

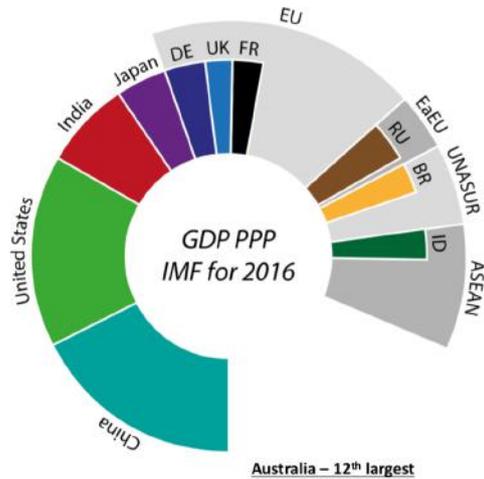
# INTERNATIONAL MARKETING

## LECTURE 1 – INTRODUCTION TO INTERNATIONAL MARKETING

### IM COURSE MAP



### GDP



### KEY INDICATORS OF EASE OF DOING BUSINESS

Ease of Doing Business	Starting a Business		Getting Credit		Enforcing Contracts		Resolving Insolvency						
	Overall Ranking Out of 189 Economies	Procedures (number)	Time (days)	Strength of Legal Rights Index (0-12)	Depth of Credit Information Index (0-8)	Rank	Time (days)	Quality of Judicial Processes Index (0-18)	Recovery Rate (cents in the dollar)	Time (years)			
Singapore	1	10	3	2.5	19	8	7	1	150	15.5	27	89.7	0.8
New Zealand	2	1	1	0.5	1	12	8	15	216	11.0	31	83.3	1.3
Denmark	3	29	4	3.0	28	8	6	37	410	10.0	9	87.8	1.0
South Korea	4	23	3	4.0	42	5	8	2	230	13.5	4	83.6	1.5
Hong Kong	5	4	2	1.5	19	8	7	22	360	11.0	26	87.2	0.8
UK	6	17	4	4.5	19	7	8	33	437	15.0	13	88.6	1.0
USA	7	49	6	5.8	2	11	8	21	420	13.8	5	80.4	1.5
Sweden	8	16	3	7.0	70	6	5	24	321	12.0	19	76.6	2.0
Norway	9	24	4	4.0	70	5	6	8	280	10.0	6	92.5	0.9
Finland	10	33	3	14.0	42	7	6	30	375	9.0	1	90.1	0.9
Taiwan	11	22	3	10.0	59	4	8	16	510	13.0	21	81.8	1.9
<b>Australia</b>	<b>13</b>	<b>11</b>	<b>3</b>	<b>2.5</b>	<b>5</b>	<b>11</b>	<b>7</b>	<b>4</b>	<b>395</b>	<b>15.5</b>	<b>14</b>	<b>82.1</b>	<b>1.0</b>
Malaysia	18	14	3	4.0	28	7	7	44	425	12.0	45	81.3	1.0
Japan	34	81	8	10.2	79	4	8	51	360	7.5	2	92.9	0.6
Thailand	49	96	6	27.5	97	3	6	57	440	6.5	49	42.5	2.7
China	84	136	11	31.4	79	4	6	7	453	14.1	55	38.2	1.7
Vietnam	90	119	10	20.0	28	7	7	74	400	6.5	123	20.1	5.0
Philippines	103	165	16	29.0	109	3	5	140	842	7.5	53	21.4	2.7
Indonesia	109	173	13	47.8	70	5	6	170	471	6.3	77	31.2	1.9
India	130	155	13	29.0	42	6	7	178	1,420	7.5	136	25.7	4.3

Note: Australia's 2015 ranking was changed from the 10th position to the 12th because of changes to the methodology and data revisions due to new information.

1. *Doing Business 2016* is the 13th in a series of annual reports measuring the regulations that enhance business activity and those that constrain it. All *Doing Business 2015* rankings have been recalculated to reflect changes to the methodology and revisions of data due to new information. *Doing Business* measures regulations affecting 11 areas of the life of a business. Ten of these areas are included in this year's ranking on the ease of doing business: starting a business, dealing with construction permits, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across borders, enforcing contracts and resolving insolvency. Data in *Doing Business 2016* is current as of 1 June 2015.

Sources: World Bank Group, *Doing Business 2016: Measuring Regulatory Quality and Efficiency*. Washington, DC: World Bank Group (released 27 October 2015); Austrade

### AUSTRALIAN (ESTIMATED) EXPORTS / IMPORTS 2017

- International business symbiotic with international trade → not every country produces what they need to give their people with the lifestyle they aspire to
- Seeks to export what they do well and import what they don't do well

### EXPORTS

- Iron Ore → \$54bn
- Coal → \$42bn
- Education → \$26bn
  - o Reverse export → international students (tourism also a reverse export)
- Gold → \$19bn
- Natural Gas → \$18bn

### IMPORTS

- Personal Travel → \$37bn
- Cars → \$21bn
- Oil → \$15bn
- Telecom → \$12bn
- Freight → \$9bn

- Economic multiplier
  - Small villages prior to governments of international trade → factory is built → gives them new skills → higher income → higher quality of life → spend new income on holidays etc. in other economies
  - Local communities China / Australia → China was on an enormous growth curve after opening itself to international trade – North Korea economically underdeveloped
  - New jobs
  - Income impacts
- Examples
  - **Vietnam** → economic development over the last 20 years
  - **Myanmar** → from political isolation to gradual “opening” of economy and Asia’s new source of cheap labour
  - **Zambia** → a new foreign \$ capital hub in Africa, economy is booming
  - **North Korea** → chose isolation 50 years ago and is still one of the most backward and poorest countries in the world

## FIRMS

- Additional growth from new markets, additional profits eg. Microsoft, McDonalds, Apple, Coca Cola
- Examples
  - **Zara (Spain) / H&M (Sweden)** → set up in Australia because there are jobs here – clothing designed / made / transported = jobs in that supply chain
  - **BHP** → “exports” iron ore and coal to China – jobs here and there
  - **McDonald’s** → local franchise jobs, supplier contracts jobs

## PEOPLE

- People run the businesses → physical or virtual – through economic multiplier effect
- Opportunity
- New jobs, growth existing jobs
- Income
- Security
- Lifestyle
- Eg. **China**’s economic development in the last 20 years
- Examples (individual and families)
  - **China / India** → number of millionaires, rising middle class, many firms new re-locating out of china as wages rise, rise of ‘budget’ airlines
  - **Poland / Latvia / Lithuania / Estonia** → since joining the EU economies have more than doubled in size
  - **Botswana / Angola** (most successful economic country in Africa) → stable government with specific economic planning as seen average incomes quadruple over the last 10 years

## TRADE RELATIONS

- Companies get closer together, so the Governments will get closer together
- Political or economic conflict creates uncertainty → want to create a platform or umbrella where they can develop new trade links
- Via formal / informal contracts
- Government to government trade agreements → makes rules for trading easier and cheaper
- Business to business contracts eg. **Australia’s FTA** with Japan, China, Korea
- Trade agreements → make it easier for firms to do business overseas
- Examples
  - The Association of South Eastern Asian Nations (ASEAN) → 10 countries
  - Asia Pacific Economic Cooperation (APEC) → 21 countries
  - Trans Pacific Partnership (TPP) → 12 countries
  - European Economic Community (EEC) → 28 countries
  - Mercosur – South America → 14 countries
  - NAFTA – North and Central America → 11 countries

## CULTURAL EXCHANGE

- Better understanding of who we are → further insight into other country
- Closer political, commercial, personal relationships
- Tourism, sport, education exchanges
- All help security
- Eg. World’s new engagement with **Myanmar** but not North Korea
- Examples
  - International education
  - Tourism
  - Entertainment
  - The internet / social media

## IMPORTANT LEARNING AND REVISION POINTS

- Why and how is IM different to domestic marketing?
- Who IM is important to and the benefits it brings
- Examples of challenges that I'm firms have in 'getting it right' – making their IM operations competitive and profitable

## LECTURE 2a – INTERNATIONAL STRATEGIC PLANNING AND COMPETITIVE STRATEGY

### INTERNATIONAL STRATEGIC PLANNING

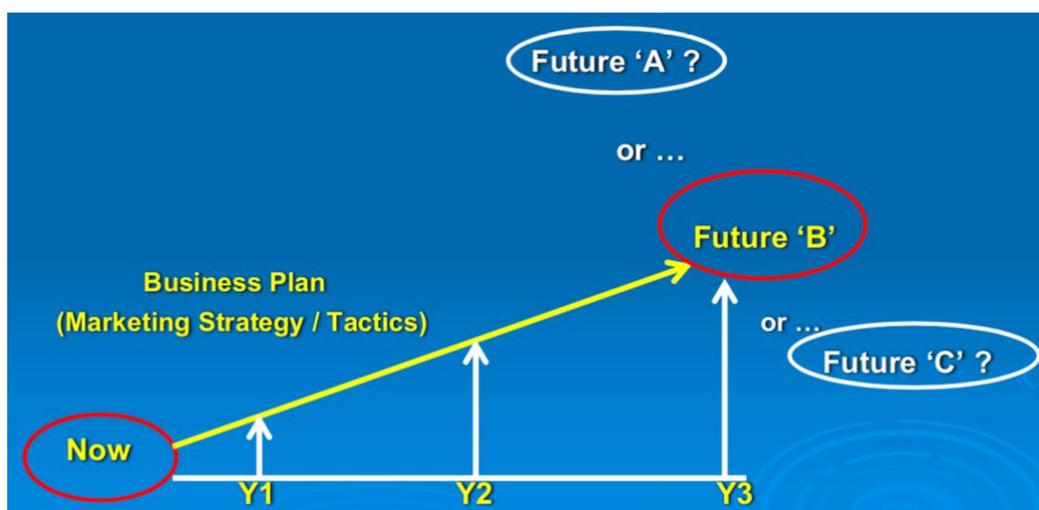
- **International Strategic Planning** → the process through which a firm considers its long term profitable growth opportunities and believes that international markets development is an important part of this – maybe even the only part
- Thinking about the future direction → long term
- Business / operational → short term
- Needs to consider
  - Which markets are most attractive – there are 196
  - What type of business models are required to do business in those markets?
  - The basis for competitive advantage in those markets?
  - Profit (dollar profit) and profitability (return on investment) expectations?

### IMPORTANT CONCEPTS IN INTERNATIONAL STRATEGIC PLANNING

- Reasons why companies don't do well
  - Schumpeter's Theory of "Creative Destruction"
  - The International Business failure rate
  - Planning is simple but most firms do it badly
    - Poor processes
    - Poor inputs, effort, coordination
    - 91% don't know / understand process (Kaplan Survey 2014)
    - 1% inspiration, 99% perspiration
  - Concept of "outside-in" (good) vs. "inside-out" (bad) thinking
    - Inside out → what is good for the company, not necessarily what is good for the customers in the marketplace eg. IBM → inside out when they did not consider the impacts of Steve Jobs and Apple (Apple did outside in)
    - What are the customers you want to win telling you what you should do, how you can provide them with what they need
  - Polaris Consulting concept → "if you always do what you've always done, you'll always get what you've always got"
    - See international strategic planning diagram

### INTERNATIONAL STRATEGIC PLANNING

- Why is it important → it is this process that allows executive management to consider and evaluate best business options and direction for the future profitable growth of the firm
- Strategy → evaluating each of those options, evaluating what is best for you, creating a path (business plan) from where you are now to where you want to be



## INFLUENCES ON COUNTRY ECONOMICS – ACTIVITIES AND PLANS OF INTERNATIONAL FIRMS

- Trump’s proposed immigration plan on foreign workers in USA who are the major workforce in many US industries
- USA investigating local claims that Chinese steel firm are shipping steel through Vietnam to avoid US import tariffs
- Organic food production has become so big worldwide that it is now disrupting local (USA and EU) farm economics – good quality / very low costs and prices eg. Turkey now largest supplier of corn / soya bean to USA
- New CEO of Coca Cola says “the firm has ‘outgrown’ Coke so it must speed up the development of new products / markets” → the firm’s revenue has declined in each of the past 5 years because \_\_\_\_\_
- Government environment policies
- China’s new (coal fired) power stations
  - Energy supplied → 4,000MW
  - Energy efficiency → 46.5%
  - CO2 emissions → 1.9m tonnes pa
  - Employees → 265
- Australia’s old coal fired power stations
  - Energy supplied → 1,500MW
  - Energy efficiency → 28%
  - CO2 emissions → 15m tonnes pa
  - Employees → 510

## THE INTERNATIONAL LEGAL ENVIRONMENT

- The **international legal environment** → the rules within which individuals and firms undertake all public activities eg. registering, setting up and managing a firm
- Most important one in terms of detail → need to know specific rules relating to import / export licences, government duties, land restrictions, employment, tax – all have different rules and regulations, in both state and federal circumstances

### WHY IS IT IMPORTANT?

- These rules govern all aspects of how a firm sets up, develops, runs, manages and reports on its activities eg. permission to build, employee safety, wages, taxes due, licences to export / import, statutory reporting

### HOW DOES IT WORK?

- Different laws govern different activities of firms and staff. They are often changed and so companies need to continually update their knowledge of these laws so that they can manage their business legally eg. knowing the laws and obeying them

## LEGAL STRUCTURES

1. Common law → traditional / historic rules
  2. Code law → specific rules – criminal behaviour
  3. Religious law → Islamic / Sharia, others
  4. Tribal → Indigenous
- Australia → all four structures
  - Imagine you own a business in Australia and you’re negotiating a distribution arrangement with a firm in Vietnam
    - Sign a contract?
    - There is no international law governing such transactions – no international business law → should you use Australia’s or Vietnam’s law?
    - How to decide / resolve?
      - Heads of agreement → most international agreements are done in this way
      - Arbitration
      - Mediation
    - Governments → can create their own international business law – write them into the contract

## COUNTRY LAW AND THE MARKETING MIX

### PRODUCT ISSUES

- Physical → left / right drive, electrical standard
- Chemical → aerosols, fertilisers, GM products
- Packaging → materials used, recycling
- Labelling → ingredients, percentages of, wording, “made in”

### PRICE ISSUES

- Price controls → bread, milk, kerosene
- Meaning of sale, 33% discount, “today only”
- Tax → sales, tariffs, imports / exports
- Government quotas → supply / demand, changes to either of them

### DISTRIBUTION ISSUES

- Air travel → dangerous goods, declarations
- Sea → livestock, vessel registration, crew of
- Road → taxes, users, congestion, chemicals
- Rail → safety standards, border controls

### PROMOTION ISSUES

- Promotional claims → health, exercise
- Product categories → tobacco, alcohol
- Words, expressions in advertisements → meanings, offensive
- Content and style of advertisement → child models, swimwear

## IMPLICATIONS FOR INTERNATIONAL FIRMS

- Beijing suspends dairy import licences of 3 Oz' firms
- EU fines Google \$3.6bn – for favouring its own comparison shopping search results
- VW fined \$19.3bn in USA over emissions scandal. EU fines will probably be approx' \$12bn
- NZ bee keepers go to court to try and protect their brand name 'Manuka Honey' from false copies of their name.
  - o NZ honey has the 3rd largest sales in world and 'Manuka' is approx' 80% of that total
- Russia 'locks out' LinkedIn – over law that requires locally sourced data to be stored within the country (and NOT elsewhere)
- Rolls Royce settled a corruption probe for \$800m over claims that it had acted unlawfully with contract sales to China and Indonesia
- Japan has recently passed a law making it legal to set up casinos
- Michael Jordan (a very famous US basketball player) has won a China court decision stating that a local firm cannot sell product using his name in Chinese characters
- 'Freeport McMoRan' –the giant US copper miner, is scaling back operations over its dispute with the Indonesian Government over the structure of future operations at the Grasberg gold and copper mine
- GM tells the EU that "it's too much trouble to do business there" and so is selling its subsidiary there
- Amazon, Starbucks and McDonald's in legal disputes with EU regulators over international (non) tax payments

## CHINESE GOVERNMENT CRACKDOWNS

- The government has started to carefully review all spending on gift giving → major reductions in whiskey and champagne sales
- Linked travel tourism → major reductions in number of group tours
- Gambling / money laundering → major reductions in the revenue and profitability of casinos – mainly in Macau

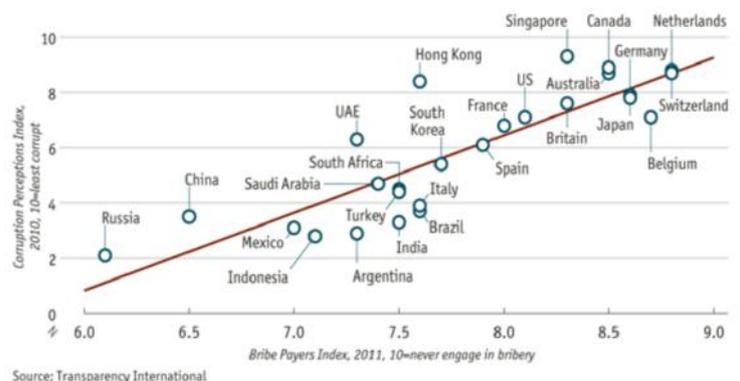
## PHARMACEUTICALS IN BRAZIL

- Brazilian government → overrode the Merck patent HIV drug and started to manufacture locally – Merck wanted to sell in Brazil at US\$1.57/day whilst they were selling in Thailand US\$0.65/day

## CORRUPTION

- Former Brazilian president Lula da Silva jailed for 9 years for bribery
- Panama Papers revelations claim Pakistan PM Nawaz Sharif – resigned, trial later
- Samsung heir on trial for gift giving
- 2015 corruption index
  - o Companies should have policies in relation to corruption → people should be properly and professionally briefed

Perceived corruption levels by country and companies' propensity to bribe



## IMPORTANT REVISION AND KEY LEARNING POINTS

- Examples of government import and export controls
- The types and levels of world trade structures
- What the WTO does and its implications for IM and firms
- The different types of legal systems in most countries
- Country law and the marketing mix

- Quizzes / Final → only look at the key learning points
  - o Short answers → dot points are fine
  - o Quiz → 6 short answer – 4 on lectures, 2 on case studies (general questions)
  - o Won't get case studies in the exam – more general nature

## WOODSIDE PETROLEUM IN ISRAEL

- ‘Woodside Petroleum’ (Oz’ firm) was negotiating to take a 25% equity in the Israel ‘Leviathan’ gas field – why?
- ‘Woodside’ will invest US\$1.25bn and be the operator. Wants to export 60% of the gas (as LPG) – international prices are higher
- But Israeli law only allows 40% for export
- After 18 months of negotiations, Woodside withdrew from the joint venture

## BANGLADESH

- Bangladesh factory collapse – 1127 killed, hundreds injured
- Pressure on Western firms to sign an agreement – “not to contract firms in Bangladesh whose buildings fail to meet safety standards and commit to pay for repairs and renovations to meet those standards”
- Firms affected → Wal-Mart, Gap, Nike, Sears, H&M, Zara etc.

## CANADA

- The Canadian Government recently agreed to the largest takeover by a Chinese Company – anywhere (US\$15.1bn ‘CNOOC’ takeover of ‘Nexen’)
- But it went on to say “The Government of Canada has determined that Foreign State control of oil sands has reached the point at which further such deals would not be of net benefit to Canada”

## FOREIGN FIRM ACTIVITIES IN CHINA

- ‘Glaxo Smith Kline’ (GSK) has admitted that some of its senior executives have ‘violated’ Chinese law in providing travel to medical staff in hospitals in return for prescribing ‘GSK’ products at higher prices
- GSK was initially tipped off about the investigation but its own internal review found no wrong doing at that time
- Now it has other Western pharmaceutical firms operating in China are now also reviewing their sales policies

## FIRM ACTIVITIES

- **BP** has paid a total of \$54bn to settle all charges and claims by US Federal and State Governments against the UK-based oil giant in connection with the
- ‘Deep Water Horizon’ disaster
- This disaster also cost BP’s CEO his job

## GOVERNMENT REGULATIONS – CHINA

- Government has ordered a major reduction in coal consumption over the next 5yrs → 160m tonnes
- Is closing 300 inefficient factories and taking 600,000 high emission vehicles off the roads
- Is considering a ban on smoking in public places and offices – there are 300m smokers in China and 43% of world’s cigarette production
- WHO estimates death and health related smoking issues in China have cost the economy \$510bn in last 10yrs

## INTERNATIONAL TRADE CORRUPTION

- Corruption is considered to be the single most inhibiting factor to the development of international trade
- As a component of micro economic practice, it is extremely inefficient.
- It hinders and restricts effective competitive trading and as such is an indirect tax on the price paid by the user.
- As an unofficial tax, it is levied by those in quasi monopoly positions and is a disincentive to product / service improvements being made
- Many Governments have now enacted new laws to penalize such behaviour

## PRODUCT PIRACY IN CHINA

- Steve Ballmer (former CEO Microsoft) → “In China, we get only 5% of the revenue that we get in USA, even though the PC sales are the same”
- ‘MS’ revenue in China with \$1.3bn people, is the same as it is in Holland with 17m people
- Jaguar Land Rover is taking legal action in China against Chinese car maker ‘Landwind’ for it’s latest SUV .... which looks very similar to their ‘Evoque’ SUV

## LOSS OF TRADEMARK

- **Burberry** is appealing against a decision by Chinese authorities to cancel it’s trademark colour scheme of the “black and red” pattern.
- The Government agency said that it had received an application (from a Chinese firm) challenging the registration and it had agreed to that challenge

## WHO WOULD GROW ORANGES?

- In Australia they export 80% of their crop
- They need contracted access to (scarce) water entitlements
- No 'regulated' world market
- So growers can plant as many new trees as they want to → result is oversupply, so World prices fall
- The A\$ rises v US\$ (most exports are priced in US\$)
- So growers plant less
- Prices now rise
- So now more growers plant more trees

## HOW TO CONSIDER PRICING FOR THE GROUP PROJECT FINANCIAL EVALUATION

- Decide (and write up) your Year 1 pricing strategy. There will be two (2) parts to this
  - o Product launch 'price' strategy (explain)
  - o Product 'competitor' response 'price' strategy
  - o Also explain – this should be detailed in your competitive strategy section of the report
- To calculate Year 1 revenue, use the weighted average of these prices
- For year 2 and year 3 of the financial analysis, just assume an average price for each year (explain what it is and how you calculated it)
- **Not needed for group project**

### REVISION AND KEY LEARNING POINTS

- The pricing evaluation process, particularly pricing objectives
- Different pricing strategies for different market situations
- The concept of transfer pricing

## LECTURE 10 – PROMOTION IN INTERNATIONAL MARKETS

### WHAT IS IT?

- Promotion evaluates the tools that should be used to inform target market segments
  - o Who you are
  - o What you do
  - o The products / services that you have that they could / should be interested in
  - o How to follow that interest up i.e. what to do
- Reach target market segments → must communicate properly
- Different market segments require different tools to reach them effectively

### WHY IS IT IMPORTANT?

- If you don't tell the target market segments about your product / service and how to purchase it – they can't consider buying it

### HOW DOES IT WORK?

- By building a communications network that reaches the target market segments in ways that are relevant to them and in a form that they can access, consider and relate to

## COMMUNICATIONS THEORY (STRUCTURE)

### STEP 1 → SENDER (ENCODING)

- Before it is sent, the message needs to be encoded to that it is suitable for the medium to be used and the receivers
- Eg. **Pepsi Cola** "come alive" campaign – in China it was broadcasted as "bring your ancestors back from the dead"
- Identifying who needs to make the communication – is it the company communicating with the public, individuals, different departments
- Must communicate in a way that the target market will understand

