

MK 333/326
International Marketing
Chapter 3

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Chapter 3

History and Geography: The Foundations of Culture

International Marketing

18th Edition



Learning Objectives 1 of 2

- 3-1 The importance of history and geography in understanding international markets
- 3-2 The effects of history on a country's culture
- 3-3 How culture interprets events through its own eyes
- 3-4 How long-past U.S. international policies still affect customer attitudes abroad

Learning Objectives 2 of 2

- 3-5 The effect of geographic diversity on economic profiles of a country
- 3-6 Why marketers need to be responsive to the geography of a country
- 3-7 The economic effects of controlling population growth and aging populations
- 3-8 Communication infrastructures are an integral part of international commerce

The Cultural Environment of Global Markets

Culture

- Society's accepted basis for responding to external and internal events
- Influenced by historical events and geographical uniqueness
- History and geography impact business



Historical Perspective in Global Business

History

- Helps define a nation's "mission," how it perceives its neighbors, self, and place in world
- Studying a nation's culture includes studying its history



History and Contemporary Behavior 1 of 3

Trade relations between U.S. and Asia

- The 1st Opium War and the Treaty of Nanjing (1839 to 1842)
 - British traders forced a gateway through Hong Kong into xenophobic China
- The 2nd Opium War (1857 to 1860)
 - British and French destroyed summer palace in Beijing
 - More freedom for foreign traders; Christian evangelism



History and Contemporary Behavior 2 of 3

Trade relations between U.S. and Asia continued

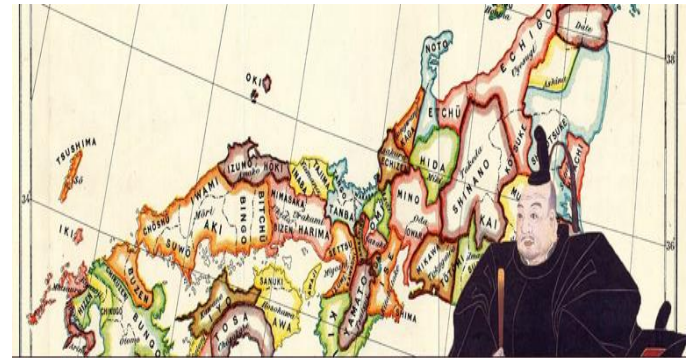
- Taiping Rebellion (1851 to 1864)
 - Chinese humiliated by foreigners; lost confidence in government
 - 20 to 40 million Chinese people killed in rebellion
 - Chinese leaders still wary of foreign influences as result



History and Contemporary Behavior 3 of 3

Japanese history impacts its business

- Japan went through many changes through history
 - Shogun feudal system, threat of domination by colonial powers, rise of social classes humiliation of WWII
- Japanese behaviors and values shaped by history
 - **Confucian philosophy**
 - Basic virtue of loyalty to social groups, country
 - Cooperation for the collective good



HISTORY OF JAPAN:

THE SHOGUNATE

History Is Subjective

Important to understand any nation's business and political culture

Exemplified by United States-Mexican Relationship

“Geography has made us neighbors, tradition has made us friends.”

–President John F. Kennedy

“Geography has made us closer, tradition has made us far apart.”

–Mexicans

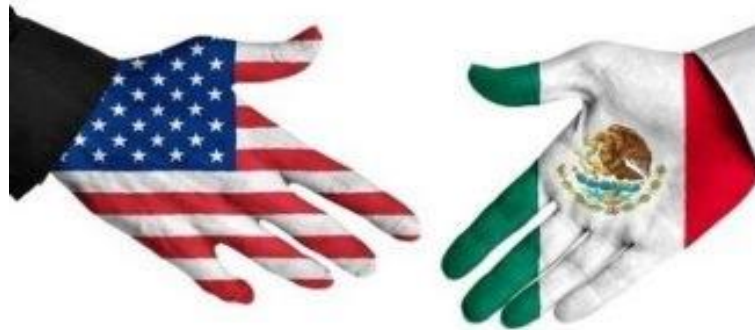


Exhibit 3.1 Territorial Expansion of United States from 1783



The United States expanded westward to the Pacific through a series of financial deals, negotiated settlements, and forcible annexations. The acquisition of territory from Mexico began with the Battle of San Jacinto in 1836, when Texas staged a successful revolt against the rule of Mexico and became The Republic of Texas—later to join the Union in 1845. The Mexican War (1846 to 1848) resulted in Mexico ceding California and a large part of the West to the United States.

Geography and Global Markets 1 of 6

Geography

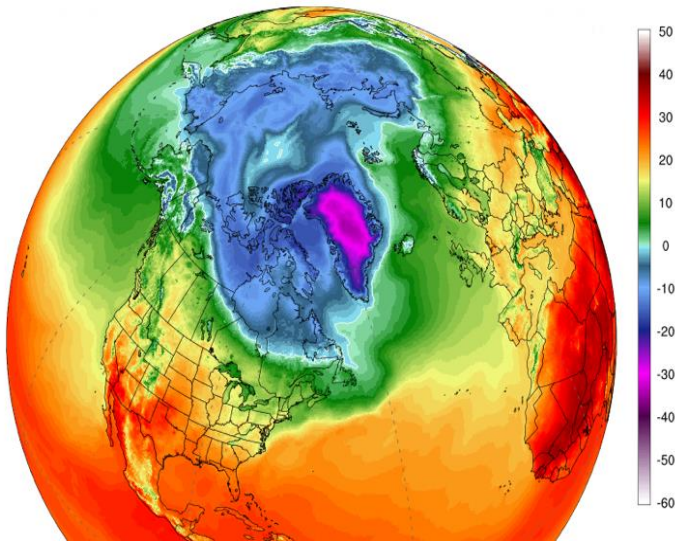
- Study of Earth's surface, climate, continents, countries, peoples, industries, and resources
- Geography imposes limitations
 - Impacts society's culture and economy
 - Affects nations' ability to supply citizens' needs
- Important to understand when evaluating market potential



Geography and Global Markets 2 of 6

Climate and Topography

- Impacts function of products and equipment; requires adjustments
 - Extremes in altitude, humidity, and temperature
 - Different seasons between northern and southern hemispheres
 - Climate can be diverse even within single market
- Geographical features impede economic growth and trade
 - Mountains, oceans, seas, and jungles



Geography and Marketing

The solution
for high altitude sickness

Die Lösung
gegen die Höhenkrankheit

La solución
contra el mal de altura

- Prevents and brings relief to all high altitude sickness
- Previene y alivia todos los síntomas del mal de altura

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(ácido acetilsalicílico), salicilato, cafeína. Consulte a su médico si sufre de: trastornos de coagulación, hemorragia gástrica, gastritis, alcoholismo, diabetes, hipertensión o función renal comprometida.

CREPAL

© John Graham

This advertisement provides the only time we have seen a human vomiting to market a product. The product advertised treats altitude sickness. The billboard appears in the Lima, Peru, airport, targeting tourists traveling from sea level to Cuzco and Machu Picchu (pictured in the scenic background). Cuzco, the old Inca capital, is at more than 11,000 feet in altitude, and many foreign tourists visiting there suffer this particular sort of *tourista*.

Machu Picchu , Peru



Geography and Global Markets 3 of 6

Geography, Nature, and Economic Growth

- Many factors can lead to economic stagnation
 - Climate and topography coupled with civil wars, poor environmental policies, and natural disasters
- Examples
 - Poor irrigation and water management causes droughts, floods, and soil erosion, and ultimately causes creeping deserts
 - Population increases, deforestation, and overgrazing intensify impact of drought and lead to malnutrition and ill health



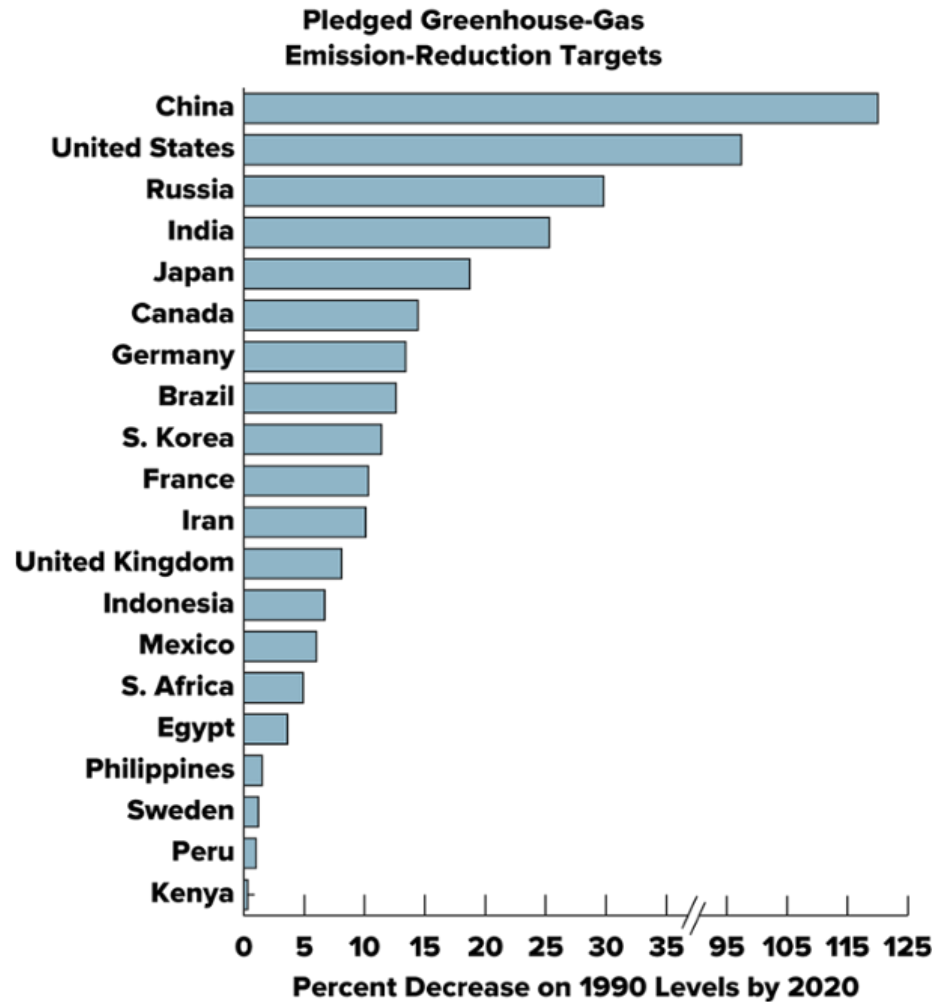
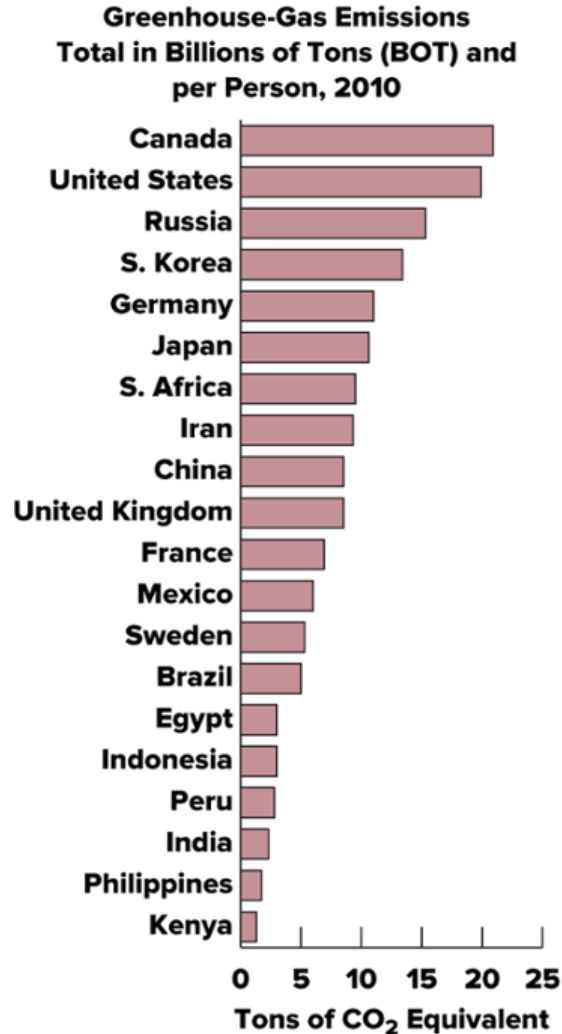
Geography and Global Markets 4 of 6

Social Responsibility and Environmental Management

- Essential part of the complex process of doing business
- Global rather than a national issue
- **Greenhouse gas emissions**
 - Threatens humans and the environment
- **Sustainable development**
 - Economic development and environmental protection



Exhibit 3.3 A Comparison of Greenhouse-Gas Emission Rates and Pledges for Reductions



[Jump to long description.](#)

Sustainable Development in São Paulo



Here in São Paulo, Shell sells two kinds of fuel: alcohol made primarily from sugarcane and gasoline made from dirtier fossil fuels. Flexible-fuel engines in Brazilian cars can burn either kind of fuel or any mixture of the two. Although the price per liter is quite different, so is the mileage per liter. Brazilians make their choice of fuel based on the kind of driving they anticipate, city versus highway.

Geography and Global Markets 5 of 6

Resources

- Availability of minerals and ability to generate energy
 - Located all around the Earth
 - Demand does not necessarily coincide with domestic supply
- Human labor creates energy in underdeveloped world
- Human energy is supplemented by
 - Animals, wood, fossil fuels, nuclear power
 - To lesser extent: ocean's tides, geothermal power, the sun
 - Petroleum dominant source; easy to store and transport



Geography and Global Markets 6 of 6

Resources continued

- Many countries are initially self-sufficient
 - Those same countries often become highly dependent on petroleum imports
- World turning to renewable sources of energy
 - Wood, peat, dung, wind, solar, geothermal
 - Will develop along with technology
 - Will impact world trade and marketing efforts



Sources of Energy



©narvikk/Getty Images

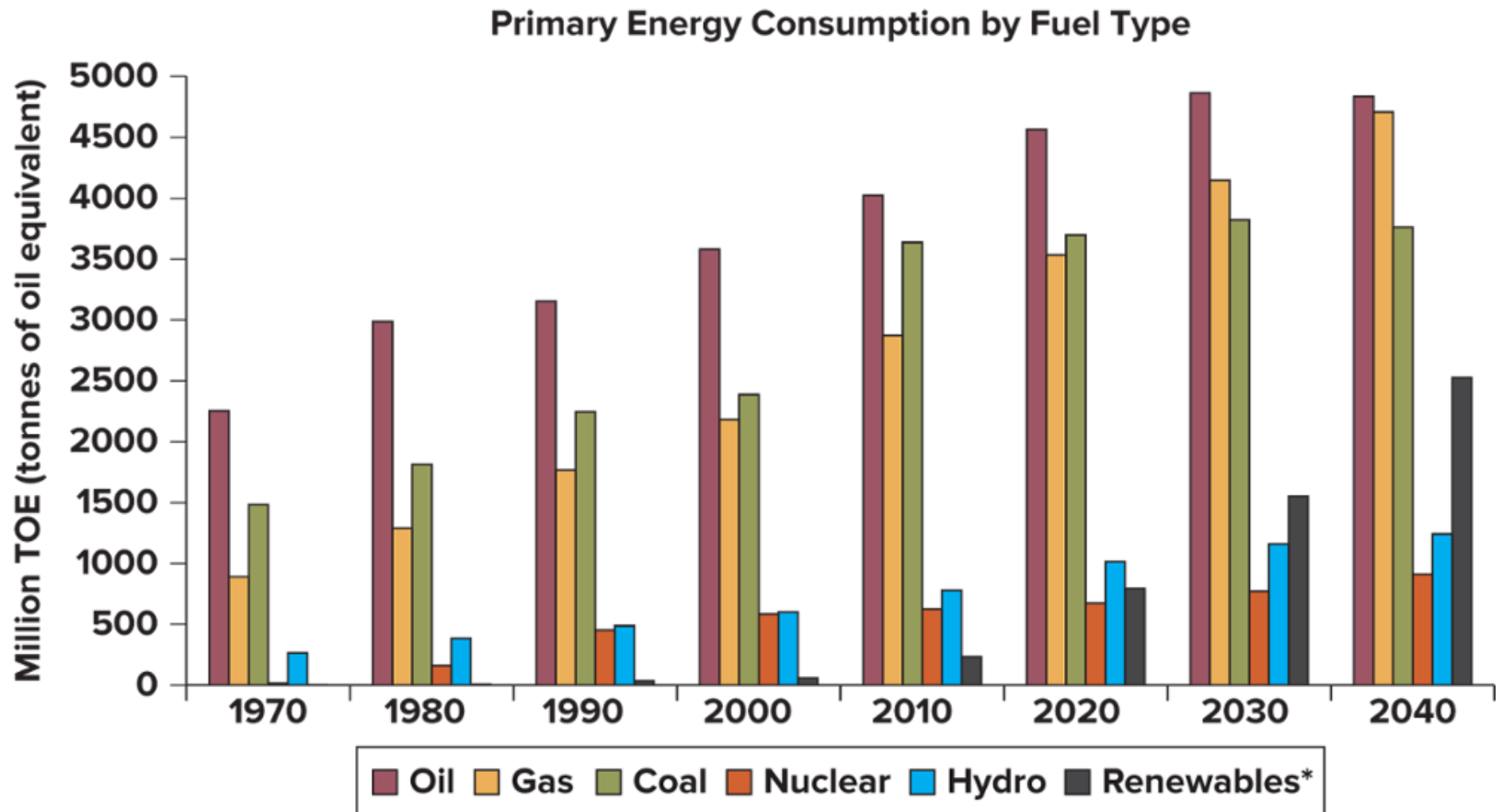
The best: There are at least four sources of renewable energy pictured here. What are they?

The worst: Coal being loaded on a titanic ship. Here, the titan loads an Olympus-sized mountain of Canadian coal near Vancouver. She will then head to Dangjin, South Korea, to fuel the newest and most efficient power plants in the world just completed by Siemens and turned over to the customer, a Korean utility.



© John Graham

Exhibit 3.4 World Energy Consumption



[Jump to long description.](#)

Use of Alternative Fuel Sources



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This Masai woman of Tanzania put to good use both cow dung and urine in building her hut pictured here in her family village (or boma). The semi-nomadic Masai graze their cattle during the day but enclose them within the acacia bush boma at night to protect them from predators.

Cattle dung, which is used both as farmyard manure and, dried into cakes, as household fuel, is being carried to a local market in India. India's cattle produce enormous quantities of dung, which some studies suggest provide the equivalent of 10,000 megawatts of energy annually.



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Dynamics of Global Population Trends 1 of 6

Population Impacts Demand

- Current estimate: more than 7.5 billion people
- Projected by 2050: about 9.8 billion
 - Almost all growth will occur in underdeveloped regions
 - 85% of population will be concentrated in these regions
 - 1.2 billion jobs must be created to accommodate growth



Exhibit 3.5 World Population by Region, 2017, 2050 (millions)

Regions	2017	2050
World	7,550	9,550
Africa	1,256	2,528
Asia	4,504	5,256
Europe	742	716
Latin America	646	780
Northern America	361	435
Oceania	41	57

Source: *World Population Prospects, The 2017 Revision*, United Nations Economic and Social Affairs, <http://www.unpopulation.org>, 2018.
Mexico is included in Latin American, not Northern America.

Dynamics of Global Population Trends 2 of 6

Controlling Population Growth

- Adequate incomes
- Higher literacy levels
- Education for women
- Universal access to healthcare
- Family planning
 - Universally used by governments to control birthrates
- Improved nutrition
- Change in beliefs about importance of large family
 - Procreation is culturally sensitive factor, uncontrollable

Dynamics of Global Population Trends 3 of 6

Rural/Urban Migration



- Population growing in urban areas
 - 3.5% in 1800, 61% by 2030
 - People desire greater access to education, healthcare, jobs
- Most growth occurs in economically strained urban cities
 - Overpopulation of unskilled workers in slums
 - Puts pressure on sanitation systems, water supplies, social services
 - Migration only improves quality of life for some

Dynamics of Global Population Trends 4 of 6

Population Decline



- Occurring in developed, industrialized nations
- Birthrates in Europe, Japan decreasing since 1960s
 - More women choosing career over children
 - Couples are deciding to remain childless
- Growth below necessary level to sustain current population

Dynamics of Global Population Trends 5 of 6

Aging

- Global life expectancy has increased greatly in last 50 years
- U.N. projects drastic increase in older population by 2050
 - 65 to 84 years: 3 times increase
 - 85 years and over: 6 times increase
 - 100 years and over: 16 times increase
- Leads to economic strain
 - High pension and healthcare costs
 - Imbalance between funders and users of Social Security

Dynamics of Global Population Trends 5 of 6

Aging population

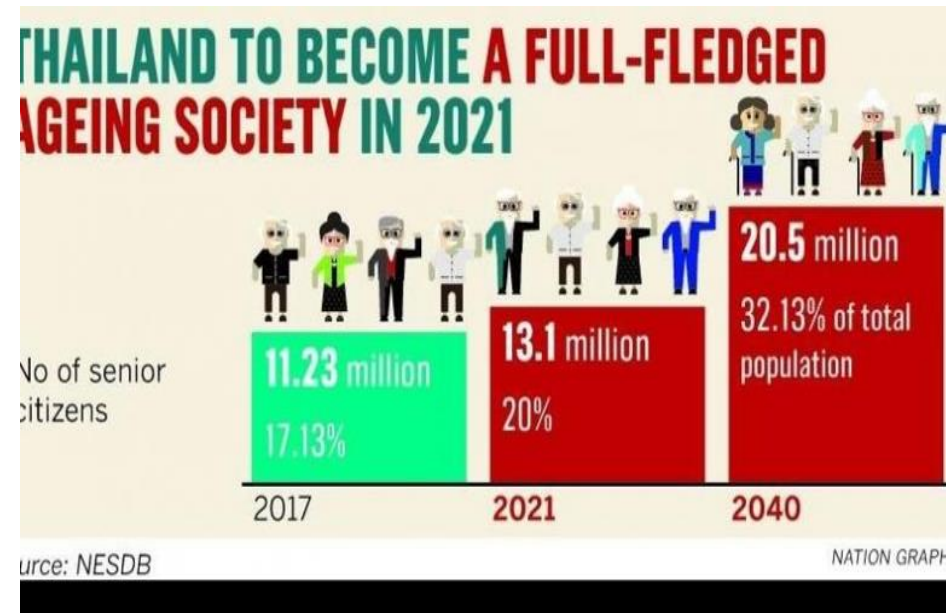
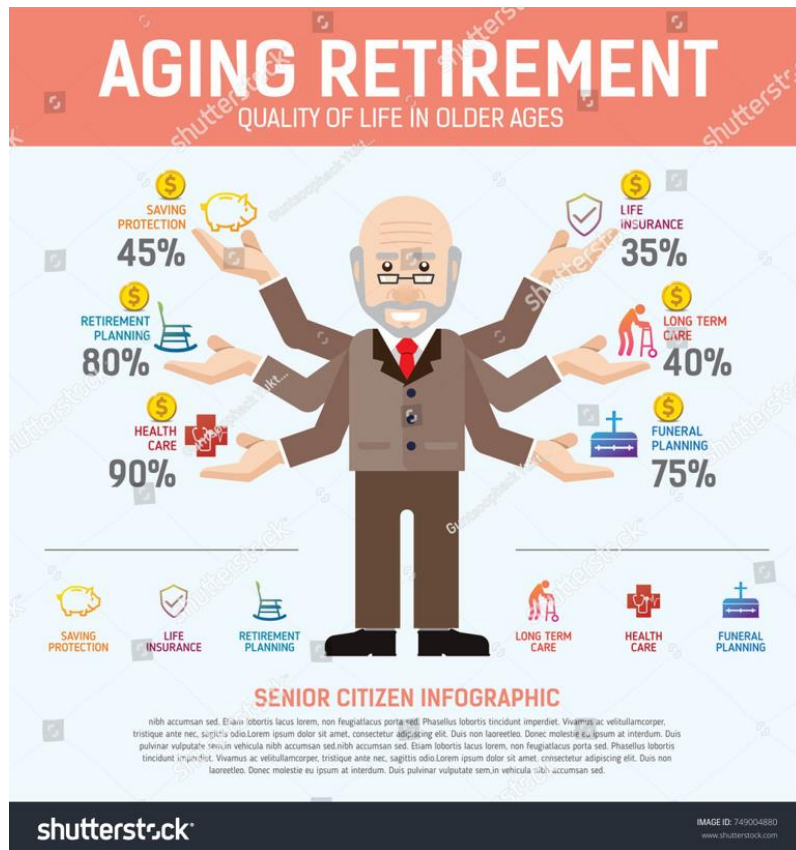
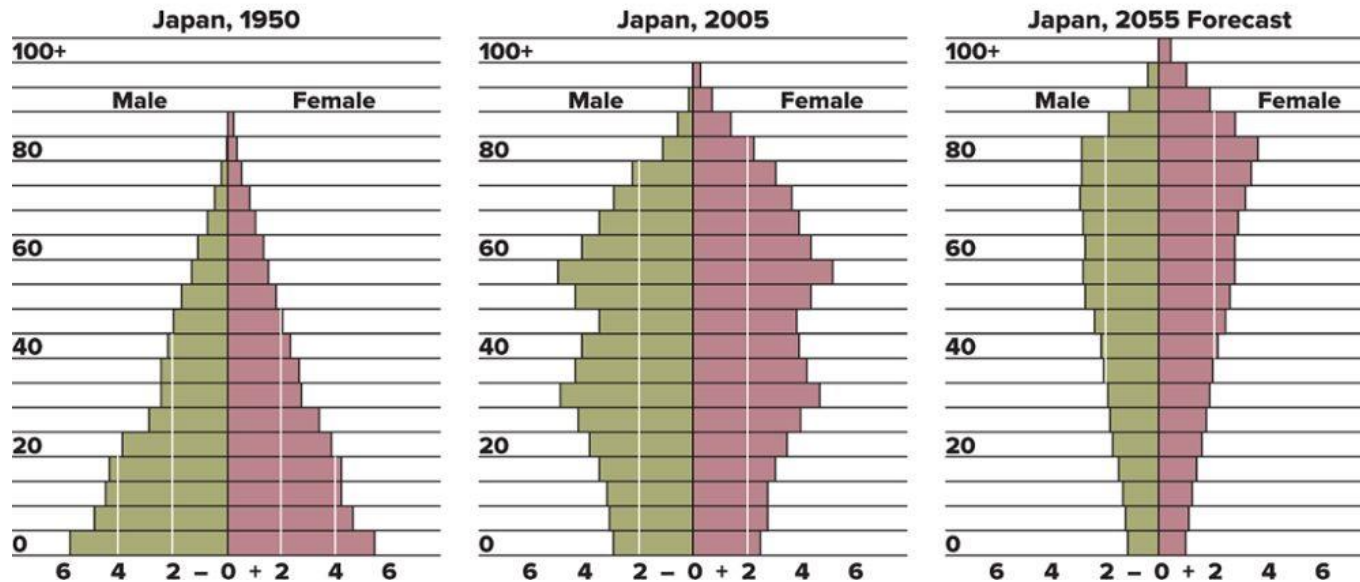
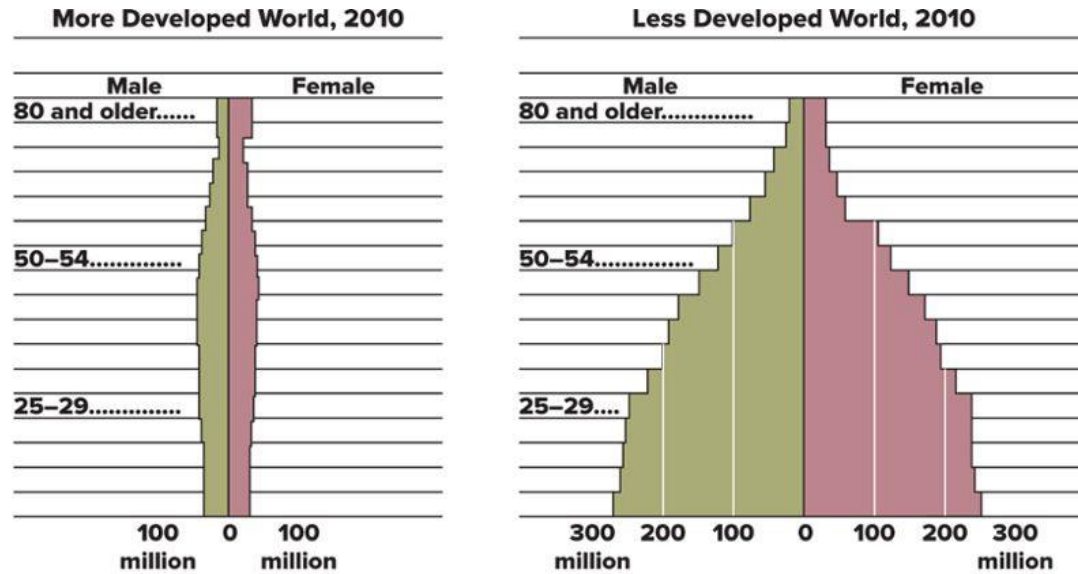


Exhibit 3.6 Age Density for World and Japan



[Jump to long description.](#)

Dynamics of Global Population Trends 6 of 6

Worker Shortage and Immigration

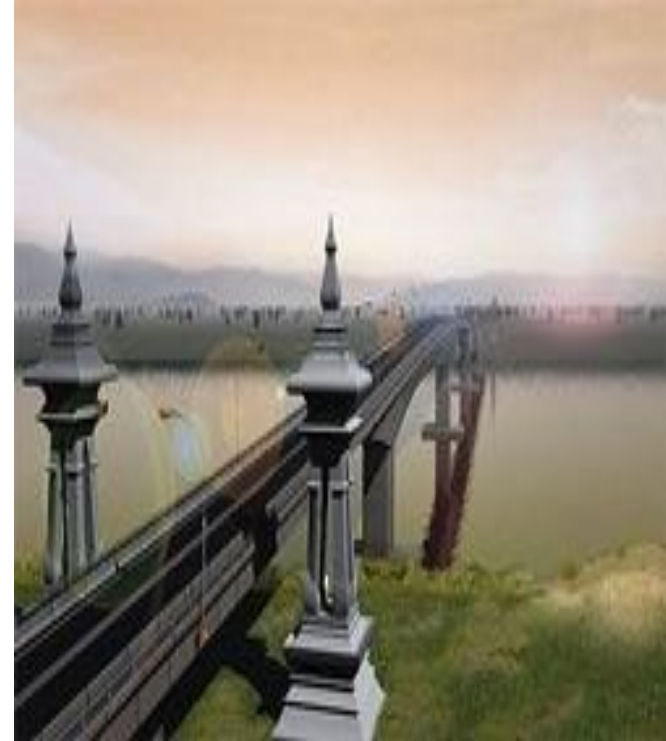
- Immigration can help global population issues
 - Move from underdeveloped, overpopulated regions
 - Move to industrialized regions with worker shortage
 - Europe will need 1.4 billion immigrants over next 50 years
 - Japan and U.S. will need 600 million immigrants by 2050
- Political and cultural opposition a barrier
 - Immigrants from Syria a catalyst for 2016 Brexit vote



World Trade Routes

Trade routes link people and economies

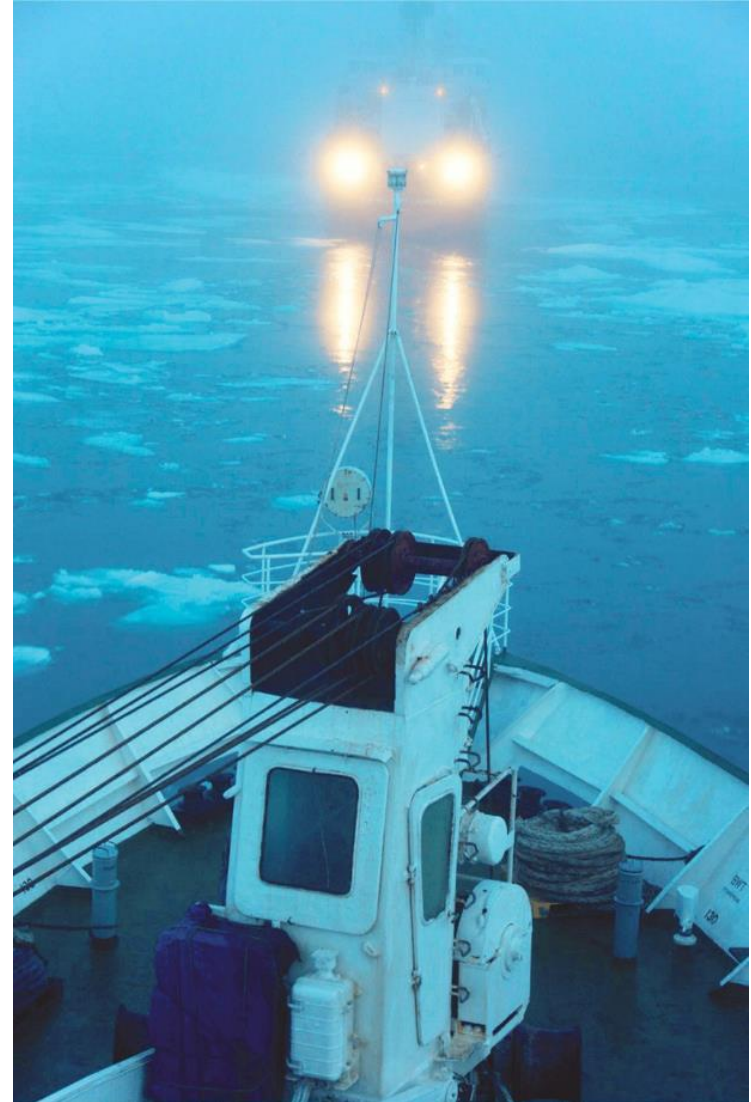
- Bind the world together; overcome differences
- Represent effort to overcome economic and social imbalances created by geography
- 1500 – trade routes established between Europe, Asia, Americas
 - Same trade routes remain important today
 - The Panama Canal
- Trade among developing nations quickly growing



The Impact of Climate Change on Trade Routes

Climate change opens up a new trade route that may compete with the Panama Canal, cutting costly days off the travel time between Western Europe and Asia.

Here a German commercial vessel follows a Russian icebreaker through the proverbial Northwest Passage.



© Education Images/ UIG/Getty Images

Communication Links

Communication and Trade



- Essential component of international commerce
 - Know where goods and services exist and where they are needed
- Technology has evolved
 - Telegraph, telephone, television, satellite, mobile phone, computer, Internet
 - Profoundly impacts international business
 - Human condition, economic growth, functions of commerce

Appendix of Image Long Descriptions

Appendix 1 Exhibit 3.1 Territorial Expansion of United States from 1783

The U S claimed territory in the northeast starting in 1783 and gained control of almost all states east of the Mississippi River by the early to mid 1800s.

The Louisiana Purchase of 1803 expanded the United State's territory further West across thirteen states.

The U S annexed parts of southern Mississippi in 1810 and 1813, and all of Florida was ceded by Spain in 1819.

The U S acquired some territories from Britain: the northern parts of North Dakota and Mississippi in 1818, and the northern tip of Maine in 1842.

The Texas annexation of 1845 gave the U S control over Texas and portions of Oklahoma, New Mexico, Kansas, and Colorado.

Oregon Country, including Oregon, Washington, and Idaho, was acquired by the U S in 1846.

California, Nevada, Utah, parts of Colorado and New Mexico, and the majority of Arizona was ceded by Mexico in 1848.

The U S obtained the southern parts of Arizona and New Mexico through the Gadsden Purchase in 1853.

Each state was officially admitted to the U S at different times from the late 1700s to the early 1900s.

Generally, all states east of the Mississippi river were officially admitted by the mid 1800s, and all states to west were officially admitted in the late 1800s and early 1900s.

Appendix 2 Exhibit 3.3 A Comparison of Greenhouse-Gas Emission Rates and Pledges for Reductions

The first graph shows emissions per person for 20 countries. The highest emissions are from Canada, the U.S., Russia, and South Korea. The lowest emissions are from Kenya, Philippines, India, and Peru.

The second graph shows pledged emission-reduction targets. These are led by China, the U.S., Russia, and India. The countries with the lowest targets are Kenya, Peru, Sweden, and Philippines.

Appendix 3 Exhibit 3.4 World Energy Consumption

Total world energy consumption is shown by fuel source in million tonnes of oil equivalent. The six fuel sources are oil, gas, coal, nuclear, hydro, and renewables. Each one increases year over year. In every year, oil is the most used fuel type. Coal starts off with a higher consumption than gas, but by 2030, gas increases over coal. Renewables starts at 1990 and increases dramatically through 2040.

Appendix 4 Exhibit 3.6 Age Density for World and Japan

The first two bar charts reflect population data from 2010 , with the first chart showing data from the more developed world, and the second chart showing data from the less developed world.

In the more developed world, the chart shows a relatively equal distribution of population across young, middle, and old age groups.

In the less developed world, the chart shows a high population across young age groups, with population levels decreasing with each older age group.

Three bar charts show population data for Japan.

The first chart reflects data from 1950 and shows a high population across young age groups, with population levels decreasing with each older age group.

The second chart reflects data from 2005 and shows a relatively even distribution of population across all age groups.

The third chart shows projected data for 2055, with young and middle age groups having relatively low populations in comparison to older age groups.