

MK 326
International Marketing
Chapter 1

By Ajarn Suwalya K.

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

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 has a catastrophic effect on the health and well being of nations. Studies have shown that conflict situations cause more mortality and disability than any major disease. War destroys communities and families and often disrupts the development of the social and economic fabric of nations.

WAR

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



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**



COVID-19

THE IMPACT ON THAILAND'S PEOPLE AND ECONOMY

COVID-19 hit Thailand in early 2020. Government action stemmed infections, but the impact on the economy and society in 2020 and beyond will be large.



COVID-19'S ECONOMIC IMPACT

In the first quarter of 2020, GDP suffered its lowest growth rate in five years



The Thai economy is projected to contract by at least 5% in 2020 due to:



Weaker global demand affecting exports and value chains



No international tourist arrivals since March. Tourism is worth almost 15% of Thailand's GDP



Decline in sales by nearly 12% in Q1 2020



Decrease in private consumption, with retail and recreation being hardest hit

Populist Disruptions: U.S. China Trade War



The US-China trade war, which began in 2018 under former US President Donald Trump, has resulted in **both nations paying higher taxes to bring in goods from the opposing country.**

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

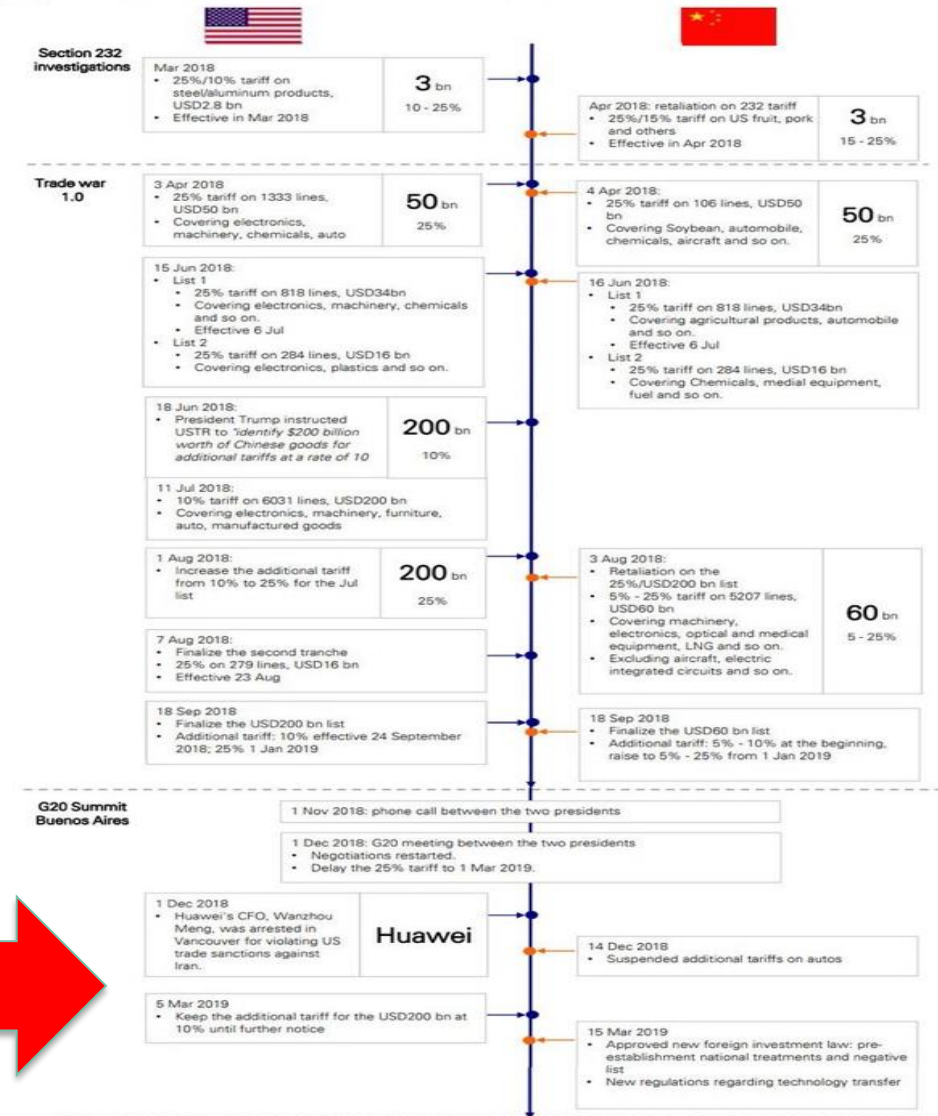


©StatistaCharts Sources: Bloomberg, Reuters



U.S. China Trade War

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



Huawei

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



The **ASEAN Summit** is the highest policy-making body in ASEAN comprising the Heads of State or Government of ASEAN Member States.

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



EAST-WEST CENTER



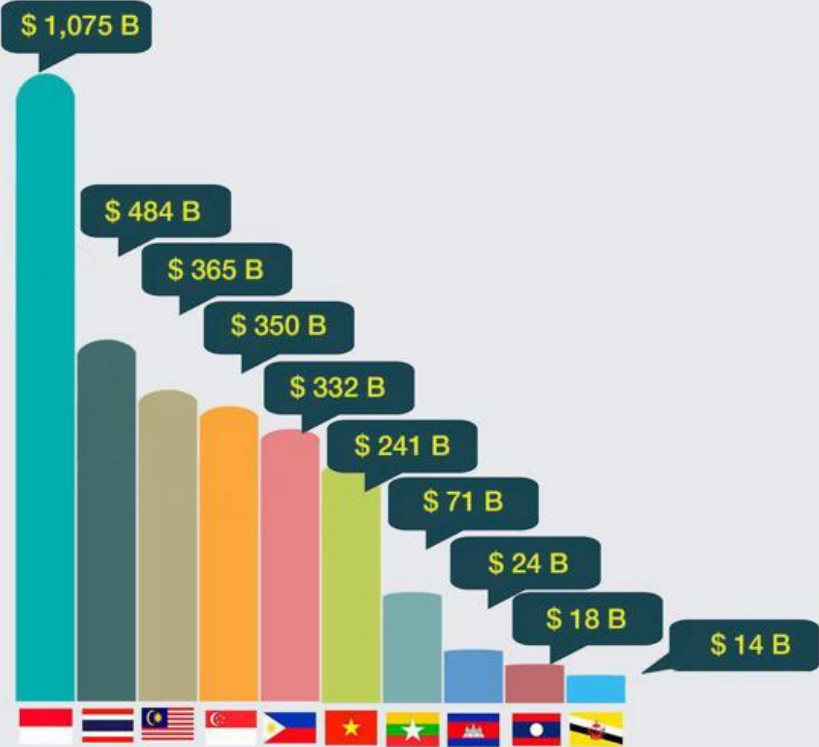
US-ASEAN
BUSINESS COUNCIL, INC.



YUSOF ISHAK
INSTITUTE

ASEAN SUMMIT

Gross Domestic Product (GDP) ASEAN Countries 2018



ASEAN SUMMIT

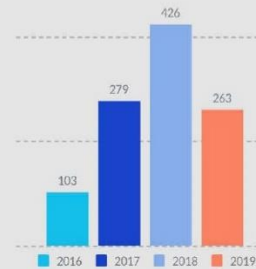
Thailand's Investment Factsheet

Foreign Direct Investment (FDI)

Jan. - Dec 2019



FDI Value 2016 - 2019



Source: Bank of Thailand (BOT)

Top 10 FDI by Economies

Rank	Economy	Value (bil. Baht)
1.	Singapore	155.71
2.	Japan	55.74
3.	Hong Kong	34.57
4.	China	28.84
5.	United States	21.06
6.	United Kingdom	9.87
7.	Cayman Islands	8.83
8.	South Korea	8.23
9.	Germany	6.76
10.	Austria	3.58

Top 10 FDI by Industries

Rank	Industry	Value (bil. Baht)
1.	Manufacturing	131.37
2.	Real Estate Activities	72.59
3.	Wholesale, Retail Trade and Automotive Repair	28.62
4.	Financial and Insurance Activities	25.90
5.	Electricity, Gas, Steam and Air Conditioning Supply	19.30
6.	Accommodation and Food Service Activities	18.73
7.	Construction	8.67
8.	Mining and Quarrying	4.86
9.	Transportation and Storage	0.74
10.	Agriculture, Forestry and Fishing	0.07

Total Applications Submitted to BOI (Jan. - Dec. 2019)





Total Applications 1,624 Projects	Total investment value 756.10 billion Baht 838 applications (52%) are in the 10 targeted industries. The projects value is 286.52 billion Baht in total.
Most Applications Agriculture and Food Processing = 199 Projects	Highest value Electronic equipment and Electronics = 80.50 billion Baht
Approved Projects 1,500 Projects	Total investment value 447.36 billion Baht 745 approvals (50%) are in the 10 targeted industries. The projects value is 323.87 billion Baht in total.
Most Approvals Agriculture and Food Processing = 193 Projects	Highest value Petrochemicals and Chemicals = 83.37 billion Baht

Applications in EEC	
Applications	Value (bil. Baht)
506 projects	444.88
Approved	Value (bil. Baht)
425 projects	254.58

Source: The Board of Investment of Thailand : BOI



SOUTHEAST ASIAN ECONOMIC GROWTH FORECASTS

Country	2020		2021	
	Previous	New	Previous	New
 Brunei	2	1.4	3	3
 Cambodia	2.3	-5.5	5.7	5.9
 East Timor	-2	-3.7	4	4
 Indonesia	2.5	-1	5	5.3
 Laos	3.5	-0.5	6	4.5
 Malaysia	0.5	-4	5.5	6.5
 Myanmar	4.2	1.8	6.8	6
 Philippines	2	-3.8	6.5	6.5
 Singapore	0.2	-6	2	3.2
 Thailand	-4.8	-6.5	2.5	3.5
 Vietnam	4.8	4.1	6.8	6.8
 Southeast Asia	1	-2.7	4.7	5.2

Source: Asian Development Bank

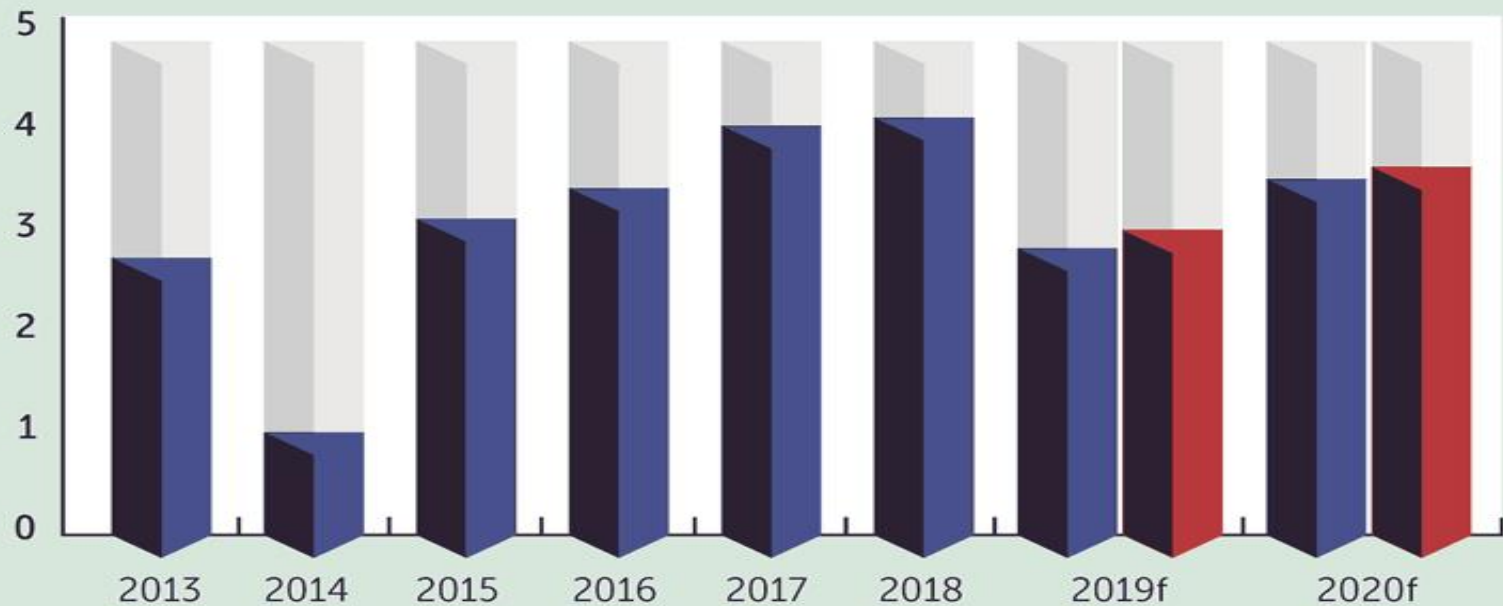
Unit: %

BKPgraphics

Thailand

WEAKER DOMESTIC DEMAND PROMPTS LOWER GROWTH OUTLOOK

Thailand's real GDP growth, %




Note: f = Fitch Solutions forecast













Sources: NESDC, Fitch Solutions



BANGKOK POST GRAPHICS

ASIA REAL GDP



Country	Outlook Estimates and Latest Projections		Difference from Jan 2020 World Economic Outlook Estimates	
	2020	2021	2020	2021
 Thailand	-6.7	6.1	-9.2	2.6
 Brunei	1.3	3.5	-3.4	-0.1
 Cambodia	-1.6	6.1	-8.4	-0.6
 Indonesia	0.5	8.2	-4.4	3.2
 Lao	0.7	5.6	-5.8	-1.1
 Malaysia	-1.7	9	-6.2	4.1
 Myanmar	1.8	7.5	-4.5	1.5
 Philippines	0.6	7.6	-5.7	1.2
 Singapore	-3.5	3	-4.7	1.3
 Vietnam	2.7	7	-3.8	0.5
 China	1.2	9.2	-4.8	3.4
 India	1.9	7.4	-3.9	0.9

Sources: IMF, World Economic Outlook database

BKPgraphics

Thailand

Thailand's Economic Factsheet

Economic Figures

GDP



YEAR



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

Top 10 Exports Destinations (Jan. - Apr. 2019)

- USA
- China
- Japan
- Vietnam
- Malaysia
- Singapore
- Australia
- India
- Russia
- Canada

Total 254.0 bil. USD Top 10 Exports (Jan. - Apr. 2019)

- Auto Parts & Accessories
- Computer, Equipment, & Parts
- Precious Stones & Accessories
- Rubber Products
- Plastic Pellets
- Chemical Products
- Refined Fuels
- Electronic Integrated Circuits
- Machinery & Parts
- Air conditioner & Parts

Tourism

Top Tourists (Jan. - Mar. 2019)

- China: 4.01 mil.
- Malaysia: 1.24 mil.
- Russia: 0.72 mil.
- South Korea: 0.65 mil.
- Japan: 0.62 mil.
- India: 0.61 mil.

Foreign Tourists (Jan. - Mar. 2019)

13.99 million (Jan. - Mar. 2019) vs **38.28** million (2018)



Imports

Top 10 Import Origins (Jan. - Apr. 2019)

- China
- Japan
- USA
- Malaysia
- India
- South Korea
- Russia
- Vietnam
- Germany
- Canada

Total 256.2 bil. USD Top 10 Imports (Jan. - Apr. 2019)

- Crude Oil
- Machinery & Parts
- Electrical Machinery & Parts
- Chemical Products
- Iron, Steel, & Products
- Auto Parts & Accessories
- Electrical Integrated Circuits
- Jewelry
- Other Metal Ores
- Computer Equipment & Parts

New Engine of Growth

S-CURVE

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

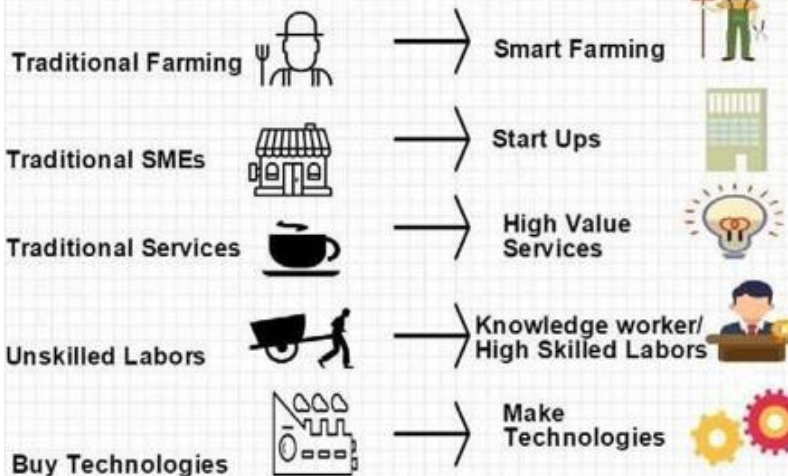


NEW S-CURVE

Robotics
Aviation and Logistics
Biofuels and Biochemicals
Medical Hub
Digital

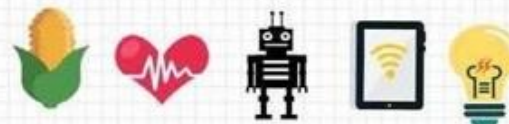


Transformative Shift



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 Korean conflict is an ongoing conflict based on the division of Korea between North Korea (Democratic People's Republic of Korea) and South Korea (Republic of Korea), both of which claim to be the **sole legitimate government** of all of Korea. ... Both superpowers created a government in their own image.

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	 Gerber®
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

U.S. COMPANIES ASSISTING BRAZIL IN COMBATING THE IMPACTS OF COVID-19



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

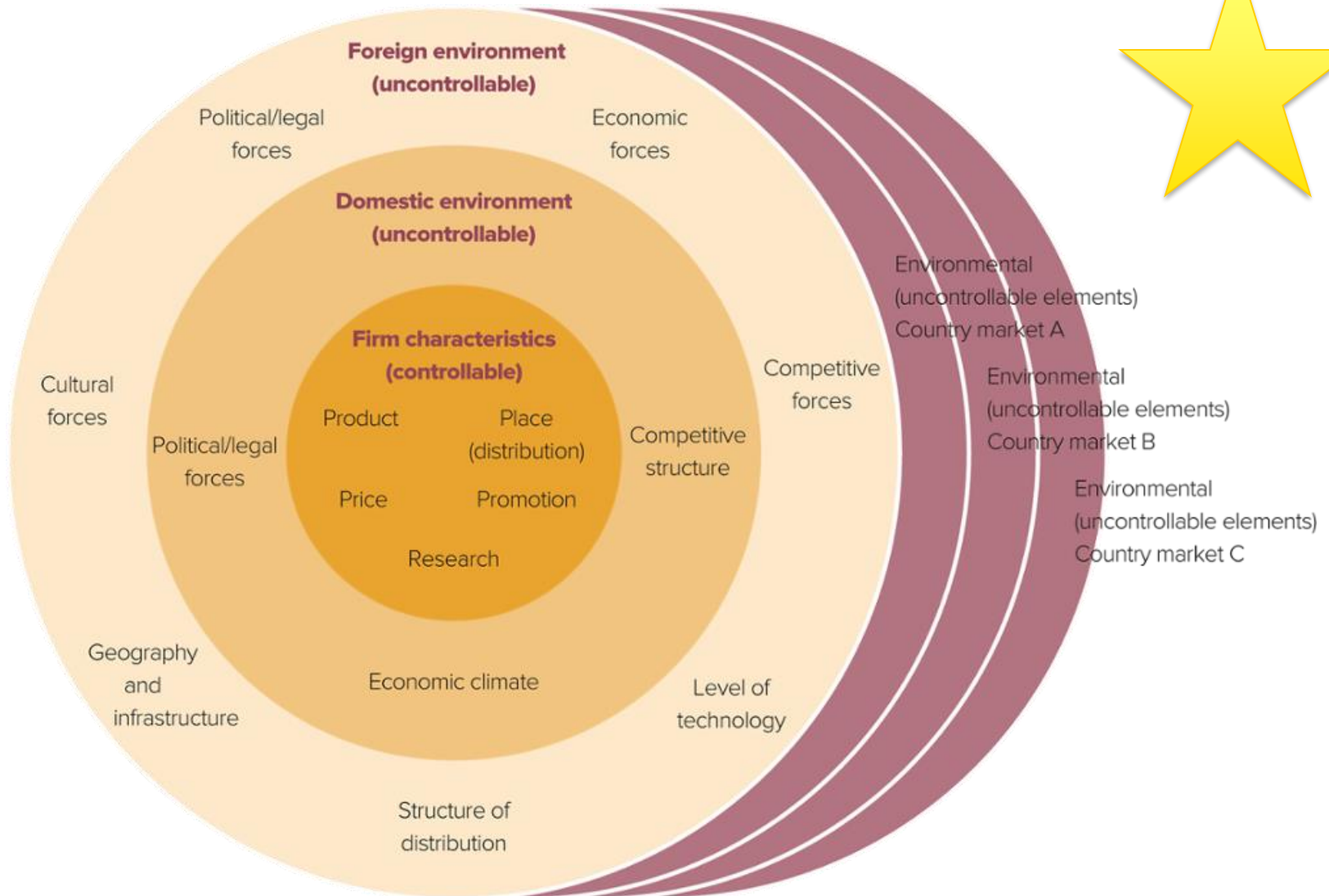
The International Marketing Task

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 Failed In Indonesia

CNBC · 2.1M views · 3 years ago



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

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

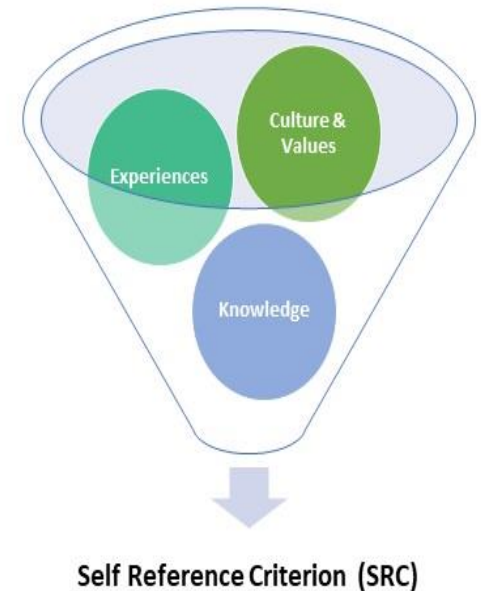


Ethnocentrism

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

The Self-Reference Criterion

Self Reference Criterion is often defined **as an unconscious reference to one's own cultural values**, experiences and knowledge as a basis for decisions. ... For example, people may make the wrong business decision in foreign country by thinking how they would handle the same situation if they were in their home country.



In local markets on the basis of self reference criterion; the **marketer can predict the future responses of customers to a particular product** but in the markets of some other country or culture the responses of customers will be based on their unique cultural environment.

McDonalds in India: Example of SRC



When **McDonalds launched in India**, they have a self reference criterion to other global markets that people eat meat and animal oil. However, half of the population was vegetarian.





**Think Global
Act Local**

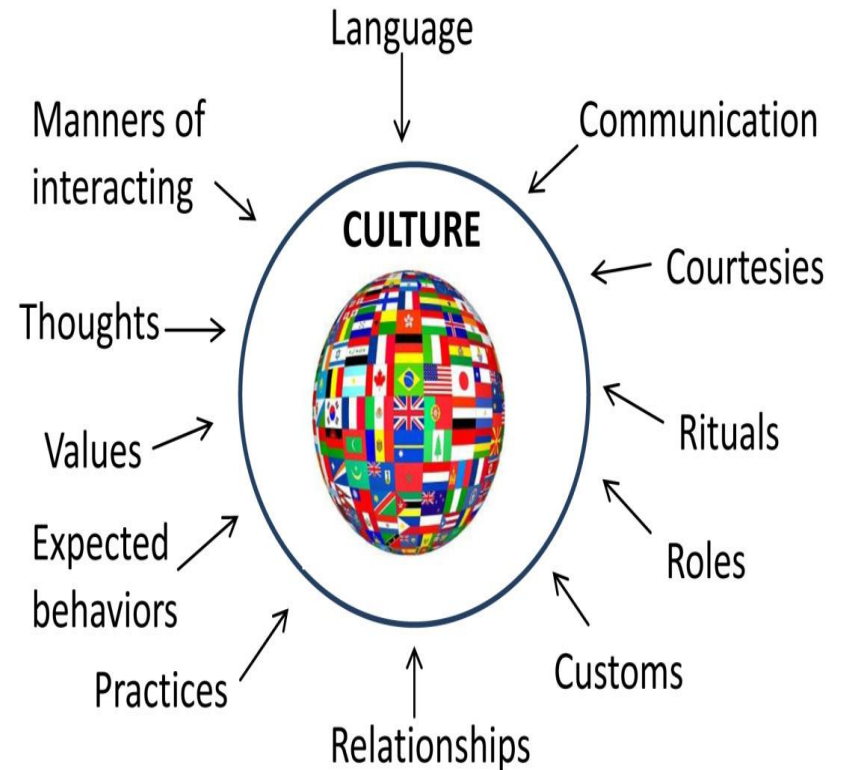
Be Vigilant of SRC and Ethnocentrism to Avoid Business Errors

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

CROSS-CULTURE



Cross-Cultural Management

InternationalHub · 167K views · 4 years ago



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

MK 326 Group Assignment 2.1 :

Chapter 1 on SRC and Ethnocentrism

- Each group please prepare a 1 slide presentation on SRC and Ethnocentrism of your country
- Please be specific as possible. You may use graphs, visuals and examples to illustrate your point across to me.
- Also please address what impact with SRC and Ethnocentrism have on other countries. Have fun ka 😊
- Due next class January 27th



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

McDonalds in India: Example of SRC



MK 326 Group Assignment 2.2:

Chapter 1 on

Korean Beauty a Global Success

- Each group please prepare a 1 slide presentation analyzing the vdo by Answering the following questions.

1. What are the reasons why K-Beauty is a global success?
2. As a Thai manager, if you wanted to work for a Korean company, how would you prepare yourself to be successful?

Note: You may need additional research to back up your answers.

- Due Next Class: January 27th



Korean Beauty Global Success



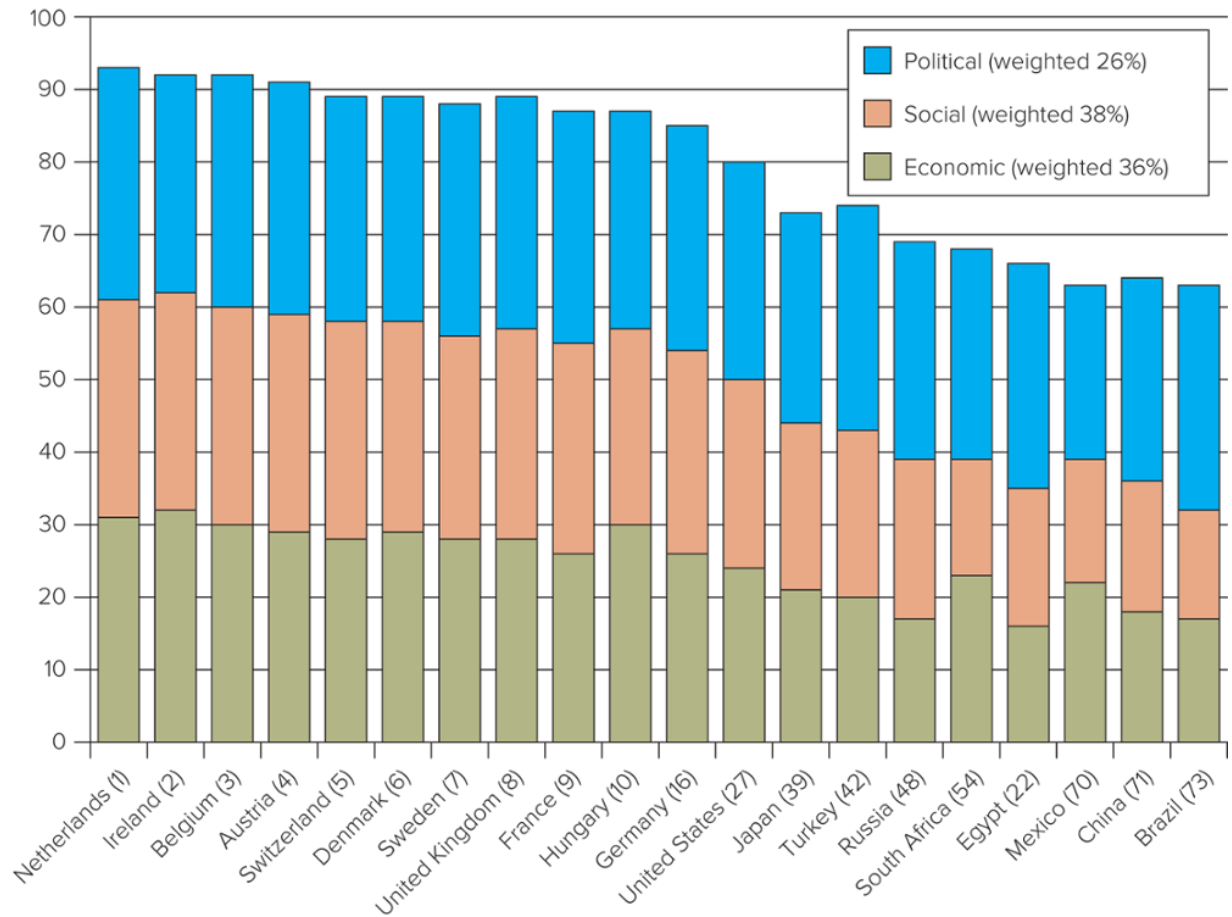
How K-Beauty Took Over Global Skin Care

CNBC · 714K views · 2 years ago



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