# MK 333/326
# International Marketing
# Chapter 9

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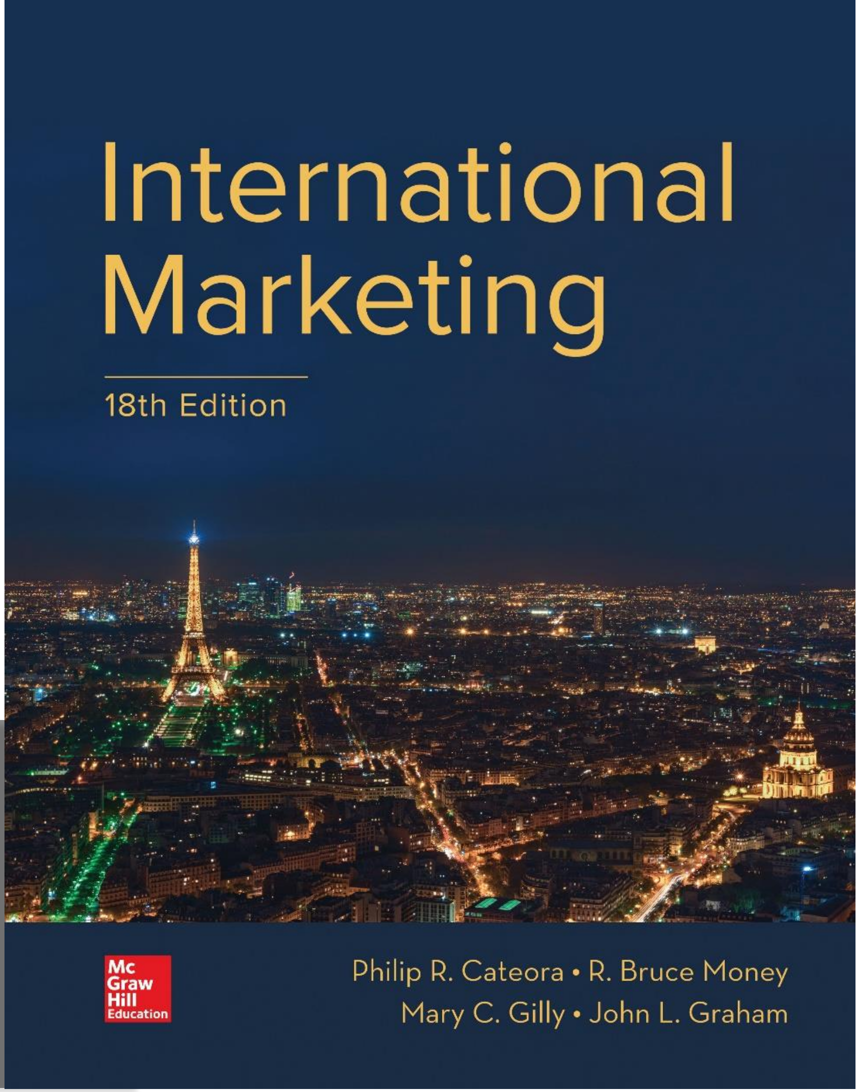
# Chapter 9

## Economic Development and the Americas

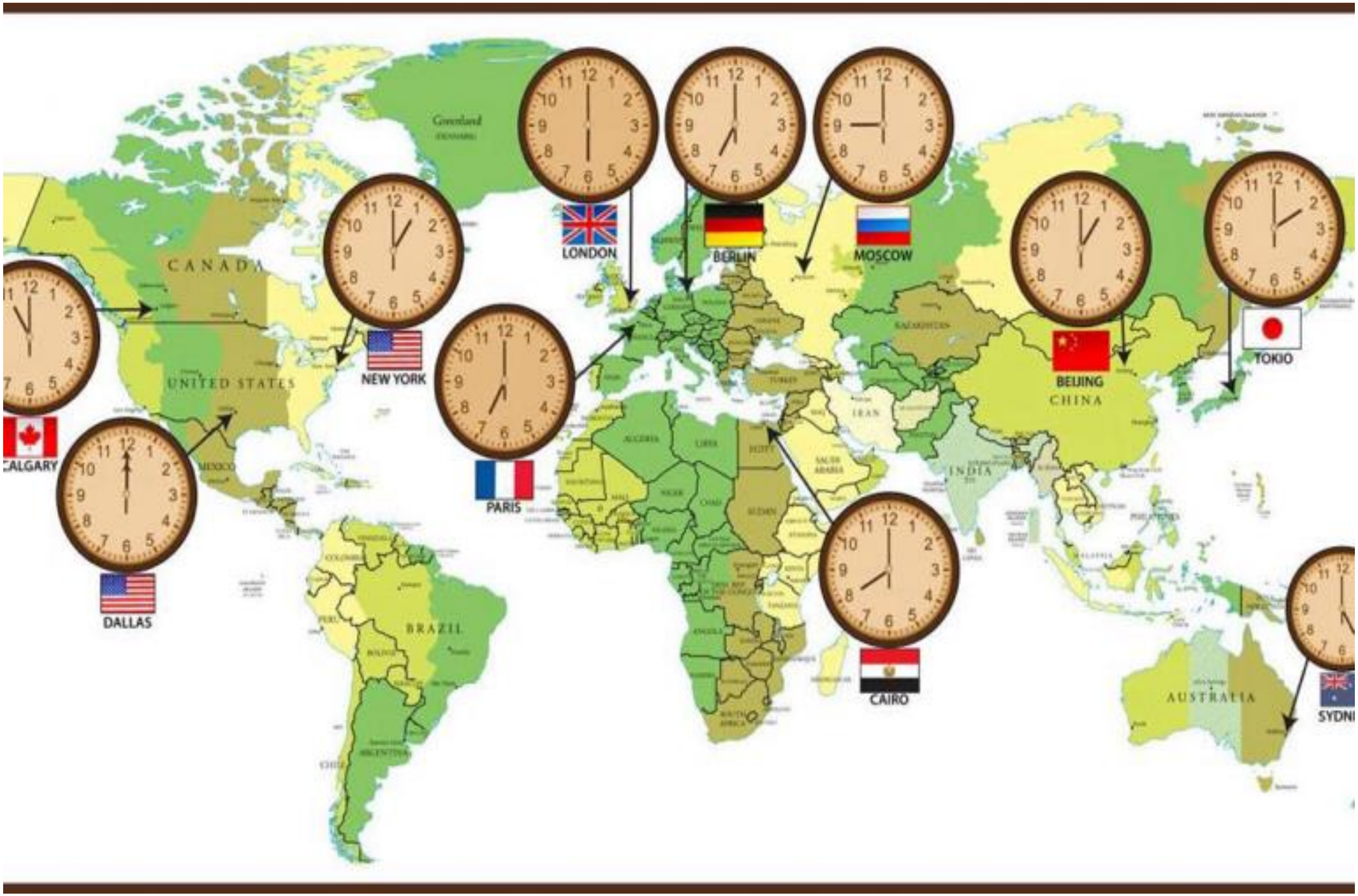


# International Time Zones

## Important in Business

- International marketers deal with three kinds of distance
  - Miles, time zones, cultural distance
  - Time zones have greatest impact on success abroad
- Usually good relationships among contiguous countries
  - Associated pattern of economic growth and global trade
  - Three market regions or trading blocs based on time zone: the Americas, Europe, and Asia
    - Industrialized, industrializing, underdeveloped countries in each bloc

# International Time Zones



# Exhibit 9.1 Three Regional Trading Areas Roughly Defined by Time Zones

| Region | Population | GDP |
|---|---|---|
| The Americas | 1.01 billion | $25.2 trillion |
| Europe and Africa | 2.00 billion | $21.2 trillion |
| Asia Pacific | 4.55 billion | $28.7 trillion |

# Marketing and Economic Development 

## Economic Level

- The stage of economic development in a country
  - Affects consumer behavior
- Marketer must adjust marketing task accordingly
  - Economic level the single most important factor
- United Nation's stages of economic development
  - More-developed countries (MDCs)
  - Less-developed countries (LDCs)
  - Least-developed countries (LLDCs)

# Marketing and Economic Development 

## Newly Industrialized Countries (NICs)

- UN classification system has been criticized
  - No longer seems relevant in rapidly industrializing world
- LDCs industrializing quickly are commonly called NICs
  - Chile, Brazil, Mexico, South Korea, Singapore, Taiwan examples
  - No longer use restrictive trade; now free market reforms
  - Attract both trade and foreign direct investment
  - Have become formidable exporters of many products

# Marketing and Economic Development 

## Economic Growth Factors

- Political stability in policies affecting development
- Economic and legal reforms
- Entrepreneurship
- Planning
- Outward orientation
- Factors of production
- Industries targeted for growth

- Incentives to force a high domestic rate of savings and direct capital to update infrastructure
- Privatization of state-owned enterprises (SOES) that had once drained national budgets
- Large, accessible markets with low tariffs

# Competition in Coffee Production

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Brazilian production of coffee (on left) has almost always determined world prices for the brew. Now this commercial dominance is being challenged in two ways. First, Vietnam's burgeoning new production (on right) caused world coffee prices to crash in recent years, from a high of $1.85 per pound in 1997 to about $.50 in 2001. Circa 2015 prices are now back to about $2.00 per pound, after peaking at $3.00 in 2010. And Starbucks is changing the global game in retail coffee distribution—including in its store in the heart of São Paulo, the historical center of coffee production in Brazil and the world.

# Marketing and Economic Development 4 of 7

## Information Technology, the Internet, and Economic Development

- Investment in information technology (IT) important
  - Key to economic growth
  - Innovation can lead to sustainable future for developed and developing nations
  - Internet cuts transaction costs; increases global reach
  - Speeds up the diffusion of new technologies
  - Mobile phones and wireless technologies reduce expense of costly telecom infrastructure

# Marketing and Economic Development 5 of 7

## Objectives of Developing Countries

- Industrialization fundamental objective for most
  - Allows for achievement of both economic and social goals
- Foreign investors now seen as vital partners to process
  - Sometimes feared as having goals that conflict with host country
  - But many countries welcome foreign investment
  - Trend toward privatization a major economic phenomenon in industrialized and developing countries

# Marketing and Economic Development 

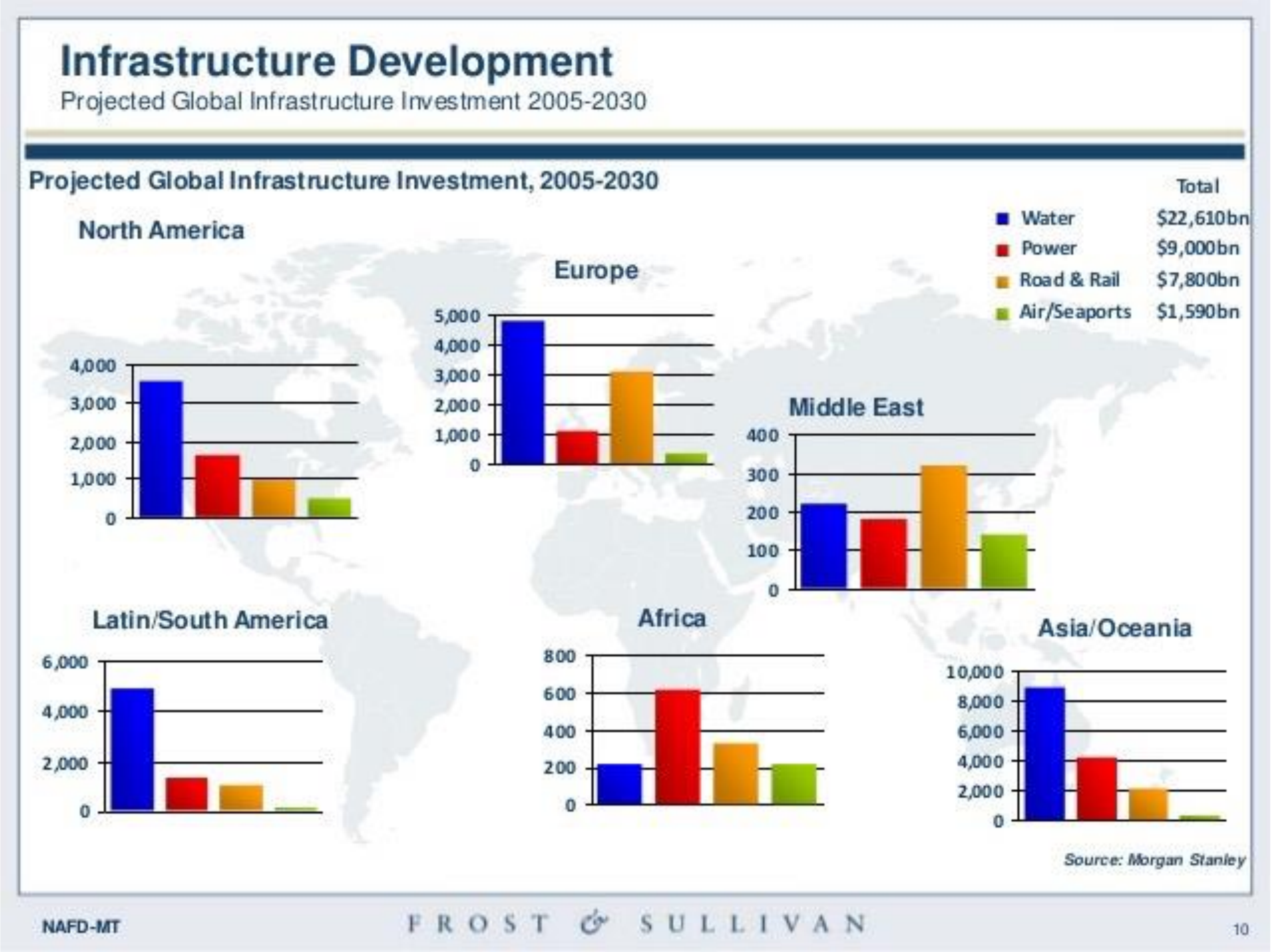
## Infrastructure

- Assortment of capital goods
  - Serve activities of many industries
  - Support production and marketing
- Impacts business efficiency of enterprises
  - Crucial component of uncontrollable elements facing marketers
- Directly impacts country’s economic growth potential
  - Strong infrastructure necessary for exporting goods
  - Must support country’s expanding population and economy

# Marketing and Economic Development

# Marketing and Economic Development

# Global Infrastructure



# Business Development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In Jamaica, Pepsi partners with a local fast-food company, co-branding and supporting local development efforts.

# Marketing and Economic Development 

## Marketing’s Contributions continued

- Five weaknesses that indicate need for adjustment in emerging markets (Sheth)

  1. Market heterogeneity
  2. Socialpolitical governance
  3. Unbranded competition
  4. Chronic shortage of resources
  5. Inadequate infrastructure

# Monopoly in Ecuador


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The irony of Parker Brothers' introduction of Monopoly to Ecuador is rather amusing, given President Rafael Correa's announcement of new *anti-monopoly* laws just a year earlier. He was reacting to Carlos Slim's giant Mexican Telmex takeover of Ecuador Telecom.

# Big Emerging Markets (BEMs) 

Share important traits

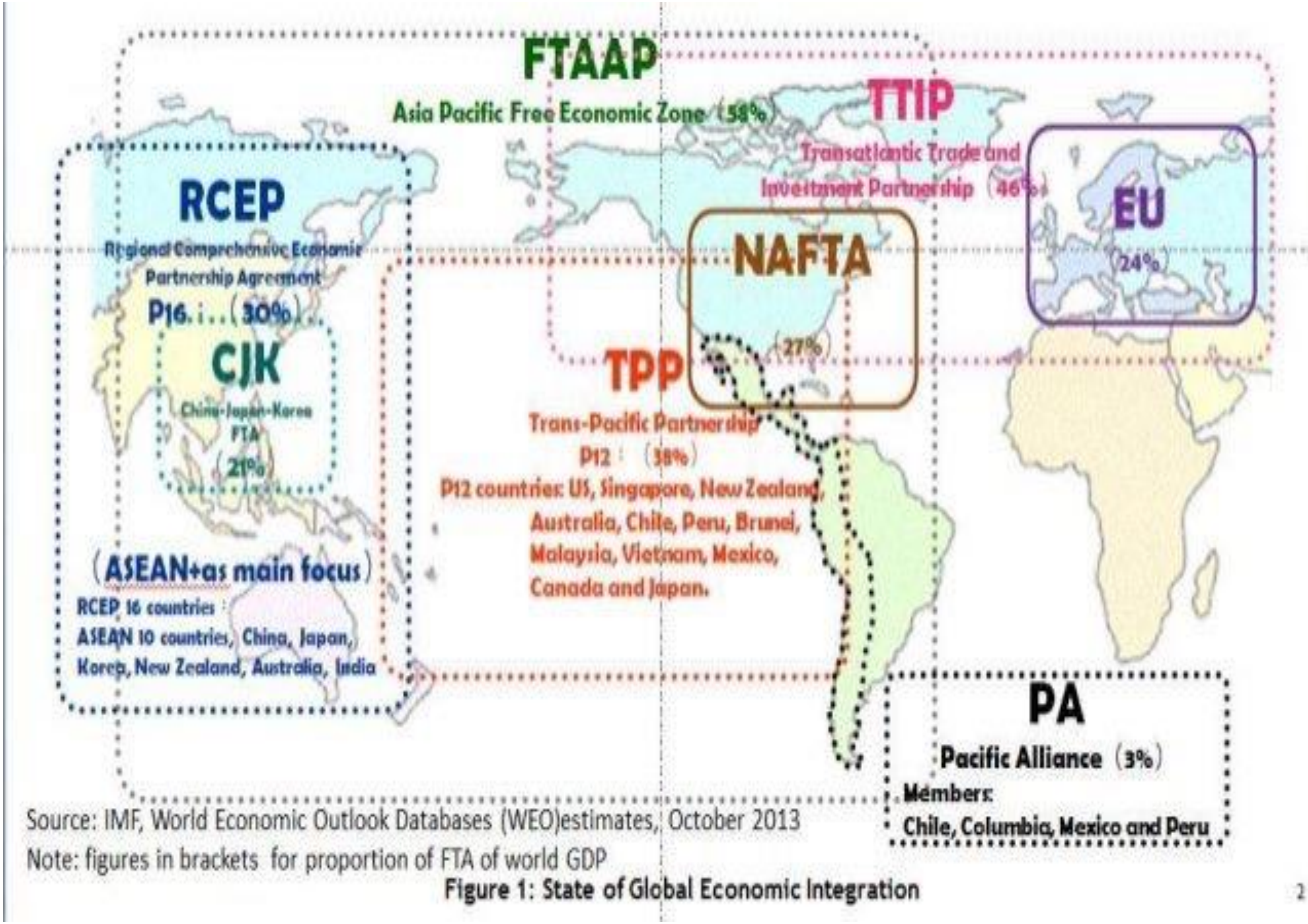
- Are geographically large
- Have significant populations
- Represent sizable markets for wide range of products
- Have strong rates of growth or potential for significant growth
- Have undertaken significant programs of economic reform
- Of major political importance within their regions
- Are “regional economic drivers”
- Engender expansion in neighboring markets as they grow

# Big Emerging Markets (BEMs) 

## Growth from BEMs

- Import more than smaller markets and economies of similar size
- Development increases demand for capital goods
    - Much of which must be imported
- Will be in industrial sectors
    - Information, environmental, transportation, energy, and healthcare technology
    - Financial services

# The Americas

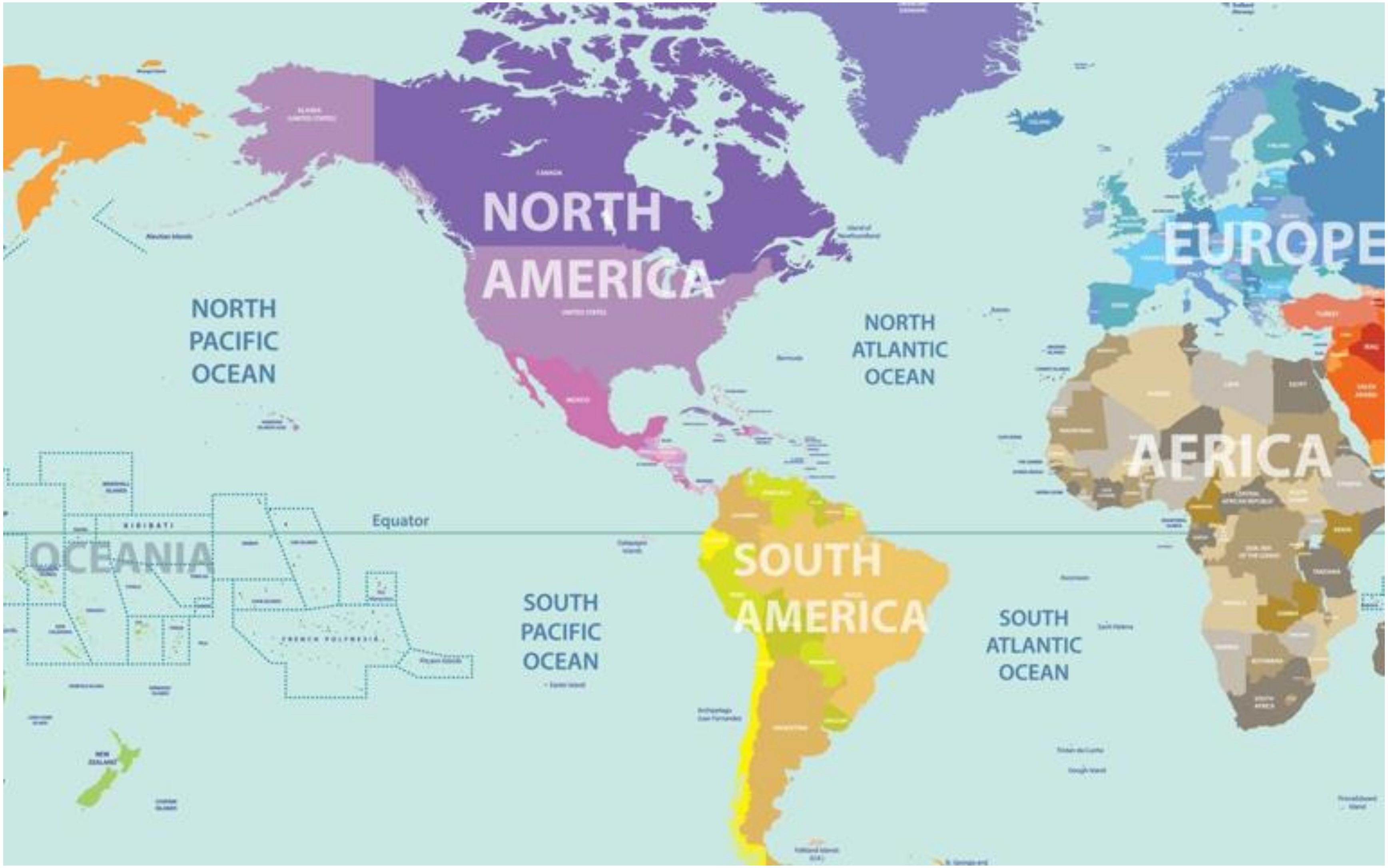


# The Americas 1 of 5

United States-Canada Free Trade Area (CFTA)

- Was world's largest bilateral trade agreement
  - Each country was the other's largest trading partner
- Created single, continental commercial market
  - Worked for trade of all goods and most services
  - Eliminated tariffs and trade barriers
  - Did not necessitate any political union
- Mexico soon expressed interest in free trade with U.S.

# The Americas



# The Americas 2 of 5

## North American Free Trade Agreement (NAFTA)

- United States, Canada, and Mexico
  - Ratified and became effective in 1994
  - Single market of 360 million people with a $6 trillion GNP
  - Required all to remove barriers and tariffs over 15 years
  - Helped to ameliorate long-standing areas of conflict
  - Economic relationships in NAFTA continued to grow

# The Americas 

## United States Mexico and Canada Agreement (USMCA)

- United States, Canada, and Mexico
- Proposed in October of 2018
- Based on NAFTA with several proposed adjustments
  - More access to Canada's diary sector
  - Increased hourly wages in Mexico's automotive sector are required
  - Digital economy elements have been adjusted
- Follow Up negotiations are required
- Takes effect on 1 January 2020, pending legislative approval

# NAFTA and Mexico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Geographic proximity allows Mexicans from Baja, California, to attend Padres baseball games in close-by San Diego. The team maintains this successful store just across the border in Plaza Rio shopping center in Tijuana. And of course, historically, Padre Junipero Serra had visited both places in the late 1700s while establishing the chain of missions in old Spanish California. NAFTA also gave Taco Bell a second shot at making it in Mexico; this store was in Monterrey. The company's 1992, pre-NAFTA incursion failed.

# The Americas 4 of 5

## Latin American Progress

- Political and economic revolution over last 3 decades
  - Shift from military dictatorships to democracies
  - Shift away from policies of protectionism
  - Positive international response
    - Billions of dollars invested in Latin America
- Latin American Integration Association (LAIA)
- Caribbean Community Common Market (CARICOM)

# The Americas

# The Americas 

## NAFTA to FTAA or SAFTA?

- Free Trade Area of the Americas (FTAA)
  - Original goal of NAFTA; free trade extending from Alaska to Argentina
  - Chile envisioned to be first new country added, with membership extending further south after
- South American Free Trade Area (SAFTA)
  - Would be separate from tri-country NAFTA

# Latin America

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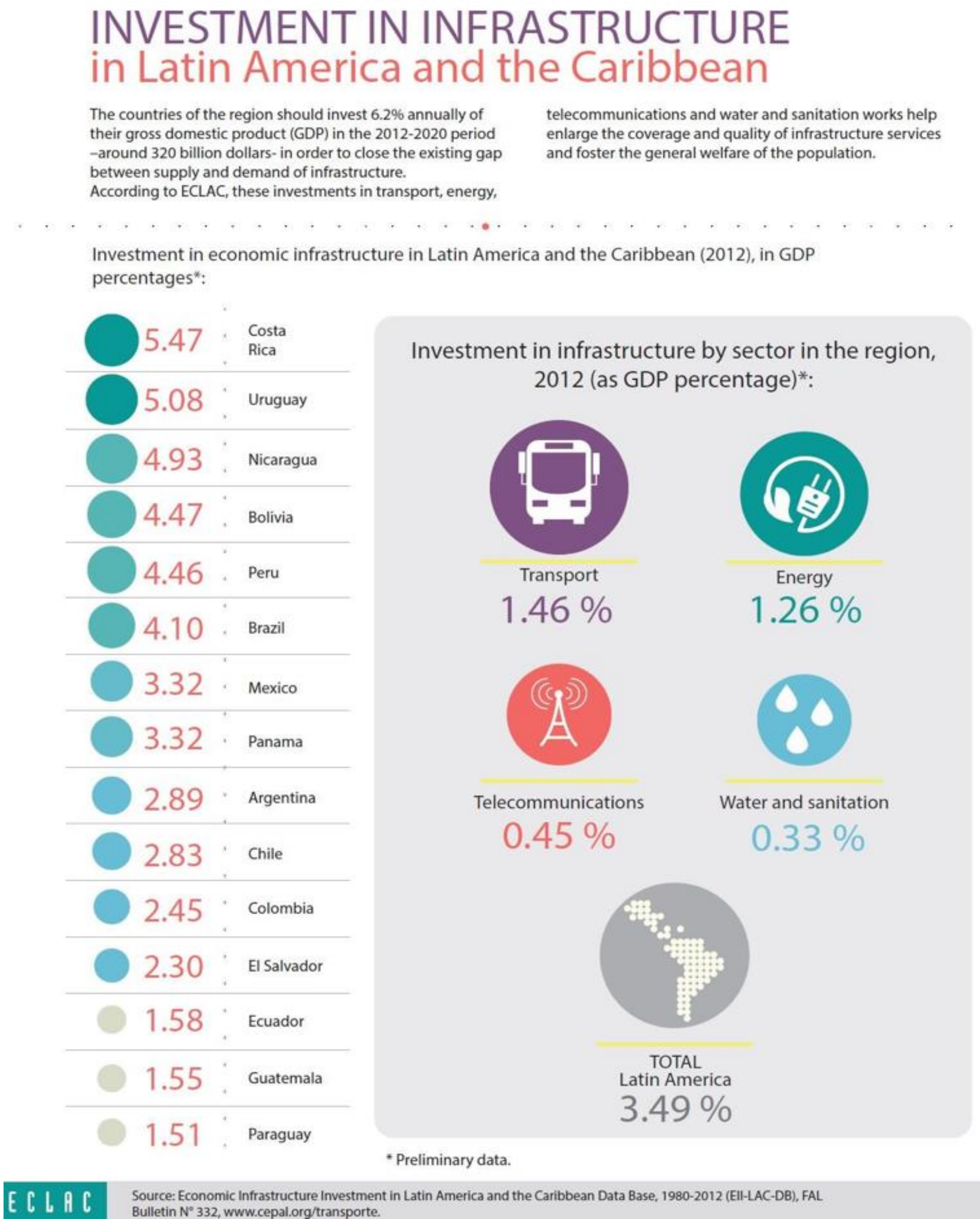

# Strategic Implications for Marketing

## Development Leads to Change

- **Higher incomes and living standards**
- **Market behavior changes**
  - **Groups with similar tastes and needs (market segments) arise**
- **As incomes rise, new demand is generated**
  - **Occurs in all income levels**
  - **Demand for costly goods with increasing middle-class**
- **Emerging markets will be growth area of 21$^{st}$ century**

# Investments in Developing World

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People queued for a Chinese-made bus at city center in Havana. China is making major sales and investments in the infrastructures of the developing world, including in Cuba, a member country of LAIA and a fellow "communist" country.