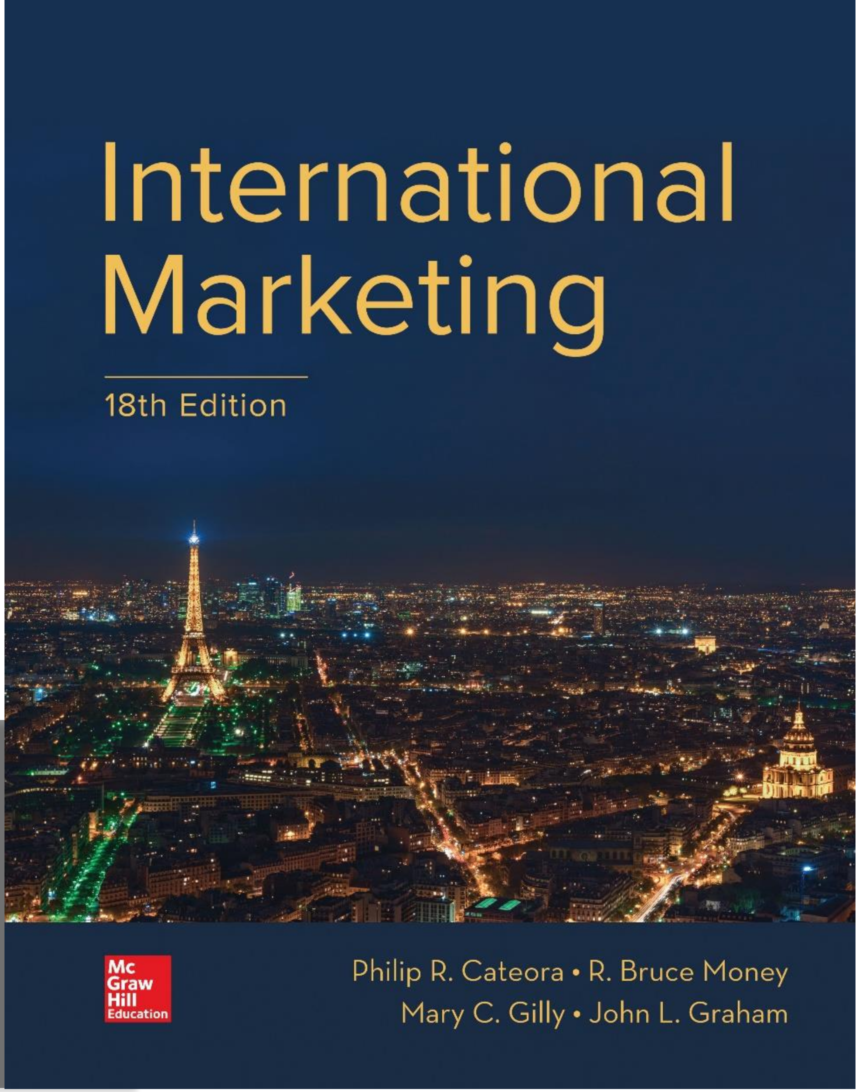
# MK 333/326
# International Marketing
# Chapter 1

By Ajarn Suwalya K.

# Sawasdee Krup…Ka

Mc Graw Hill Education




# Chapter 1

## The Scope and Challenge of International Marketing

Because learning changes everything.™

## What Is International Marketing?

"marketing on a worldwide scale reconciling or taking commercial advantage of global operational differences, similarities and opportunities in order to meet global objectives"

# What is international marketing?

International marketing is carrying on marketing outside the national boundaries , which is the process of determining the consumer needs, converting them into products and services to satisfy the user needs and earning profits from them

# What is international Marketing?


**Marketing Trends 2021**

Envato · 48K views · 4 months ago

# 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


How Coronavirus Set Off A Bankruptcy Wave For The U.S. Economy

CNBC · 795K views · 4 months ago

# International Marketing…

# Global Commerce Causes Peace 

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 

## 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 ? Corvid-19 ?

# Natural Disasters

# 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

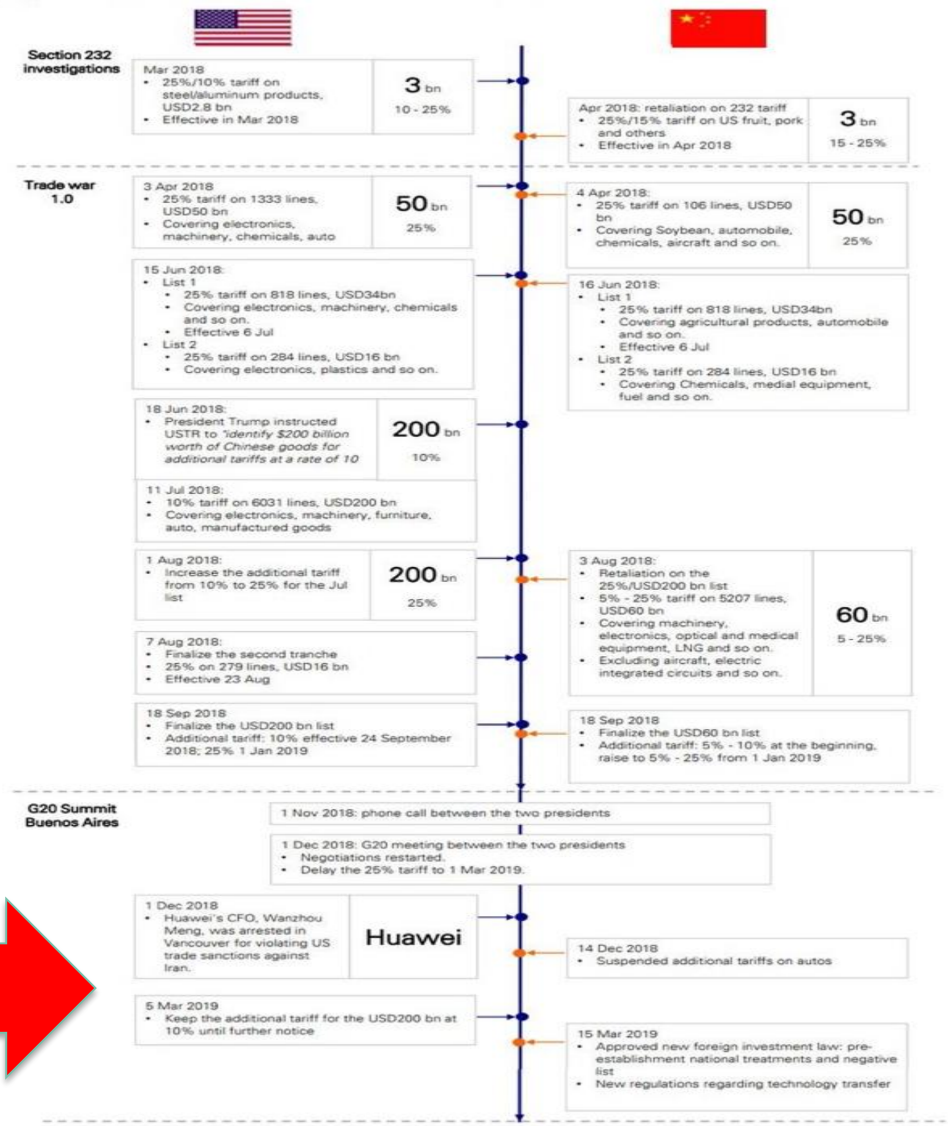
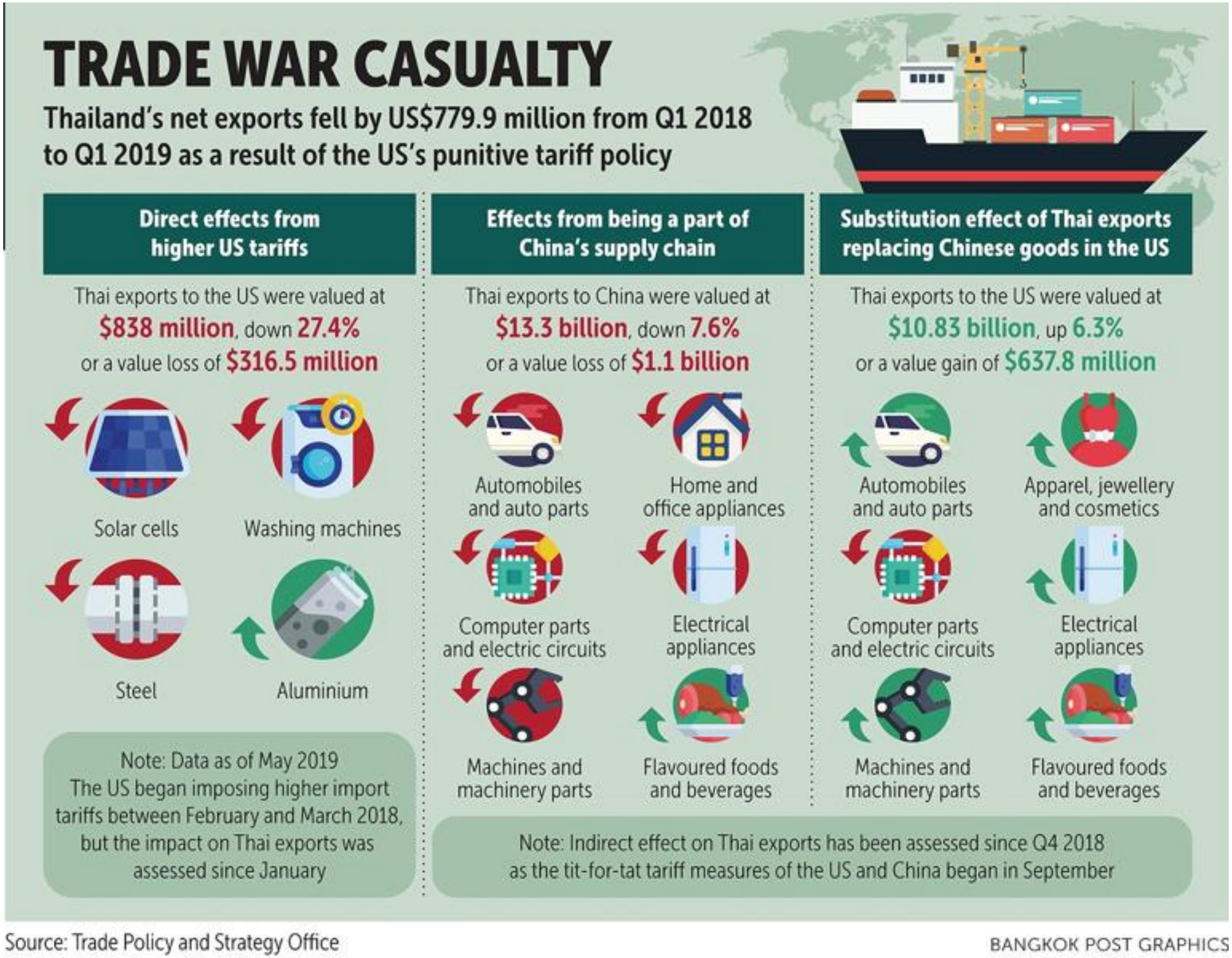



Figure 9: A timeline for the US-China trade war

Huawei

# Trade War Effects on Thailand



# Global Commerce Causes Peace 

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: Post-pandemic economic recovery dominates talks**

Al Jazeera English · 11K views · 6 months ago

# 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.

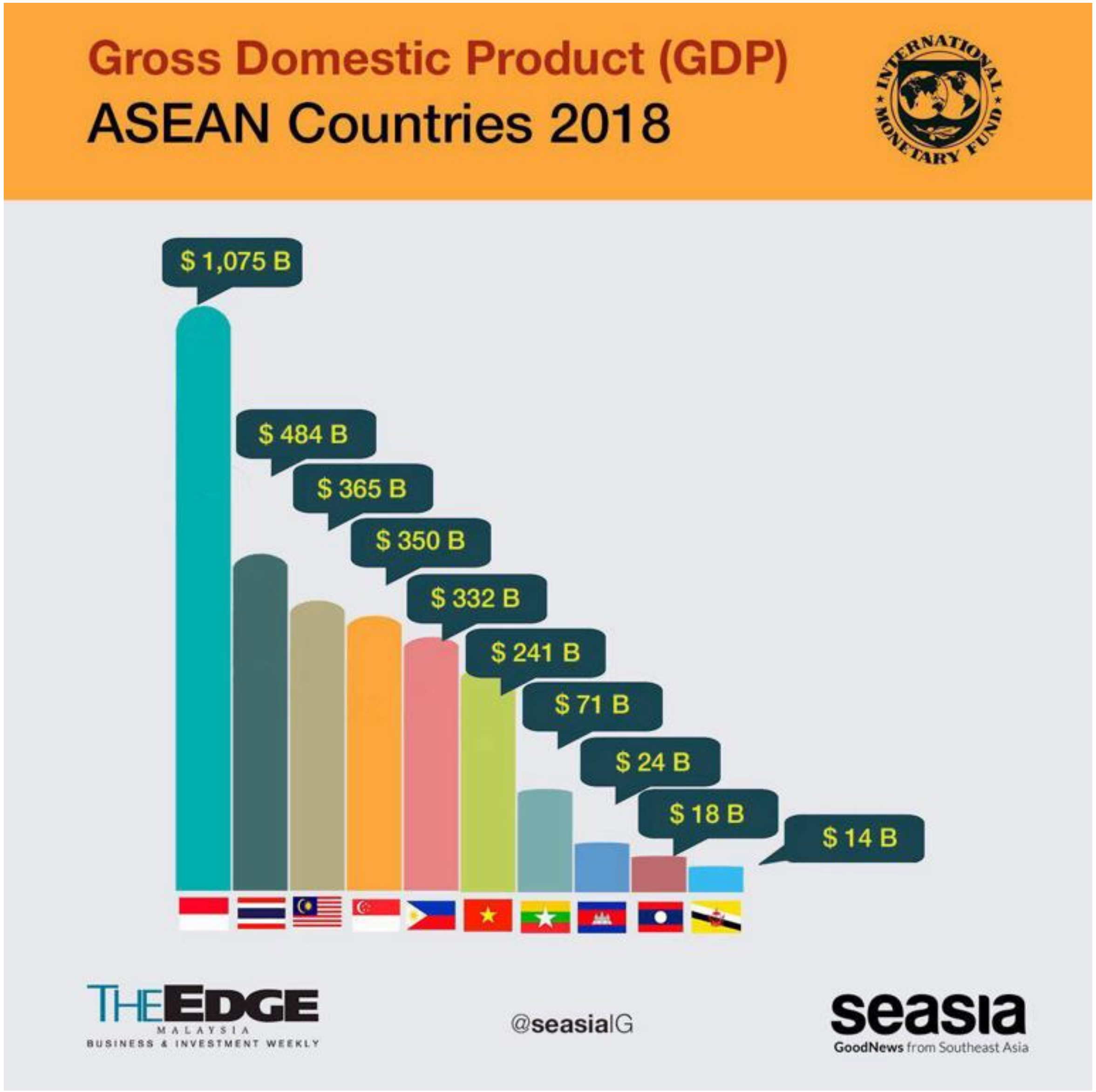
**PHILIPPINES**
Capital: Manila
Population: 107 million
Member Since: 1967
The largest Filipino diaspora is in the United States and remittances from the United States to the Philippines are valued at $11 billion.

**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.

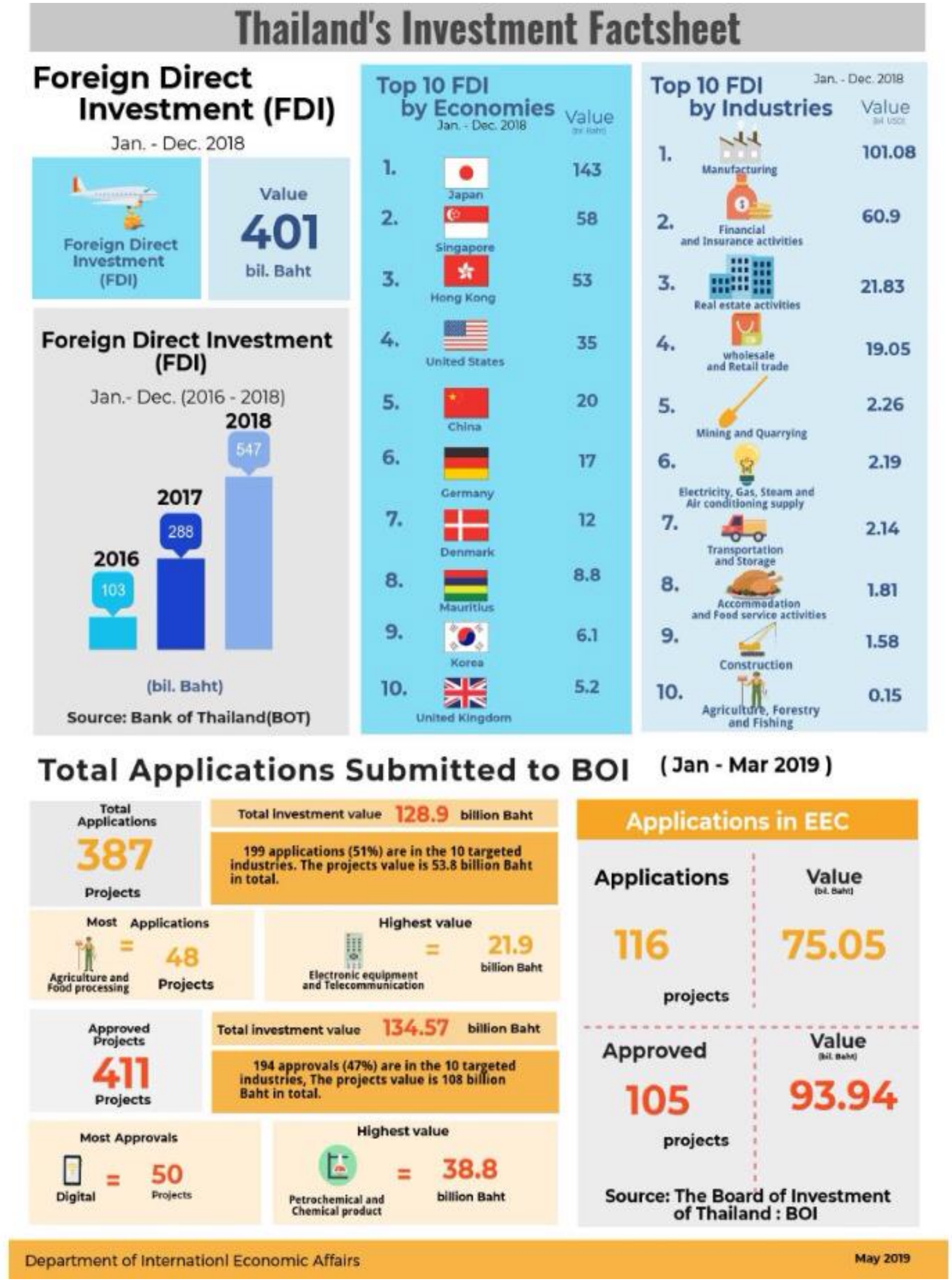
Source (Population): International Monetary Fund World Economic Outlook, 2018 data

EAST-WEST CENTER · US-ASEAN BUSINESS COUNCIL, INC. · ISEAS YUSOF ISHAK INSTITUTE

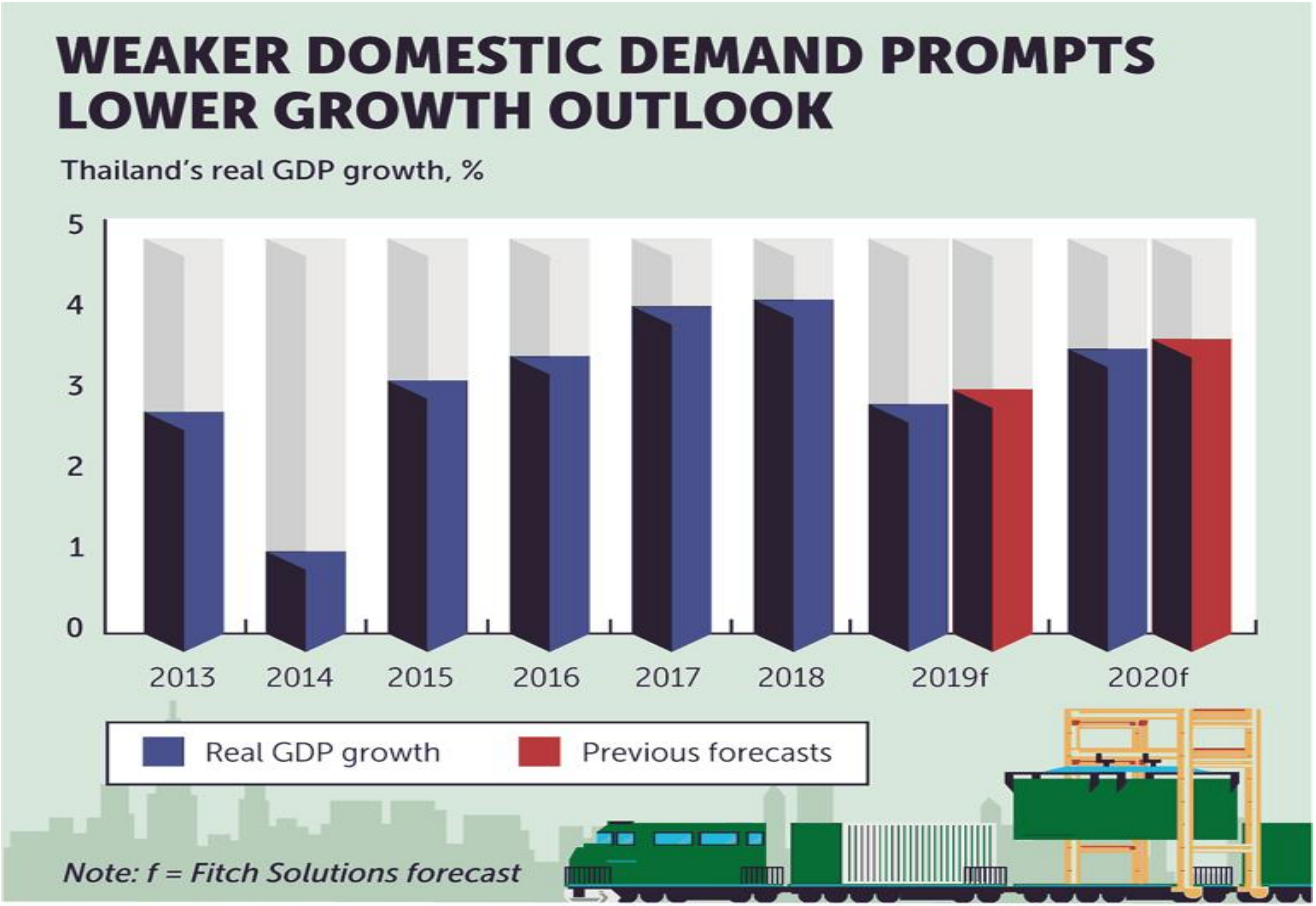
# ASEAN SUMMIT



# ASEAN SUMMIT



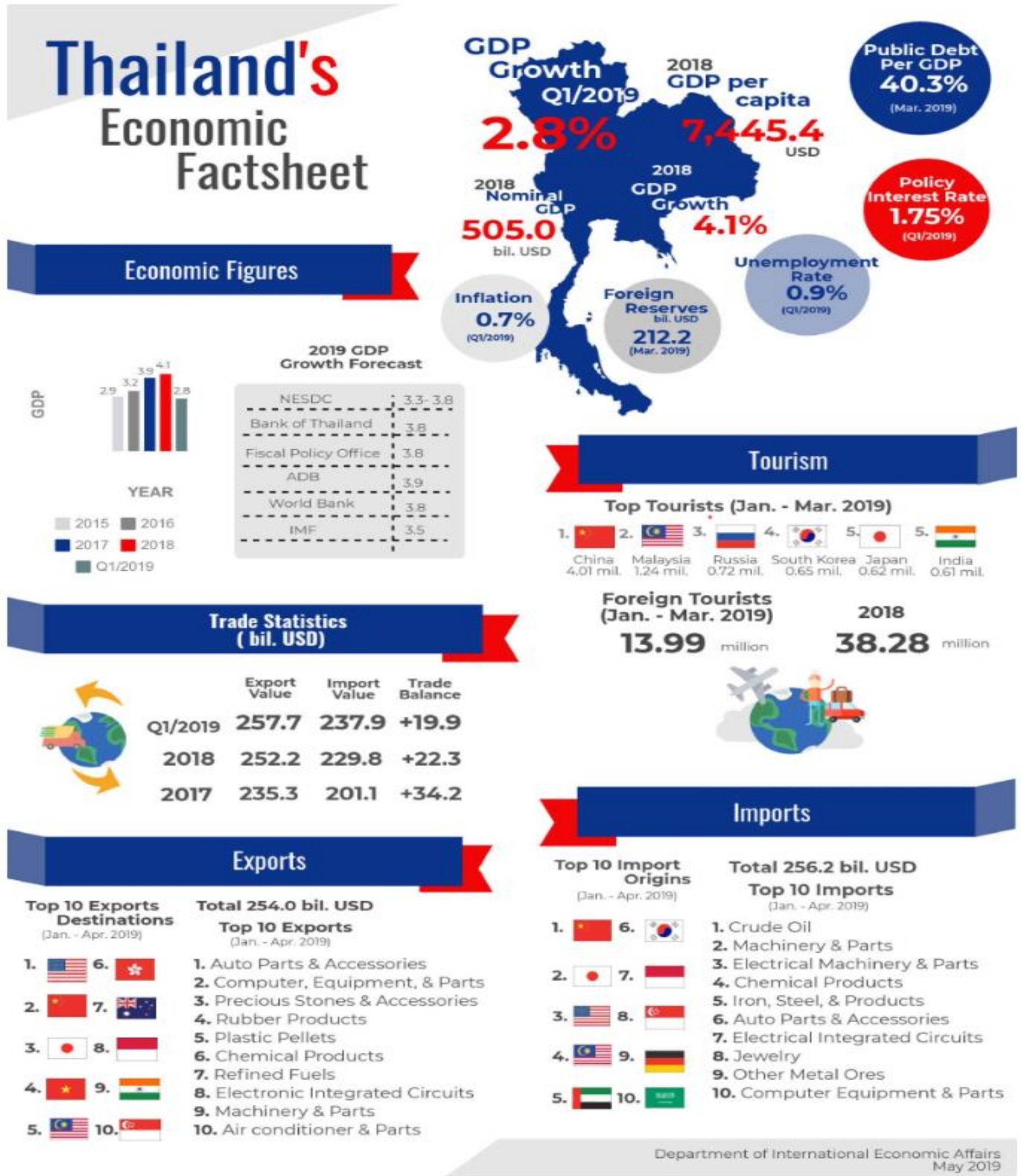
# Thailand




Sources: NESDC, Fitch Solutions

BANGKOK POST GRAPHICS

# Thailand



Thailand's Economic Factsheet
GDP Growth Q1/2019
2.8%
2018 GDP per capita
7,445.4 USD
Public Debt Per GDP
40.3%
(Mar. 2019)
2018 Nominal GDP
505.0
bil. USD
2018 GDP Growth
4.1%
Policy Interest Rate
1.75%
(Q1/2019)
Unemployment Rate
0.9%
(Q1/2019)
Inflation
0.7%
(Q1/2019)
Foreign Reserves bil. USD
212.2
(Mar. 2019)
Economic Figures
GDP
2.9 3.2 3.9 4.1 2.8
YEAR
2015 2016 2017 2018 Q1/2019
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
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) 13.99 million
2018 38.28 million
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)
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
Imports
Top 10 Import Origins
(Jan. - Apr. 2019)
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
Department of International Economic Affairs
May 2019

# 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

| | |
|---|---|
| Traditional Farming | → Smart Farming |
| Traditional SMEs | → Start Ups |
| Traditional Services | → High Value Services |
| Unskilled Labors | → Knowledge worker/ High Skilled Labors |
| Buy Technologies | → Make Technologies |

# 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 

| 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 |



Source: Compiled from annual reports of listed firms, 2018.

# Exhibit 1.1 Foreign Acquisitions of U.S. Companies 

| 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 |



Source: Compiled from annual reports of listed firms, 2018.

# 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**


**Why Apple Lags Behind Samsung And Xiaomi In India**

CNBC · 992K views · 1 year ago

# 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 |



Source: S&P 500, 2016: Global Sales Year in Review (July 2017).

# 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

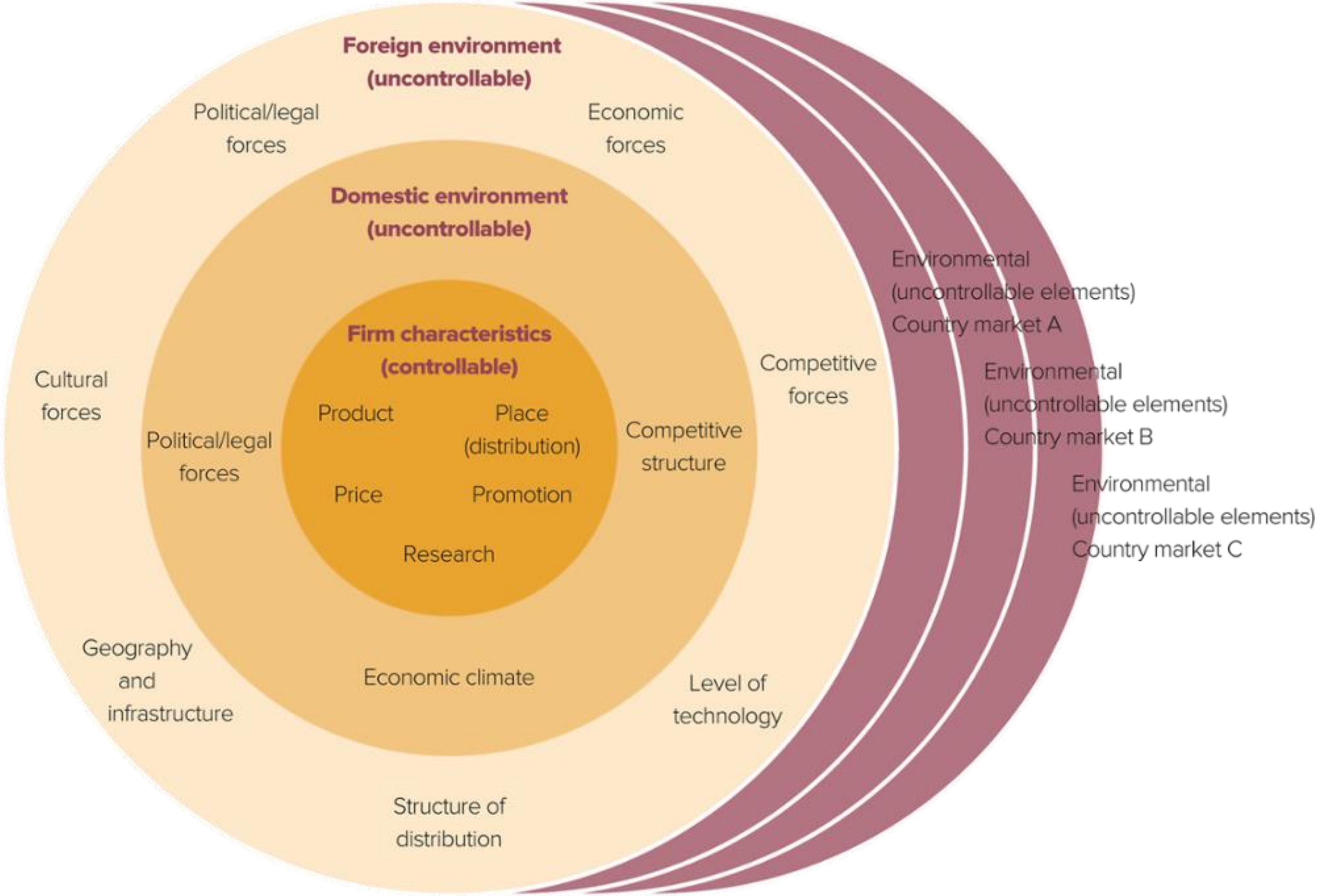
- Many unfamiliar problems require unique strategies to cope with problems
- Level of uncertainty and uncontrollables in foreign markets

# 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 

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

# McDonalds in India



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

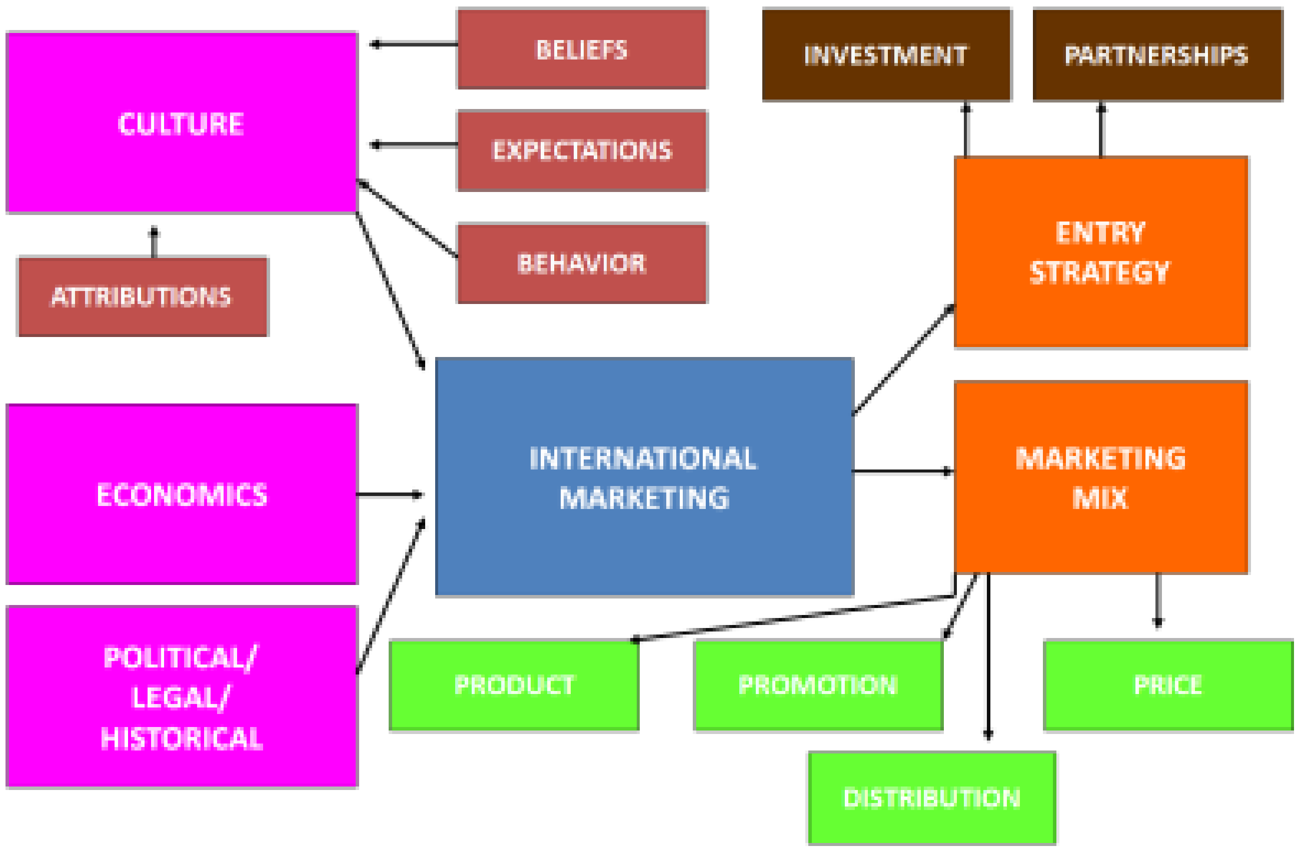
- Tolerance of and willingness to learn about cultural differences
- Knowledge of cultures, history, world market potential, and global economic, social, and political trends

# 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
- Mangers who are well-networked internationally

# What is international Marketing?



# International Managers

# Stages of International Marketing Involvement

More reactive and less strategic

- No direct foreign marketing
- Infrequent foreign marketing

More involved in strategic planning

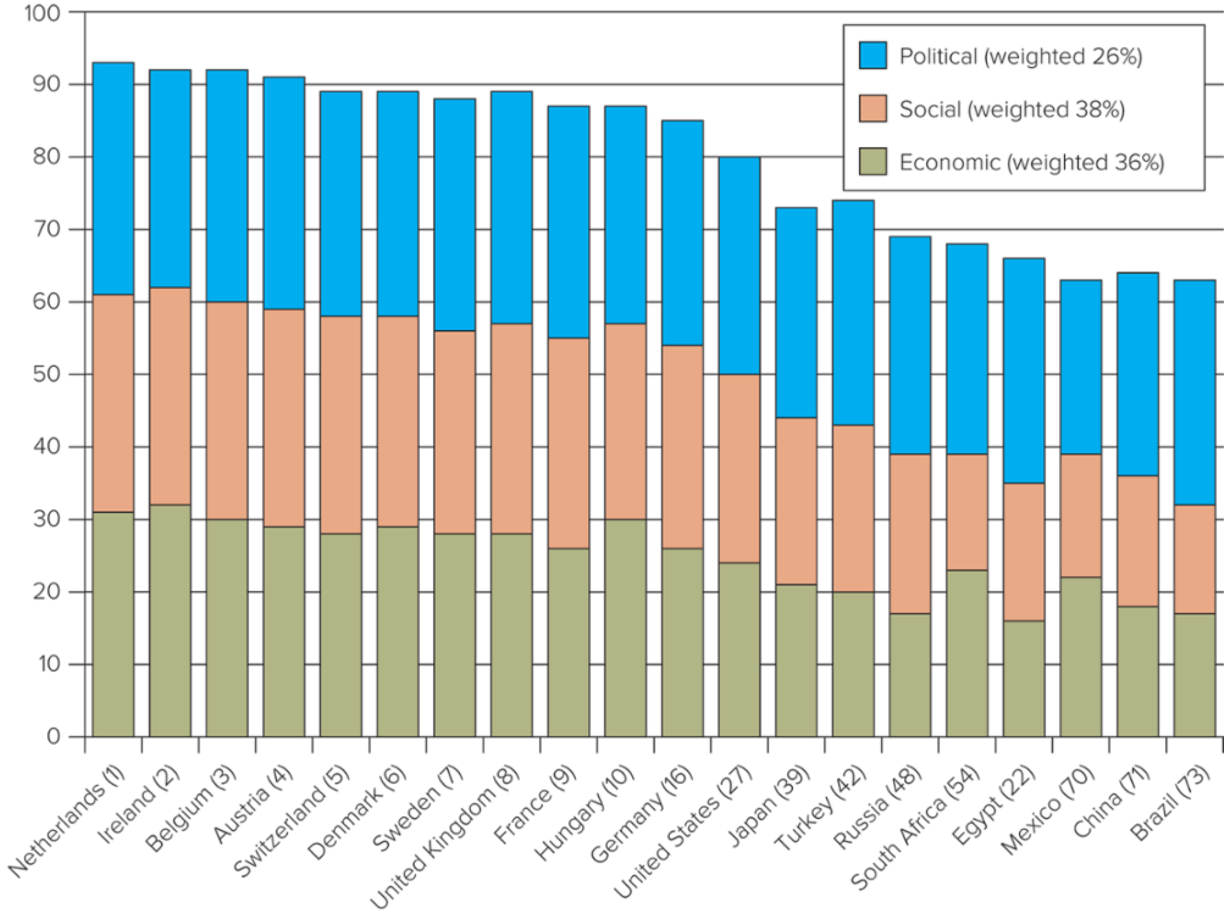
- Regular foreign marketing
- International marketing
- Global marketing

# Korean Beauty Global Success


**How K-Beauty Took Over Global Skin Care**

CNBC · 675K views · 1 year 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.



Return to original slide.

# 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.



Return to previous slide.


The End