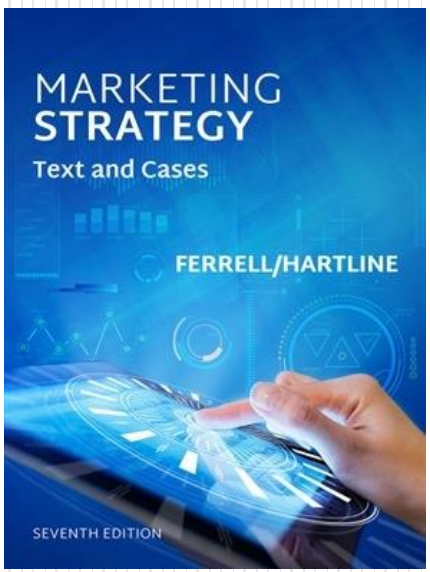
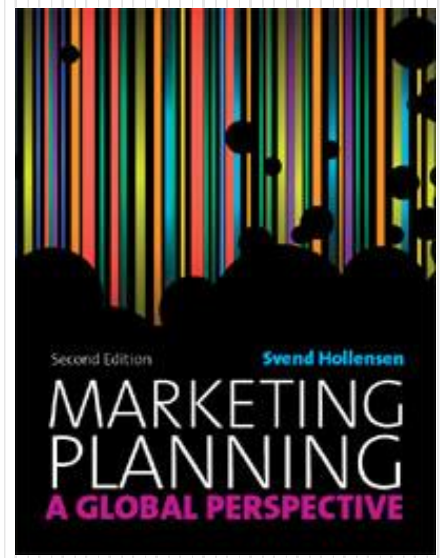
Marketing Planning 312
Chapter 3 Part 3
Assessing the External Marketing Situation

By Ajarn Suwalya K.





Assessing the External Marketing Situation

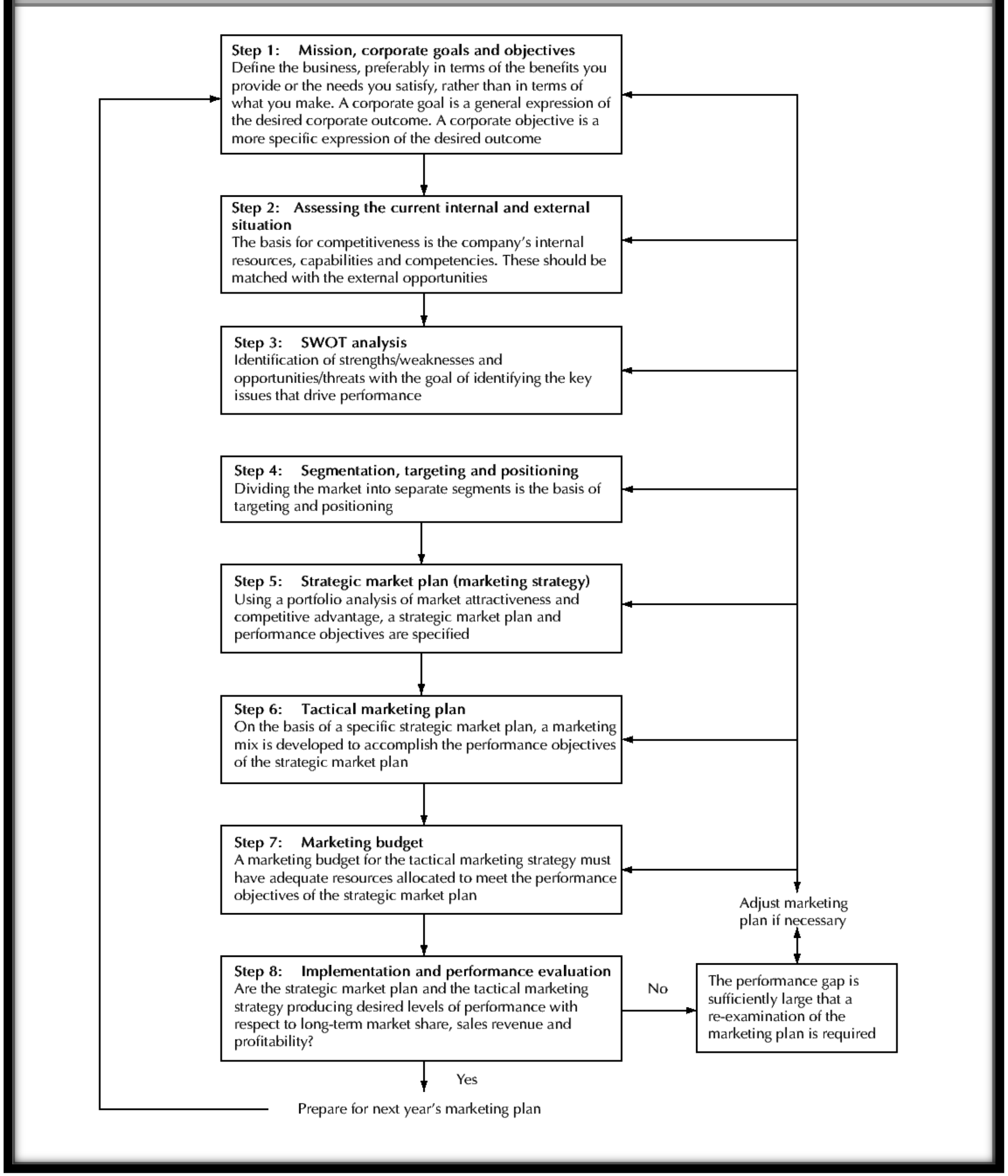


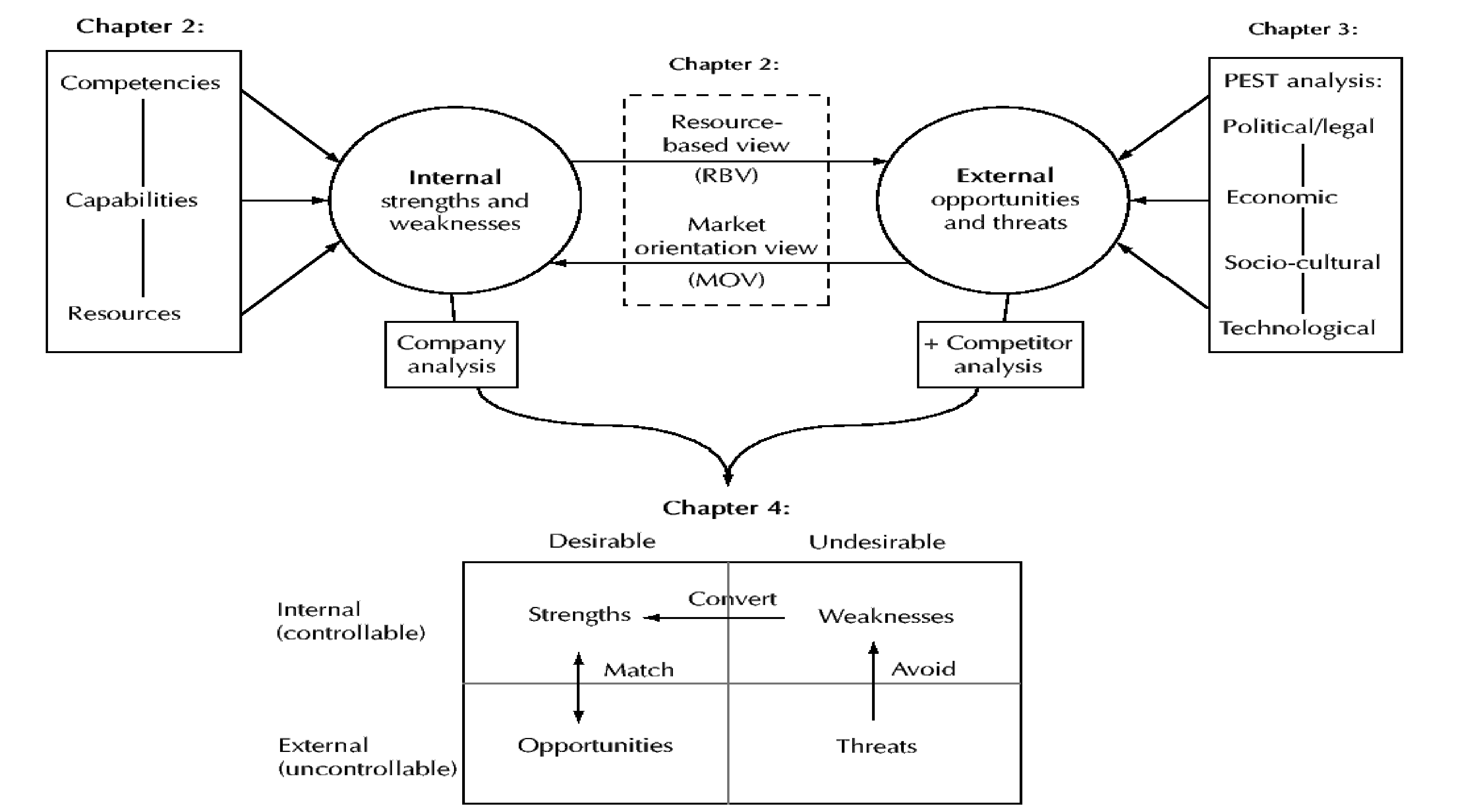
FIGURE 1.1: The stages of building a marketing plan

Figure 1.1: The stages of building a marketing plan

RBV vs. MOV

-The Resource Based View (RBV) is an inside-out perspective
- The Market Orientation View (MOV) is an outside-in perspective as illustrated below

FIGURE 4.1: The structure of Chapters 2, 3 and 4



RBV vs MOV

- **The Resource Based View (RBV) or Traditional Planning is an inside-out perspective**

- **The Market Orientation View (MOV) or Customer - Focused Planning is an outside-in perspective as illustrated below**

Ch. 3 Part 3 - Learning objectives

After studying this chapter you should be able to:

■ explain the elements in the PEST analysis

■ discuss the focal company’s relationships to the different actors in the value net

■ Porter's Five Forces Model

■ understand how the company can establish relationships to competitors

The marketing system at three levels

The whole marketing system can be divided into three levels, as follows (see Fig. 3.1 – next slide):

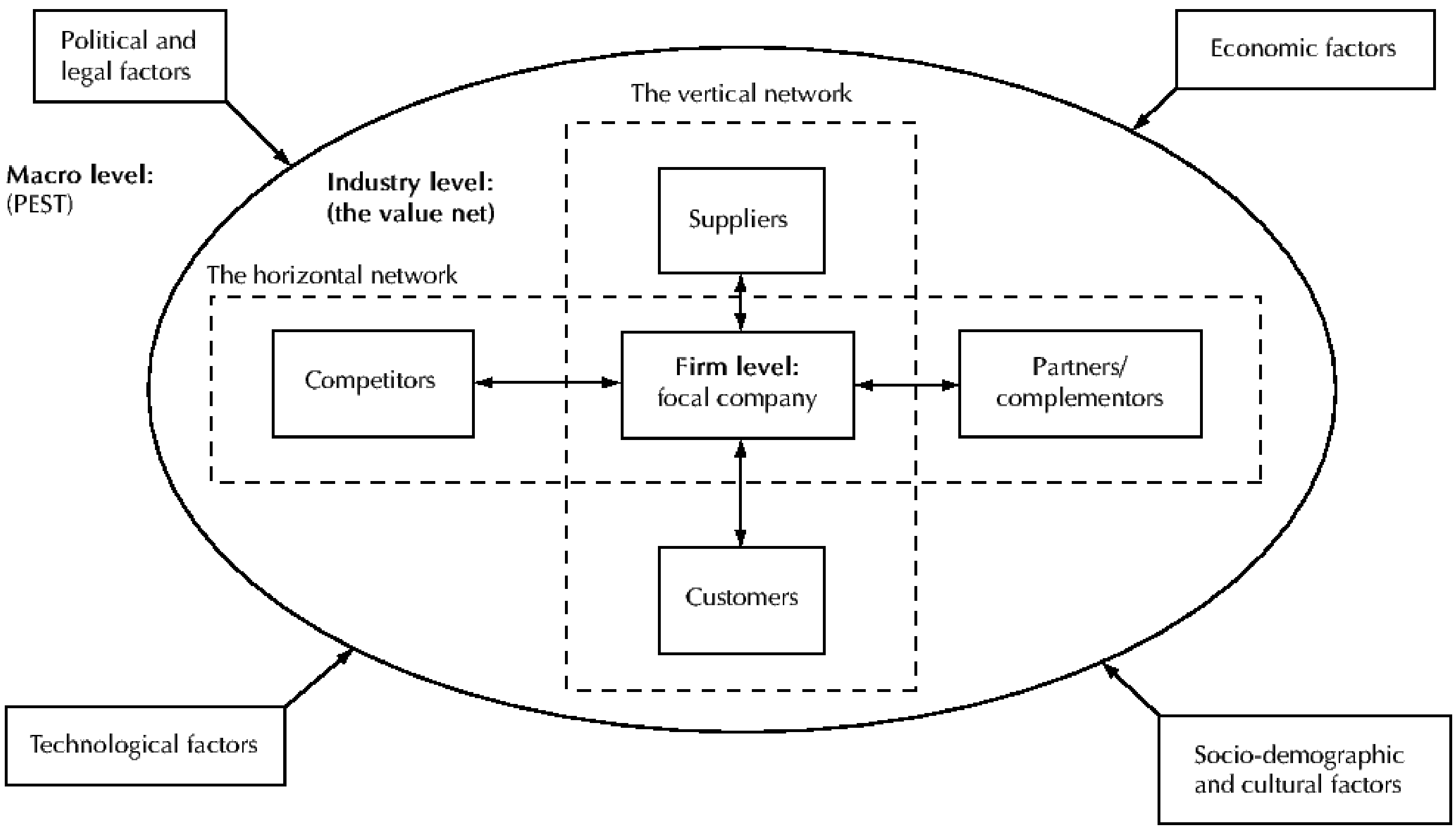
1 The focal company: understanding and analysing the internal situation

2 Industry level/value net: the focal company's most important actors/stakeholders at this level are suppliers, partners / complementors, competitors and, of course, the customers.

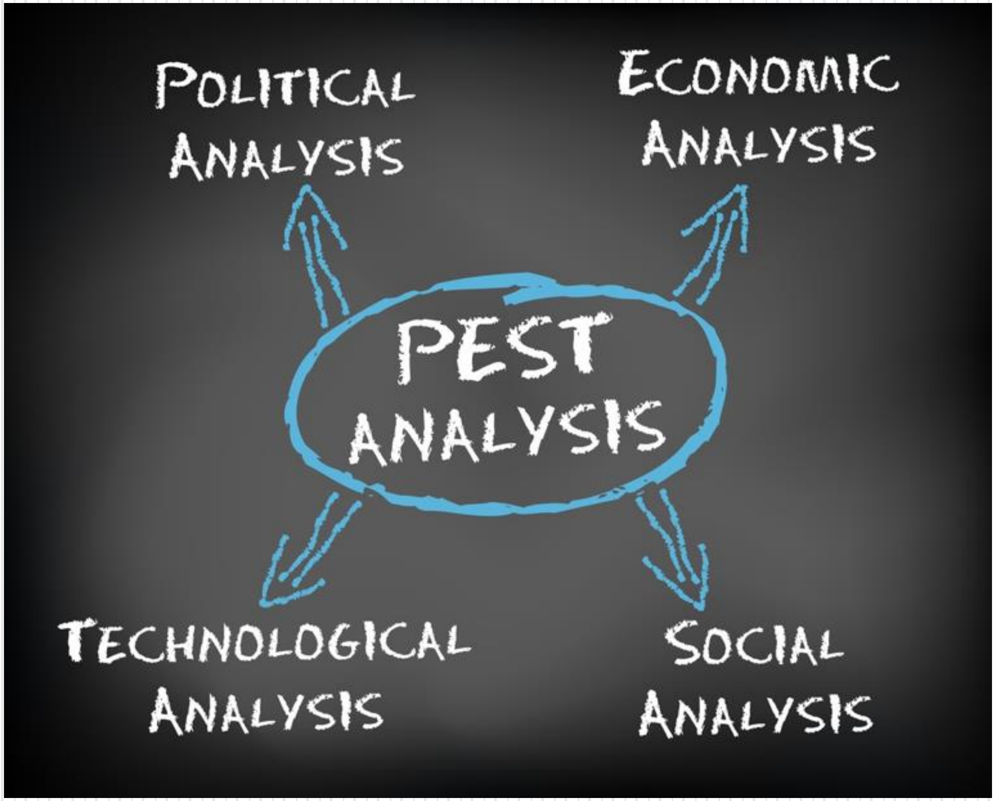
3 Macro level: the most important changes taking place in the macro environment can be summarized in the so-called **PEST** analysis: **P** Political and legal factors, **E** Economic factors, **S** Socio-cultural factors, **T** Technological factors.

The marketing system / value net

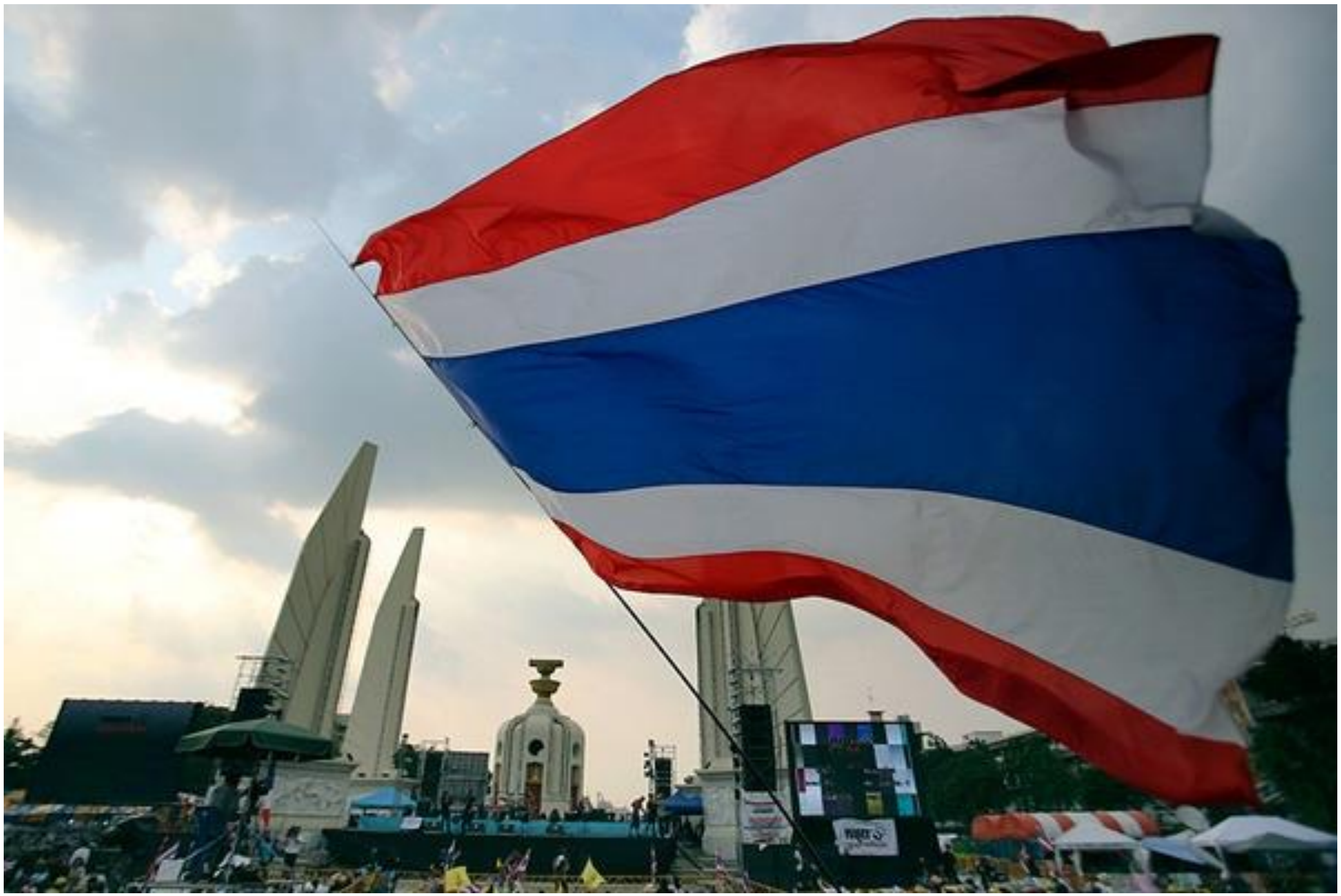
FIGURE 3.1: The three levels in the marketing system/value net: firm level, industry level, macro level



Pest Analysis

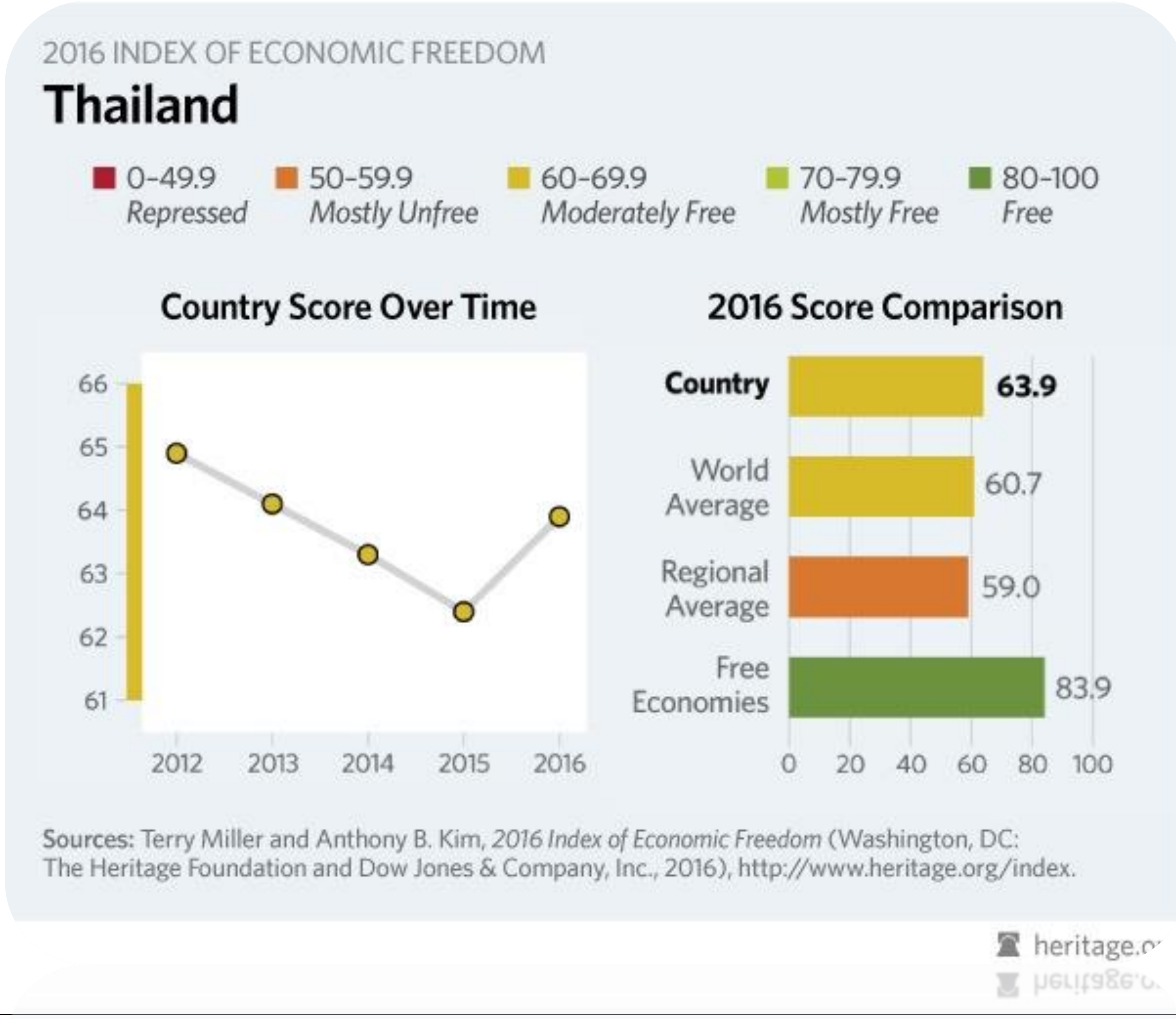


Political and Legal

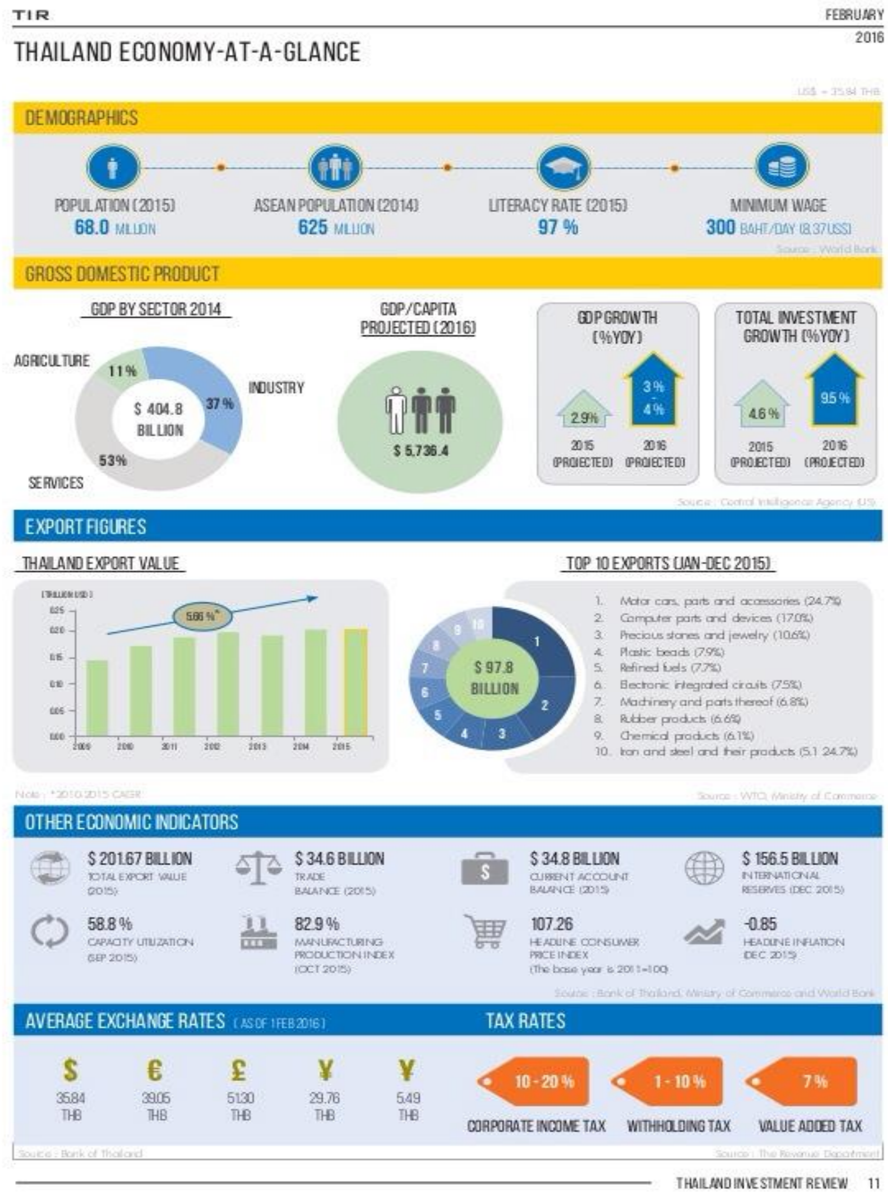


Economic

Economic


2016 INDEX OF ECONOMIC FREEDOM
Thailand
0–49.9 Repressed
50–59.9 Mostly Unfree
60–69.9 Moderately Free
70–79.9 Mostly Free
80–100 Free
Country Score Over Time
66
65
64
63
62
61
2012
2013
2014
2015
2016
2016 Score Comparison
Country 63.9
World Average 60.7
Regional Average 59.0
Free Economies 83.9
0
20
40
60
80
100
Sources: Terry Miller and Anthony B. Kim, 2016 Index of Economic Freedom (Washington, DC: The Heritage Foundation and Dow Jones & Company, Inc., 2016), http://www.heritage.org/index.

Economic



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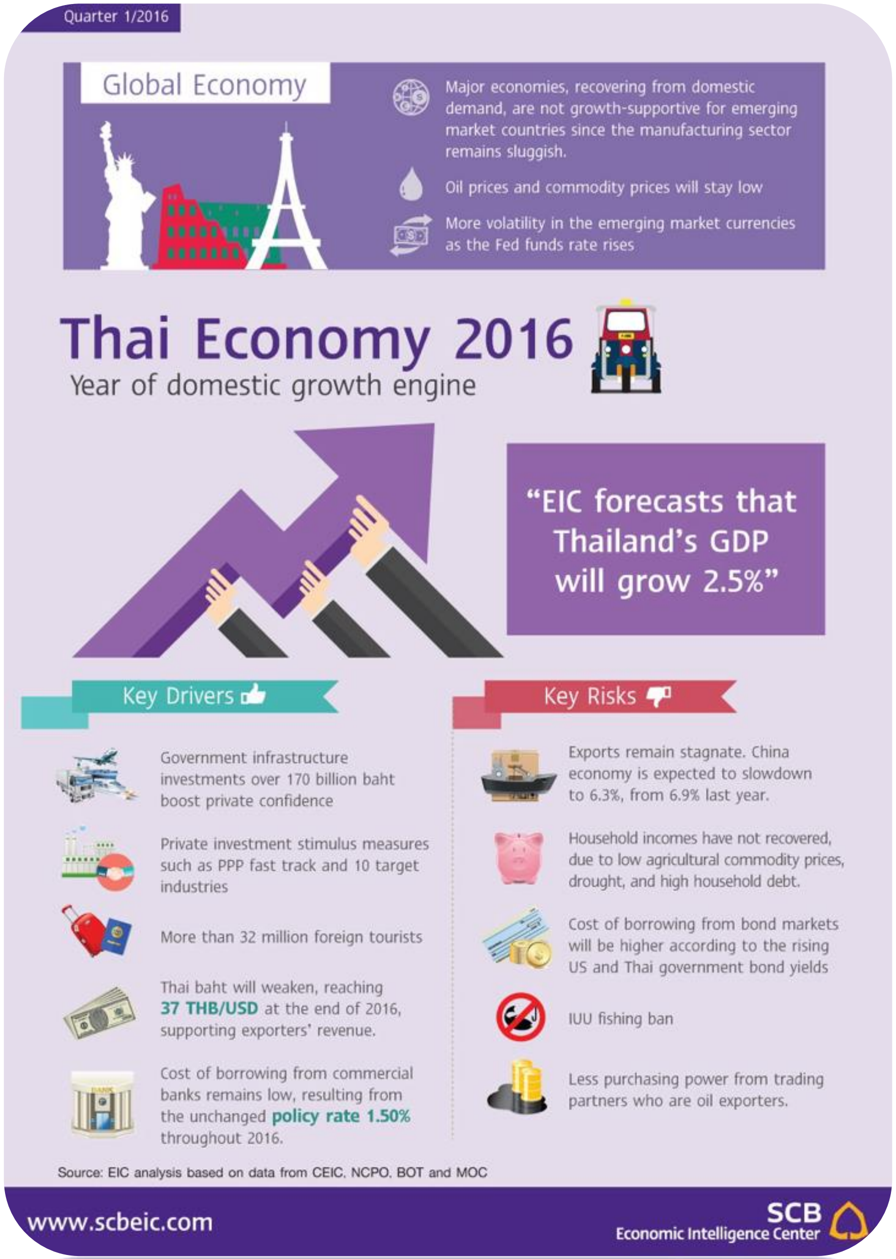
FEBRUARY 2016
THAILAND ECONOMY-AT-A-GLANCE
DEMOGRAPHICS
POPULATION (2015) 68.0 MILLION
ASEAN POPULATION (2014) 625 MILLION
LITERACY RATE (2015) 97 %
MINIMUM WAGE 300 BAHT/DAY (8.37US$)
Source : World Bank
GROSS DOMESTIC PRODUCT
GDP BY SECTOR 2014
AGRICULTURE 11%
INDUSTRY 37%
SERVICES 53%
$ 404.8 BILLION
GDP/CAPITA PROJECTED (2016)
$ 5,736.4
GDP GROWTH (%YOY)
2.9% 2015 (PROJECTED)
3% - 4% 2016 (PROJECTED)
TOTAL INVESTMENT GROWTH (%YOY)
4.6% 2015 (PROJECTED)
9.5% 2016 (PROJECTED)
Source : Central Intelligence Agency (US)
EXPORT FIGURES
THAILAND EXPORT VALUE
TOP 10 EXPORTS (JAN-DEC 2015)
$ 97.8 BILLION
1. Motor cars, parts and accessories (24.7%)
2. Computer parts and devices (17.0%)
3. Precious stones and jewelry (10.6%)
4. Plastic beads (7.9%)
5. Refined fuels (7.7%)
6. Electronic integrated circuits (7.5%)
7. Machinery and parts thereof (6.8%)
8. Rubber products (6.6%)
9. Chemical products (6.1%)
10. Iron and steel and their products (5.1 24.7%)
Source : WTO, Ministry of Commerce
OTHER ECONOMIC INDICATORS
$ 201.67 BILLION TOTAL EXPORT VALUE (2015)
$ 34.6 BILLION TRADE BALANCE (2015)
$ 34.8 BILLION CURRENT ACCOUNT BALANCE (2015)
$ 156.5 BILLION INTERNATIONAL RESERVES (DEC 2015)
58.8 % CAPACITY UTILIZATION (SEP 2015)
82.9 % MANUFACTURING PRODUCTION INDEX (OCT 2015)
107.26 HEADLINE CONSUMER PRICE INDEX (The base year is 2011=100)
-0.85 HEADLINE INFLATION DEC 2015
Source : Bank of Thailand, Ministry of Commerce and World Bank
AVERAGE EXCHANGE RATES (AS OF 1 FEB 2016)
$ 35.84 THB
€ 39.05 THB
£ 51.30 THB
¥ 29.76 THB
¥ 5.49 THB
Source : Bank of Thailand
TAX RATES
10 - 20 % CORPORATE INCOME TAX
1 - 10 % WITHHOLDING TAX
7 % VALUE ADDED TAX
Source : The Revenue Department
THAILAND INVESTMENT REVIEW 11

Economic



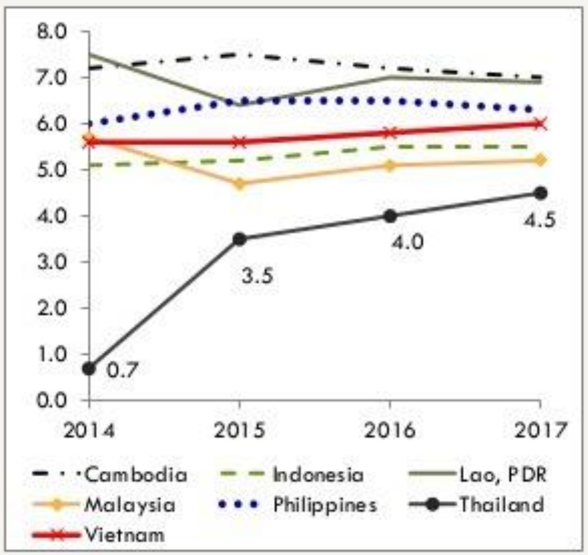
Quarter 1/2016
Global Economy
Major economies, recovering from domestic demand, are not growth-supportive for emerging market countries since the manufacturing sector remains sluggish.
Oil prices and commodity prices will stay low
More volatility in the emerging market currencies as the Fed funds rate rises
Thai Economy 2016
Year of domestic growth engine
"EIC forecasts that Thailand's GDP will grow 2.5%"
Key Drivers
Government infrastructure investments over 170 billion baht boost private confidence
Private investment stimulus measures such as PPP fast track and 10 target industries
More than 32 million foreign tourists
Thai baht will weaken, reaching 37 THB/USD at the end of 2016, supporting exporters' revenue.
Cost of borrowing from commercial banks remains low, resulting from the unchanged policy rate 1.50% throughout 2016.
Key Risks
Exports remain stagnate. China economy is expected to slowdown to 6.3%, from 6.9% last year.
Household incomes have not recovered, due to low agricultural commodity prices, drought, and high household debt.
Cost of borrowing from bond markets will be higher according to the rising US and Thai government bond yields
IUU fishing ban
Less purchasing power from trading partners who are oil exporters.
Source: EIC analysis based on data from CEIC, NCPO, BOT and MOC
www.scbeic.com
SCB
Economic Intelligence Center

Economic

Thailand is surrounded by fast-growing economies

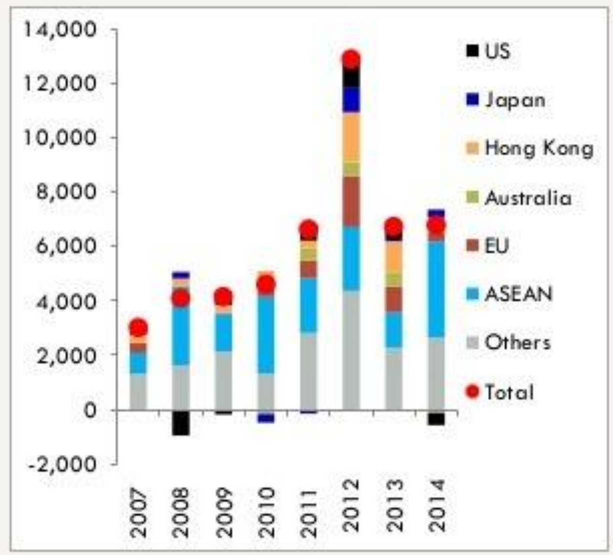
5

Real GDP Growth (%)



Source: World Bank', Global Economic Prospects (January, 2015)

Thai Direct Investment Abroad (Million US$)



Source: Bank of Thailand

Socio-demographic and cultural environment

- Social Factors: a number of significant pressures on organization can be identified.
- Customers are becoming increasingly demanding of the products and services they buy.
- Customers demand, and expect, reliable products with quick, efficient service at reasonable prices.
- Furthermore there is little long-term stability in customer demand

CULTURAL FACTORS

- **American communicates in a low-context nature**, which means that messages are explicit.
- Words carry most of the information in communication and one **gets down to business quickly**
- **In high text ,** such as France,Japan, and most of the Middle East, less **information is contained in the verbal part of the message.**
- Much more information resides in the context of communication including background associations, and basic values of communicators (Hall, 1976)
- **Thus making longer to conduct business because you need to know more about the business person before a relationship develops**

Hofstede’s cultural dimensions

Descriptions of Hofstede’s five dimensions:

• Power distance is the extent to which the less powerful members of society accept that power is, and should be, distributed unequally.

• Uncertainty avoidance is the extent to which people try to avoid situations where expectations and outcomes are not clear.

Hofstede's cultural dimensions

Descriptions of Hofstede's five dimensions (cont.):

- Individualism describes the relationship between an individual and the groups to which he/she belongs.

- Masculinity is aggressive and materialistic behaviour. Hofstede described this dimension as masculinity vs. femininity

- Long-term orientation is the extent to which people within a culture have a long-term vs. a short-term outlook on work, life and other aspects of society

Hofested's Cultural Dimensions

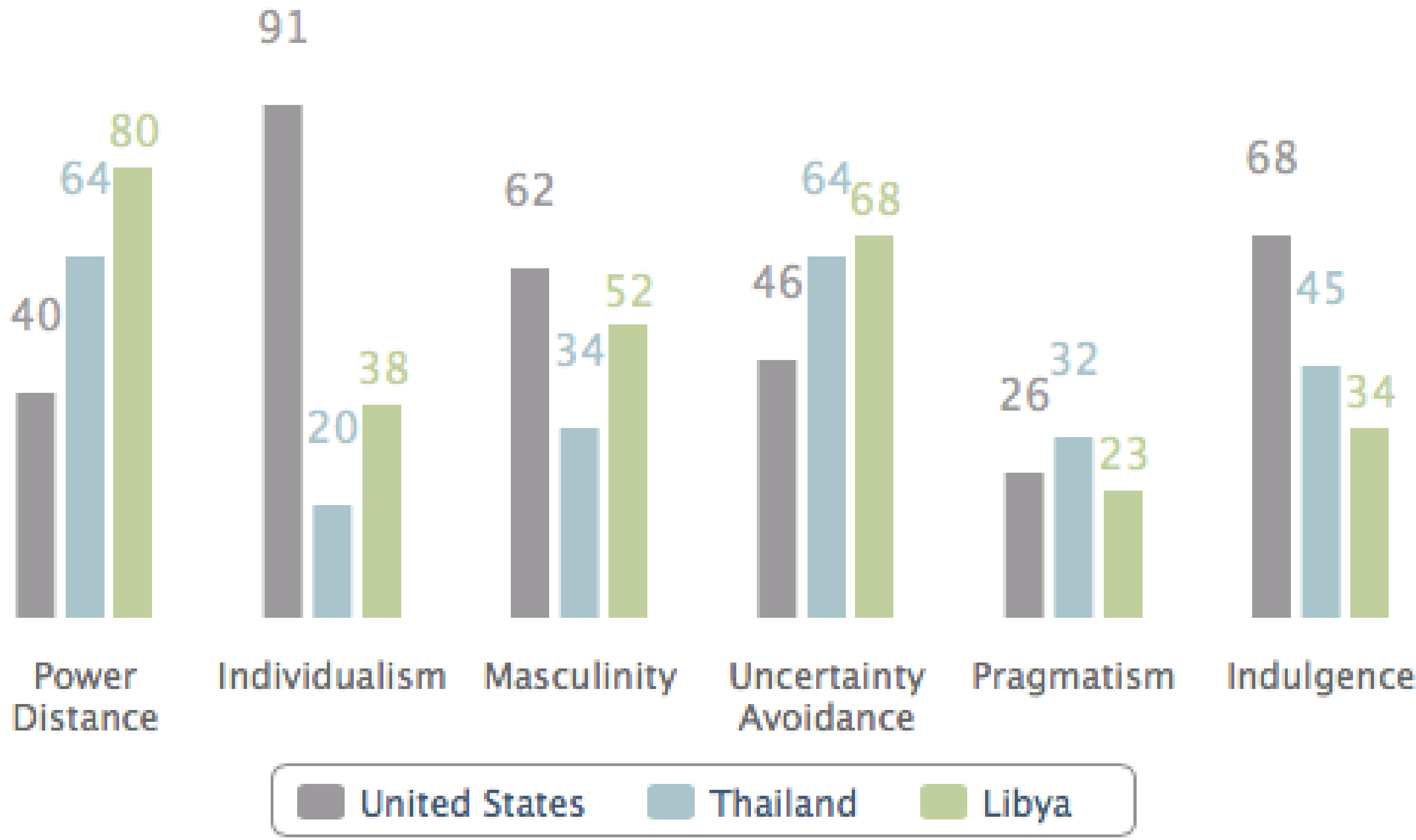


Exhibit 3.1 McDonald's France: a faster penetration of the French market than expected

Exhibit 3.2 Cross-cultural ‘gift giving’ behavior and Masterfoods’ introduction of the Celebrations brand

Technological Factors

- Technological factors:
  - Newer technology has had a major impact on particular aspects of marketing.
  - Computers, and their wide availability to management, have let to increased interest in sophisticated market modelling and decision support systems.

Value Net

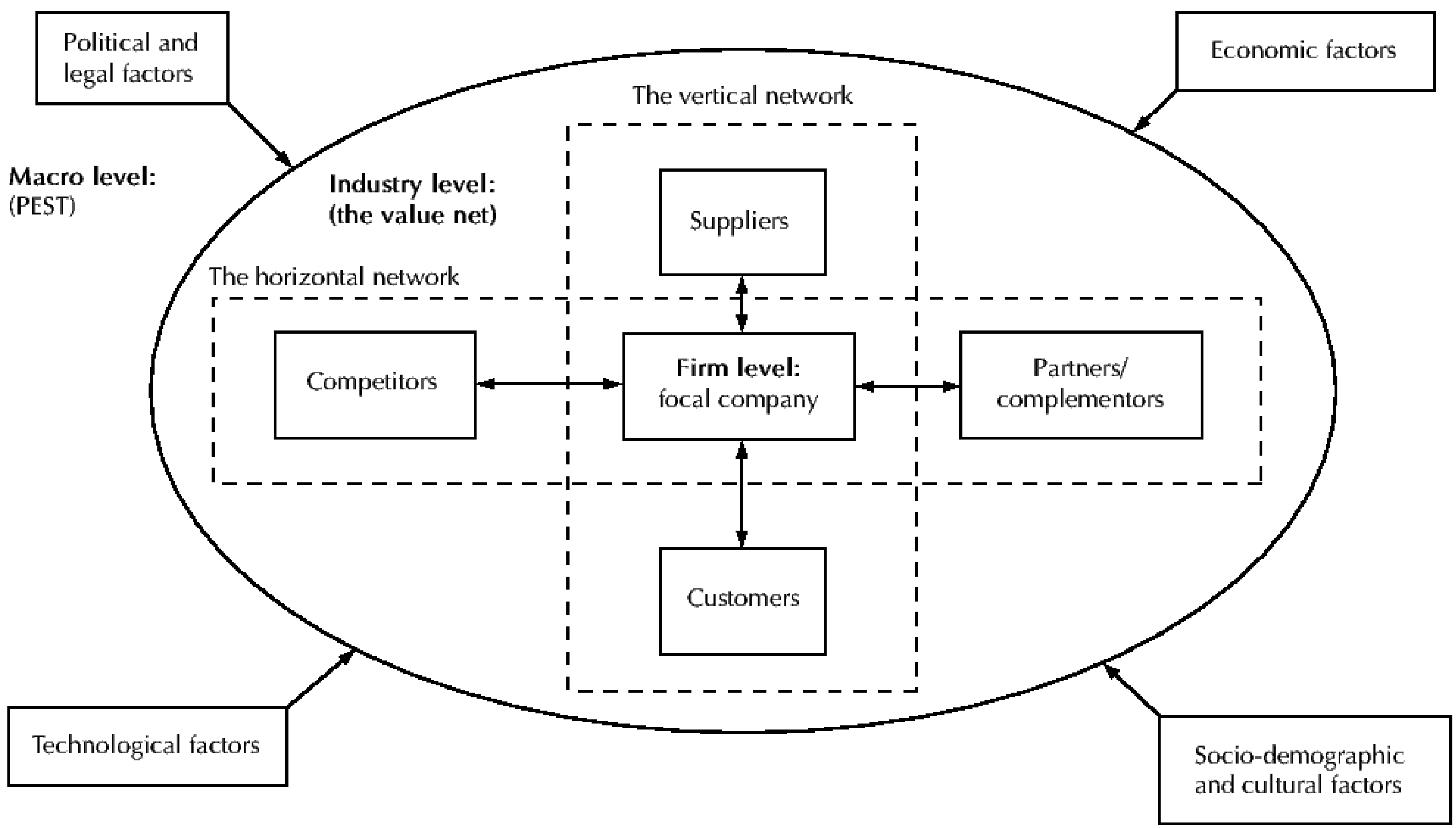
Relations to actors in the industry value net

- This task environment refers to the immediate external market where interactions which have a direct effect on our company take place.

- Since the firm has relationships with different types of interdependencies, with different objectives for the development of the relationship, and so on, it is important organizationally to differentiate between how different relationships are handled.

The marketing system / value net

FIGURE 3.1: The three levels in the marketing system/value net: firm level, industry level, macro level

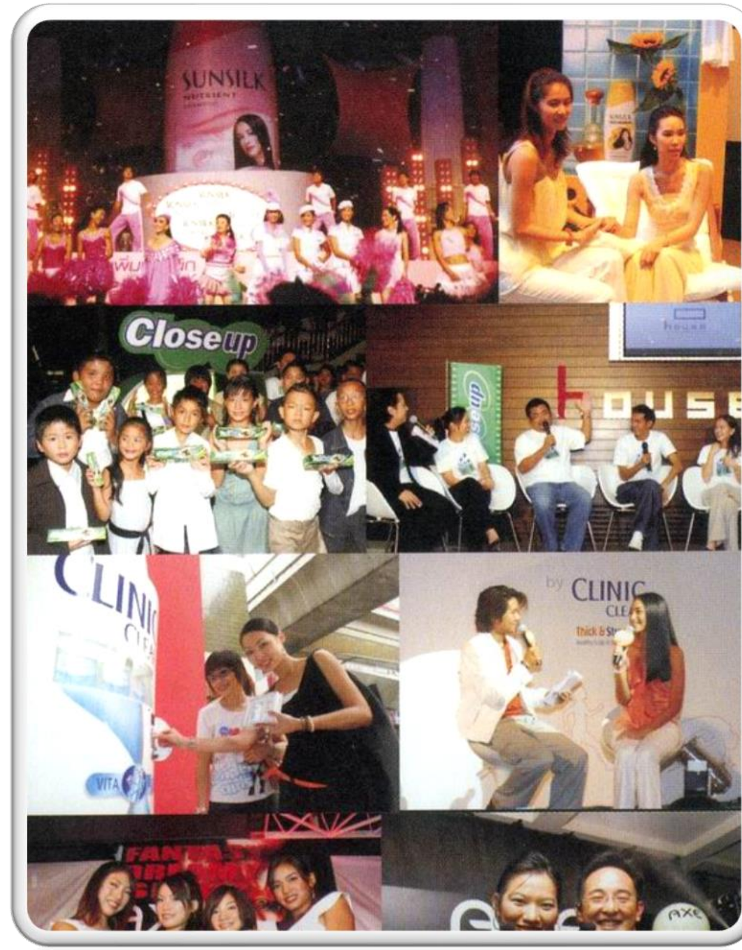


Relationships with suppliers

- <u>There seem to be three major strategic issues related to purchasing management:</u>
- 1. The decision of whether to make an item in-house or to buy from external suppliers
- 2. The development of appropriate relationships with suppliers
- 3. The managing of the supplier base in terms of size and relationships between suppliers

Relationships with customers

- In the relationship approach, a specific transaction between the focal company and a customer is not an isolated event, but takes place within an exchange relationship characterized by mutual dependency and interaction over time between the two parties.
- An exchange relationship implies that there is an individual specific dependency between seller and the customer. The relationship develops through interaction over time and signifies a mutual orientation of two parties towards each other.



Relationships with partners/complementors

- This kind of relationship is based on collaboration between manufactures of complementary functions and/or products/services.
- Each partner has a strategic resource that the other needs – exchange supplier& customer.
- Value chain activities developed: One manufacture – other market example: Diethelm

Relationships with competitors

- Before entering any relationship with competitors, it is important to analyze the competition in so far as it will ***affect ease of market entry and potential profitability.***

- **Factors to consider from competitors:** number of size of competitors, capabilities (S&W), international marketing strategies, sales volume and relative market share, type of competitor (multinational – Microsoft, Unilever) vs. local

Porter's Five Forces Model

Originally developed by Harvard Business School's Michael E. Porter in 1979, the five forces model looks at five specific factors that determine whether or not a business can be profitable, based on other businesses in the industry.Sep 25, 2018

Porter's Five Forces Model

Porter's 5 Forces Model

Industry Attractiveness

Threat of Competitive Rivalry
- Growth rate of the industry
- Ratio of cost structure to the value added
- Cost of over-capacity
- Degree of output differences among competitors
- Impact of brand and its conversion to sales
- Switching costs
- Concentration among the leading players (herfindal index)
- Information flow and complexity
- Diversity of competing businesses and exit barriers.

Bargaining power of suppliers:
- Differentiation of inputs
- Switching cost of the suppliers
- Relationship specific investments required
- Presence of substitute inputs
- Supplier's industry concentration
- Importance of volume to the suppliers
- Cost relative to the total purchases in the industry
- Impact of supplier's inputs to overall cost structure
- Impact of supplier's inputs to offering differentiation
- Threats of forward integration
- Potential for backward integration

Threat of substitutes:
- Relative price advantage of the substitutes
- Relative functional performance advantage of the substitute
- Switching costs of the customer
- Customer's propensity to substitute
- Customer's relation specific investments

Threat of New Competitors
- Economies of scale
- Proprietary product differences
- Brand identity
- Switching costs for the customers
- Capital intensive nature of the industry
- Access to distribution channels
- Absolute cost advantages
- Government policy for new entrants
- Potential retaliation or fallouts.

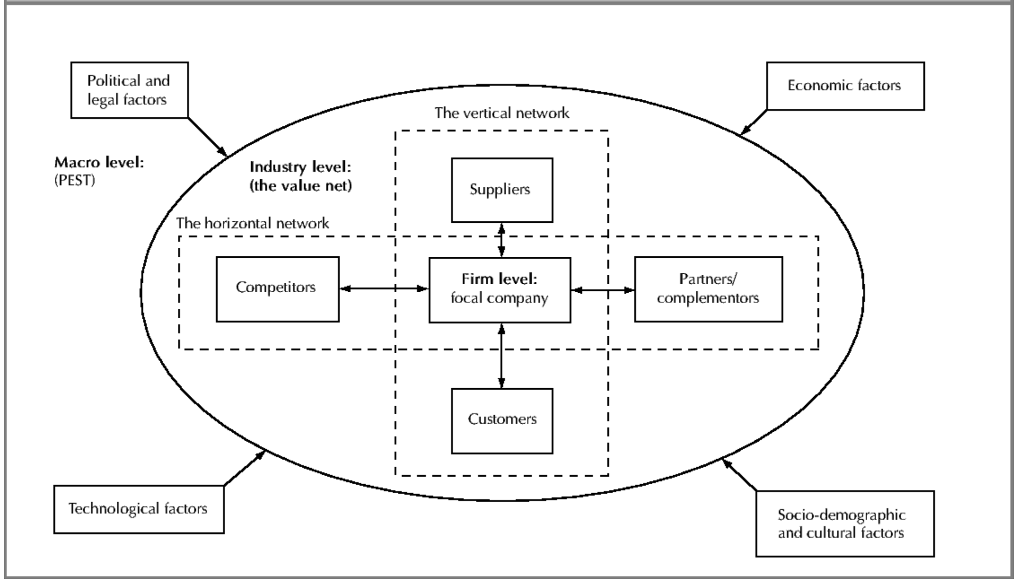
Bargaining power of customers
- Buyer's concentration as compared to the industry's concentration
- Customer's volume vs industry output
- Customer's switching cost
- Price sensitivity
- Degree of product differences
- Buyer's profits
- Decision maker's incentives.

Exhibit 3.4 The nature of fashion markets

Group Homework #4

- Fill in the PEST and value net chart for your focal company and main competitor
- Prepare a 10-15 mins powerpoint presentation next week.

FIGURE 3.1: The three levels in the marketing system/value net: firm level, industry level, macro level

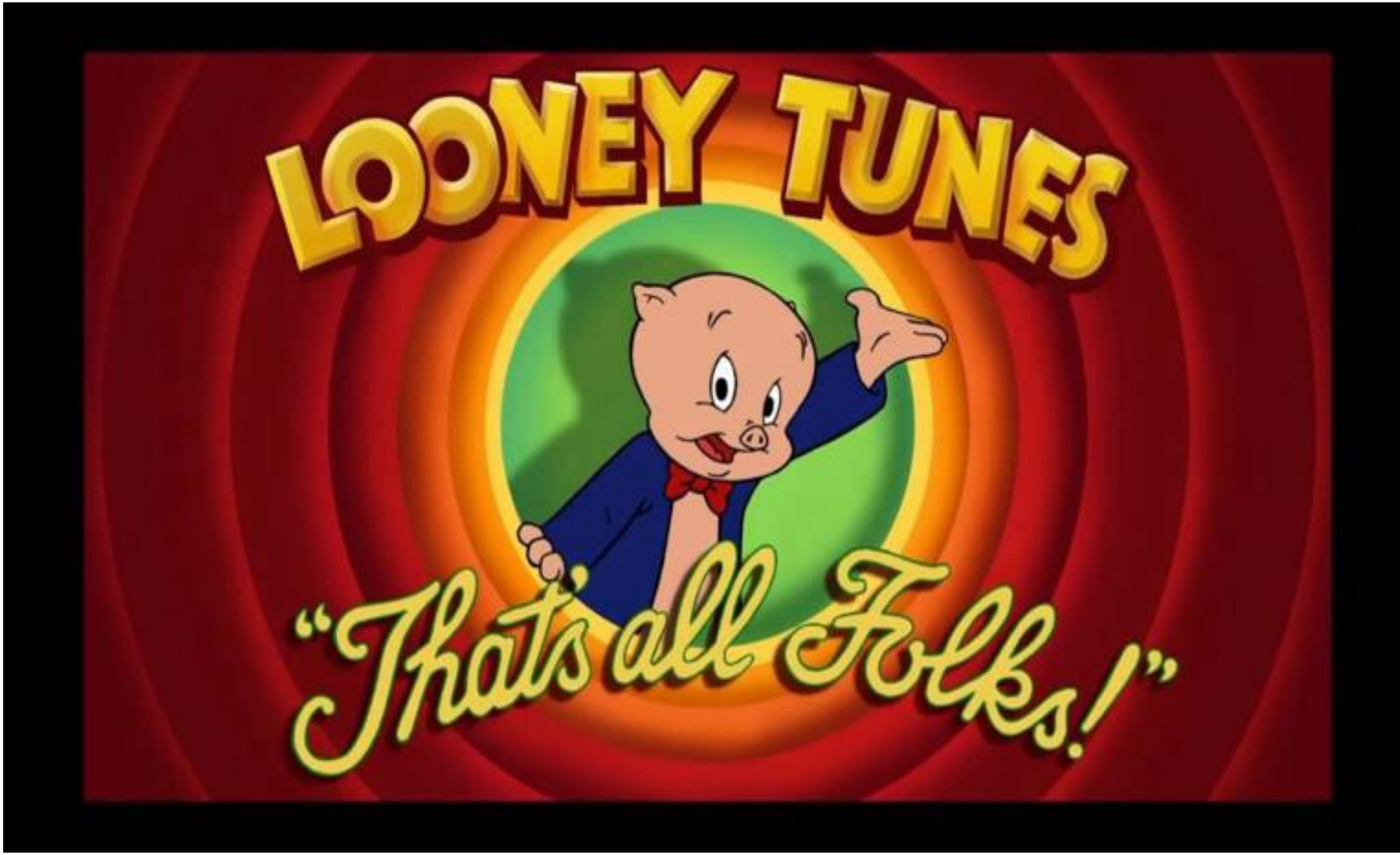


Individual Homework #3 Next Class

- 1. You are to find current, most up-to-date information on the internet that does not relate to your project but should be based on individual interests.
- 2. Your assignment should be no more than 1 page.
- 3.It must have source or reference from the information researched..
- 4.It could include charts, graphs, photos etc

Choose a global or local service and answer the following questions?

1. How is PEST analysis used for the company? Please explain.
2. What is the most important dimension in the value net and how does it effect the company?


LOONEY TUNES
"That's all Folks!"