7. Electrical Integrated Circuits
 8. Jewelry
 9. Other Metal Ores
 10. Computer Equipment & Parts
- Top 10 Import Origins** (Jan. - Apr. 2019)
1. China
 2. Japan
 3. USA
 4. Malaysia
 5. India
 6. South Korea
 7. Korea
 8. Canada
 9. Germany
 10. Singapore

New Engine of Growth

S-CURVE

Next-Generation Automotive
Smart Electronics
Affluent, Medical and Wellness Tourism
Agriculture and Biotechnology
Food for the Future

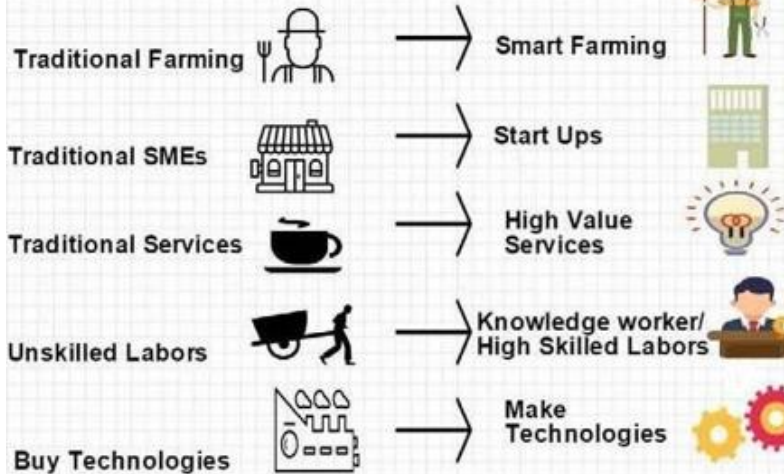


NEW S-CURVE

Robotics
Aviation and Logistics
Biofuels and Biochemicals
Medical Hub
Digital

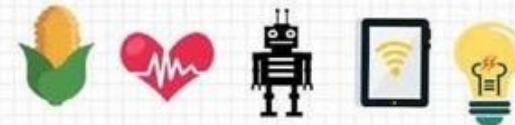


Transformative Shift



Clusters for Innovation & Start Ups

Food Agriculture & Bio-Tech
Health, Wellness & Bio-med
Smart Devices, Robotics & Mechatronics
Digital, IoT & Embedded Technology
Creative, Culture & High Value Services



Priorities for Innovation

Smart City Low-carbon Society
Medical Hub Food Innopolis
Water Management & Technology

What to do and How?

1. Active Role of Private Sector
2. Demand-driven Policy
3. Offer Tailored Support Fund
4. Build a Global, Regional & Nationwide R&D Networks
5. Strengthen Vocational Training & Education System
6. Develop Infrastructure
7. Introduce Capability-Based Investment Promotion Scheme & Performance Based Conditional Grants & Incentives

Source: Dr. Suvit Maesincee, Deputy Minister of Commerce

Division of Economic Information
Department of International Economic Affairs
Ministry of Foreign Affairs, Thailand.

International Trade and Peace



A rail has been built to link North and South Korea for the first time in nearly 60 years to transport materials. This shows a step toward peace and international trade.

The Internationalization of U.S. Business

Globalization of markets increasing

- More foreign customers, competitors, suppliers
- Competition comes from domestic and foreign firms

Many foreign-controlled companies in U.S.

- Foreign direct investment in U.S. is above \$3 trillion
- Foreign-owned companies in almost all industries:
 - Automobiles (Honda, BMW, Mercedes)
 - Appliances (LG Electronics, Frigidaire)
 - Convenience stores and restaurants (7-Eleven, Ben & Jerry's)
 - News and entertainment (*The Wall Street Journal*, Pearle Vision, Universal Studios, RCA)
 - Hotels (Holiday Inn, Waldorf Astoria)

Exhibit 1.1 Foreign Acquisitions of U.S. Companies 1 of 2

U.S. Companies/Brands	Foreign Owner
7-Eleven	Japan
Ben & Jerry's (ice cream)	U.K.
Budweiser	Belgium
Chrysler	Italy
Chrysler Building (NYC)	Abu Dhabi
Church's Chicken	Bahrain
CITGO	Venezuela
Columbia Pictures (movies)	Japan
French's Mustard	U.K.
Firestone (tires)	Japan
Frigidaire	Sweden
Genentech	Switzerland

Exhibit 1.1 Foreign Acquisitions of U.S. Companies 2 of 2

U.S. Companies/Brands	Foreign Owner
Gerber	Switzerland
Holiday Inn	U.K.
Huffy Corp. (bicycles)	China
Oroweat (breads)	Mexico
Purina (pet food)	Switzerland
Random House (publishing)	Germany
RCA (television)	France/China
Smith & Wesson (guns)	U.K.
Smithfield Foods (pork)	China
Swift & Company (meatpacking)	Brazil
The Wall Street Journal	Australia
T-Mobile	Germany
Waldorf Astoria Hotel (NYC)	China

Mexican Brands in the U.S.



© John Graham

Along with NAFTA have come two of Mexico's most prominent brand names. Gigante, one of Mexico's largest supermarket chains, now has several stores in Southern California, including this one in Anaheim. Grupo Bimbo, a growing Mexican multinational, has recently purchased American brand-named firms such as Oroweat, Webers, Sara Lee, and Mrs. Baird's Bread.

Revenues from International Sales

American brands have a global reach

- Important for U.S. businesses to thrive
- In many cases, foreign sales exceed domestic sales
- Foreign investments generate a lot of revenue
 - Apple had revenue of \$215 billion in 2016; 60 percent of total revenue from international sales

APPLE in India



To boost sales, Apple has assembled several iPhone models in India. This allows it to enjoy some of the tax benefits Narendra Modi's government have provided as part of the Make in India initiative

APPLE in India

India has liberalised its foreign direct investment rules, in a boost to single-brand retailers such as Apple. The tech giant has lobbied the Indian Government to relax its rules for years, which has prevented the company from opening online stores without first establishing a bricks-and-mortar retail presence. The rules also stipulated that companies must source **30 percent** of their production locally.

Now, thanks to reforms announced on August 28, India's sourcing laws will change so that products manufactured in accordance with the 30 percent sourcing rule can now be sold in other markets, not just in India. In addition, single-brand retail companies will be able to set up online stores before they open retail outlets.

Although smartphone sales are currently in decline around the world, India's smartphone market remains highly attractive – it is the world's fastest growing, and also its second largest

To boost sales, several iPhone models have been assembled locally. This allows the company to enjoy some of the tax benefits Narendra Modi's government have provided as part of its **Make in India** initiative. However, because retail stores have not been set up in India, Apple has sold its products in the country through third-party offline retailers and e-commerce sites like Amazon. These companies have tended to offer heavy discounts on the iPhone and MacBook Air products. Although this has boosted sales, Apple executives have voiced their dissatisfaction with this arrangement on the grounds that it dilutes the brand's image.

Apple is now poised to launch online sales of its devices in India within the coming months. It is also hopeful to set up its first retail store, although this is likely to happen further down the line. "It will take us some time to get our plans underway and we'll have more to announce at a future date," **a spokesperson said**.

Although smartphone sales are currently in decline around the world, India's smartphone market remains highly attractive – it is the world's fastest growing, and also its second largest. For Apple, these new reforms will make doing business in India easier and more lucrative than ever, helping it to catch up with Chinese smartphone manufacturers, such as Xiaomi, which have benefitted from aggressive uncontested marketing in India.

Related topics: **Apple, India, Legal, Smartphones**

Exhibit 1.2 Selected U.S. Companies and Their International Sales

Company	Global Revenues (billions of dollars)	Percent Revenues from Outside the U.S.
Amazon	136.0	33.6
Apple	215.1	60.0
Boeing	94.6	59.0
Dow Chemical	48.2	65.5
Exxon	197.5	73.5
Ford	151.8	38.5
General Electric	119.7	70.3
Intel	59.4	78.2
Johnson & Johnson	71.9	47.4
Procter & Gamble	65.3	58.7
Walmart	482.2	24.5

International Marketing Defined

The performance of business activities

- Plan, price, promote, direct flow of goods and services for profit
- For consumers or users in more than one nation

Unique from domestic marketing

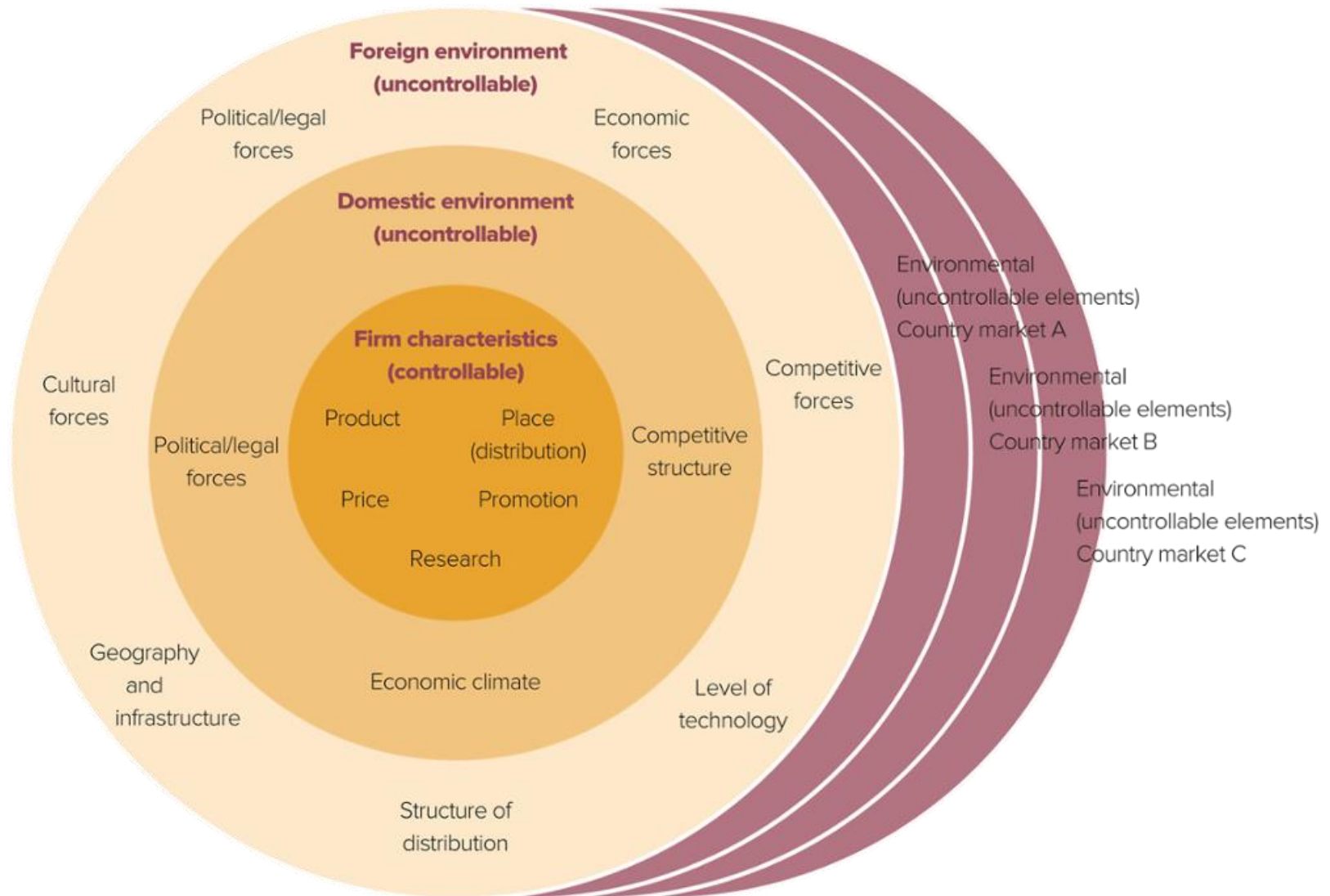
- Many unfamiliar problems require unique strategies to cope with problems
- Level of uncertainty and uncontrollables in foreign markets

The International Marketing Task

Uncontrollable uncertainty

- Comprised of uncontrollable elements in business environments
- Each international market has own set of factors

Exhibit 1.3 The International Marketing Task



Marketing Decision Factors 1 of 2

A marketing program is designed for optimal adjustment to uncertainty

Controllable elements in domestic environment

- Blend all elements to capitalize on anticipated demand
- Can alter elements if needed
 - Changing market conditions, consumer tastes, and corporate objectives

Marketing Decision Factors 2 of 2

Uncontrollable elements in domestic environment

- Actively evaluate elements to make adjustments
- Determine the outcome of the marketing enterprise

Aspects of the Domestic Environment

Domestic Environment Uncontrollables

- Political and legal forces
- Economic climate
- Competition
- Level of technology
- Structure of distribution
- Geography and infrastructure
- Cultural forces

Aspects of the Foreign Environment

Foreign Environment Uncontrollables

- Political and legal forces
- Economic forces
- Competitive forces
- Level of technology
- Structure of distribution
- Geography and infrastructure
- Cultural forces

Citibank in Brazil



© John Graham

A Citibank branch in the heart of Brazil. One of the world's great multinational corporations barely survived the financial debacle of October 2008. Indeed, during the past few years, its international operations have performed much better than its domestic ones with the exception of those in Brazil. In particular, emerging markets such as China, India, and the Philippines proved relatively resilient since the financial crisis that began in 2008.

Why 7-Eleven in Indonesia Failed?



Environmental Adaptation Needed

Cultural adjustment: the most challenging and important task

Duties of international marketers

- Interpret influence of each uncontrollable element on market
- Adjust marketing efforts to cultures in which they are not attuned
- Be aware of own frame of reference when evaluating markets
 - Often based off acculturation in home country

India Growing Economy?



The Self-Reference Criterion and Ethnocentrism

Both impede ability to accurately assess foreign market

Self-Reference Criterion (SRC)

- Unconscious reference to own cultural values, experiences, knowledge
- Problematic when used as basis for decisions

Ethnocentrism

- One's own country, culture, or country is best
- Most problematic when affluent countries work with less affluent



Think Global
Act Local

Be Vigilant of SRC and Ethnocentrism to Avoid Business Errors

1. Define situation in home-country's cultural traits, habits, or norms.
2. Define situation in foreign-country's cultural traits, habits or norms through consultation with natives. Make no value judgments.
3. Isolate SRC influence in situation and carefully examine how it complicates the issue.
4. Redefine situation without the SRC influence and solve for optimum business goal solution.

Developing a Global Awareness

Main components

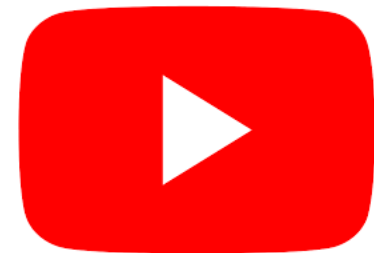
- Tolerance of and willingness to learn about cultural differences
- Knowledge of cultures, history, world market potential, and global economic, social, and political trends

Stages of International Involvement

Main characteristics of companies that internationalize quickly

- High-technology and/or marketing-based resources
- Smaller home markets and larger production capacities
- Managers who are well-networked internationally

International Managers



Stages of International Marketing Involvement

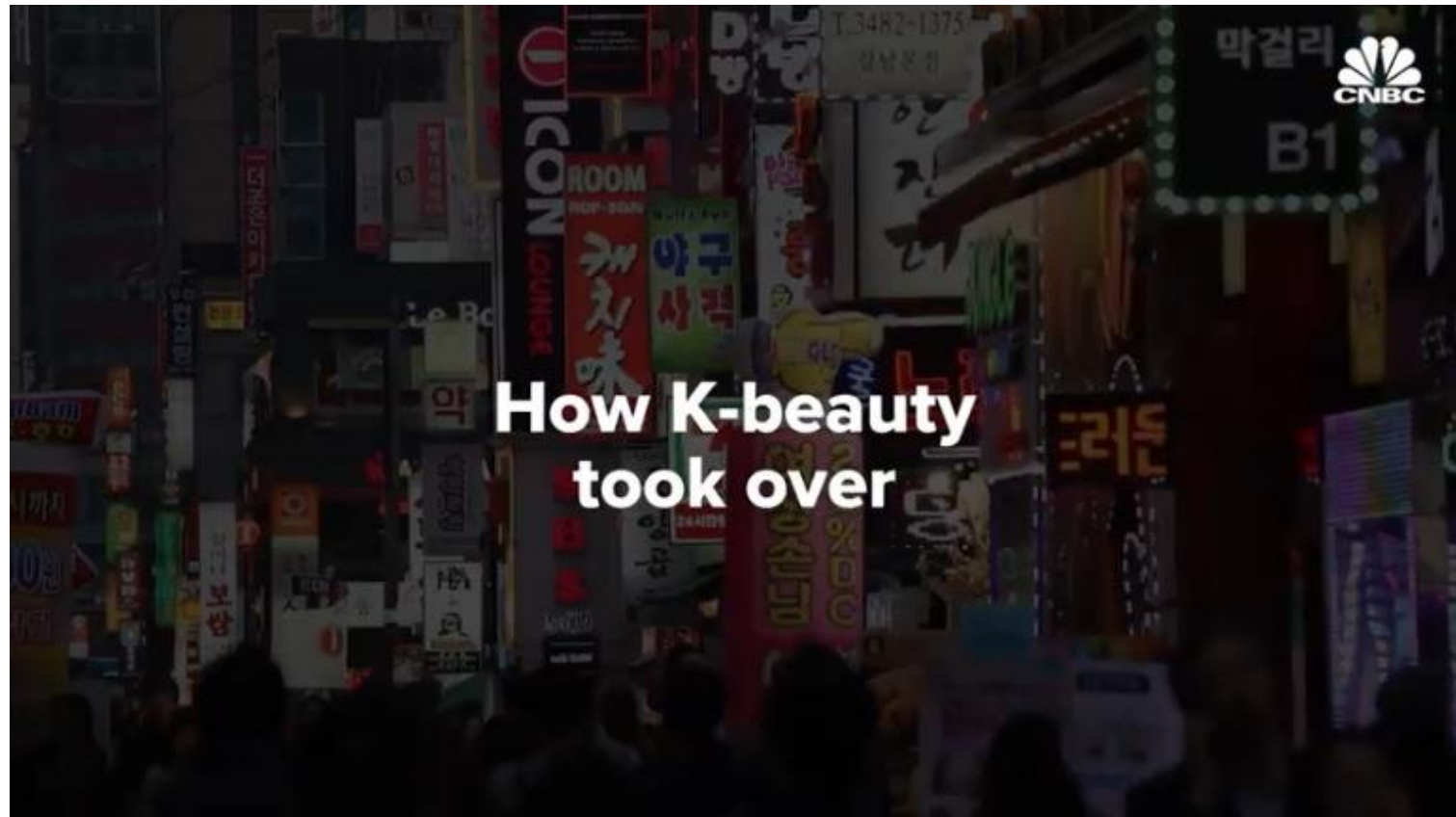
More reactive and less strategic

- No direct foreign marketing
- Infrequent foreign marketing

More involved in strategic planning

- Regular foreign marketing
- International marketing
- Global marketing

Korean Beauty Global Success



How K-Beauty Took Over Global Skin Care

567,980 views

👍 10K 💬 280 ➔



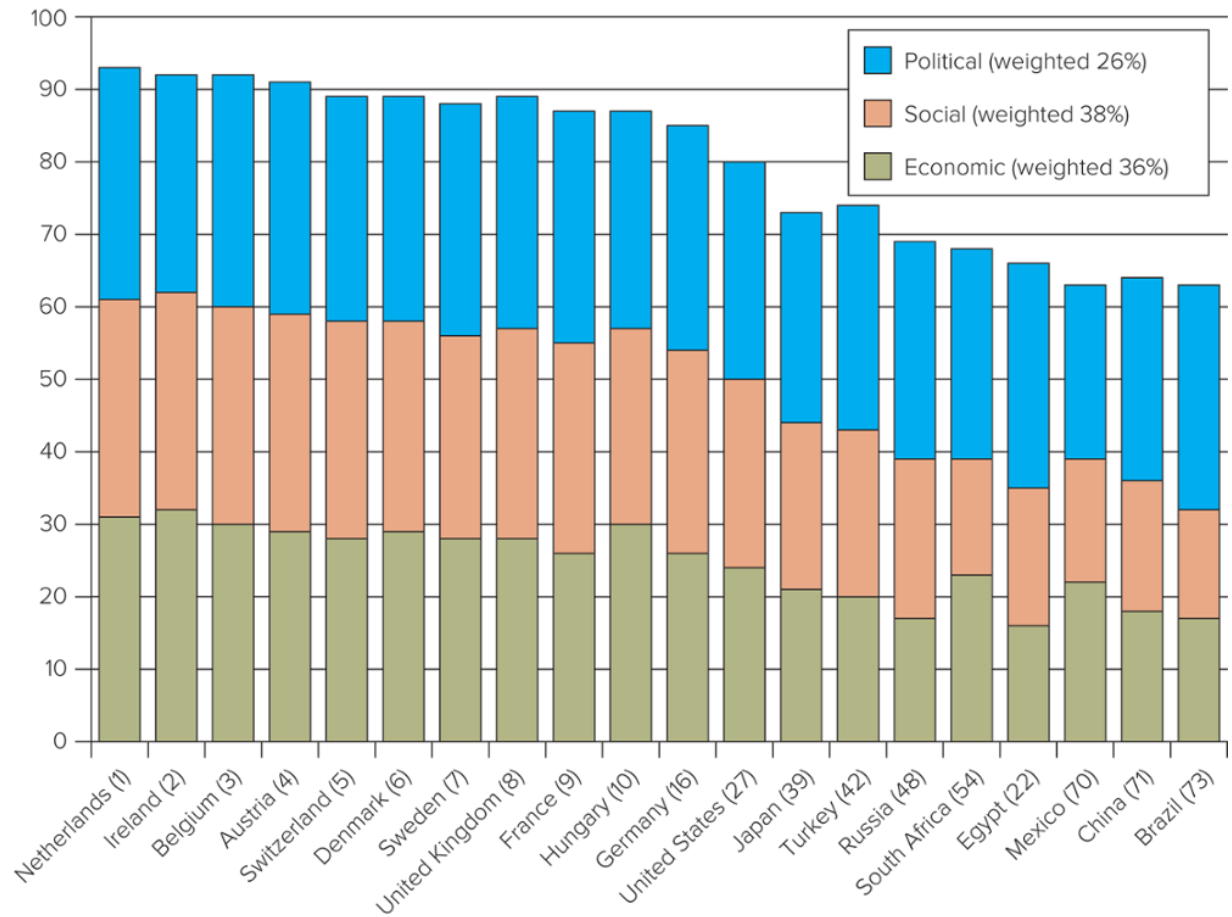
CNBC

1.33M subscribers

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Exhibit 1.4

The KOF Globalization Index (top ten plus selected other countries)



POLITICAL GLOBALIZATION MEASURES

- Trade flows
- Foreign direct investment flows
- Income payments to foreigners
- Mean tariff rates
- Taxes on international trade

SOCIAL GLOBALIZATION MEASURES

- Telephone traffic
- International tourism
- Foreign population
- Internet users
- Televisions

ECONOMIC GLOBALIZATION MEASURES

- Embassies in country
- Membership in international organizations
- International treaties
- Participation in UN missions

[Jump to long image description.](#)

Appendix of Image Long Descriptions

Appendix 1 Exhibit 1.3 The International Marketing Task

The graphic shows three concentric circles labeled with elements of the marketplace.

The innermost circle is labeled Firm Characteristics and includes controllable elements: product, price, research, promotion, and place or distribution.

The next circle is labeled Domestic Environment and includes uncontrollable elements: political and legal forces, economic climate, and competitive structure.

The outermost circle is labeled Foreign Environment and includes uncontrollable elements: political and legal, cultural, economic, and competitive forces; geography and infrastructure; structure of distribution; and level of technology.

The graphic shows these elements for the sample country layered on top of three separate circles. Each circle represents three international markets, each with its own environmental elements.

Appendix 2 Exhibit 1.4 The KOF Globalization Index

A bar chart shows 20 countries that are ranked by their political, social, and economic globalization.

The political globalization measures include trade flows, FDI flows, income payments to foreigners, mean tariff rates, and taxes on international trade.

The social globalization measures include telephone traffic, international tourism, foreign population, Internet users, and televisions.

The economic globalization measures include embassies in country, membership in international organizations, international treaties, and participation in UN missions.

The highest rates countries are Netherlands, Ireland, Belgium, and Austria, in that order. The lowest rated countries are Brazil, China, Mexico, and Egypt, in that order. The U.S. ranks towards the middle of the 73 countries rated.

The words "The End" are written in a large, white, sans-serif font. The text is centered and surrounded by a vibrant, multi-colored paint splatter effect. The splashes are in shades of red, yellow, blue, and green, creating a dynamic and energetic background for the text.

The End