

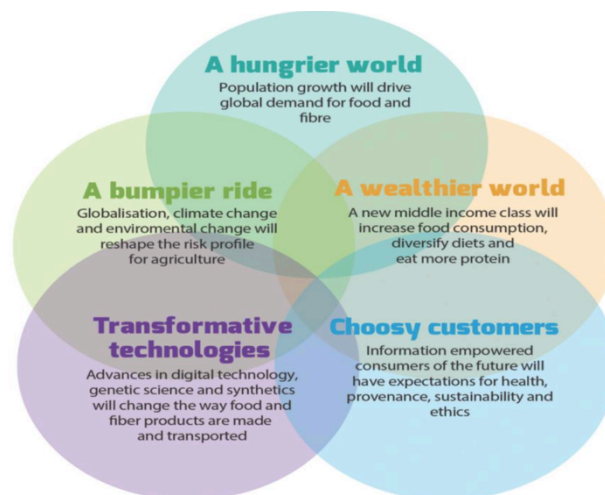
# Chapter 1 – The Scope and Challenge of International Marketing

## Global Business Trends

1. The rapid growth of the **World Trade Organisation and regional free trade areas eg. NAFTA, ASEAN and the EU** [Key goal of lowering trade barriers, in particular scheduled lowering for developing countries who still need various forms of protection. A key issue is agricultural trade, whereby large developed countries such as the US provide significant subsidies to farmers to increase their competitiveness, whilst simultaneously lowering the competitiveness of nations who don't have the financial power to do so.]
2. General **acceptance of the free market system among developing countries** in Latin America, Asia and Eastern Europe. [No government intervention]
3. Impact of the **Internet and other global media on the dissolution of national borders**
4. Managing **global environmental resources** (natural, agricultural etc.)

## Global Trends (Agriculture)

Also, people living longer.



## Why Global Marketing is imperative

- **Saturation of domestic markets:** Domestic market saturation in the industrialised parts of the world and marketing opportunities overseas are evident in global marketing.
- **Global competition:** Competition around the world and proliferation of the Internet have been on the rise and are now intensifying.
- **Need for global cooperation:** Global competition brings global cooperation.
- **Internet revolution:** The Internet and electronic commerce (e-commerce) are bringing major structural changes to the way companies operate worldwide.
- The term **global** epitomizes both the competitive pressure and expanding market opportunities.
- Whether a company operates domestically or across national boundaries, it can no longer avoid competitive pressures from around the world

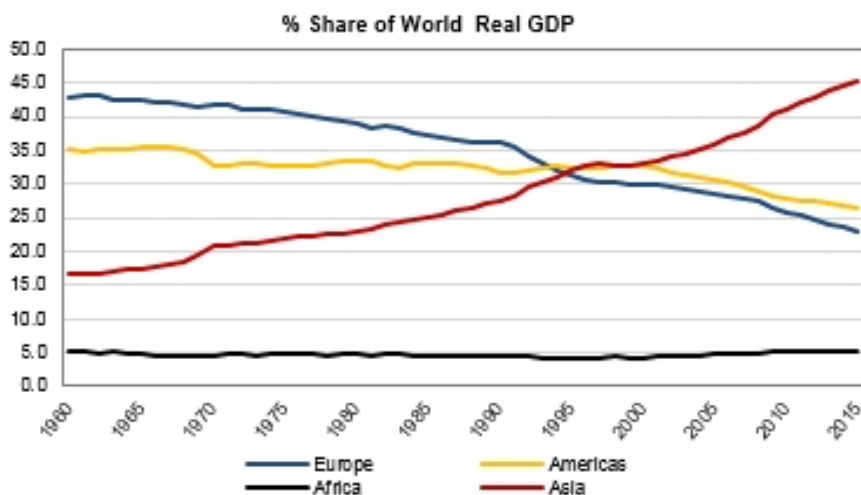
World's 20 Largest Economies by GDP 2016 - 2030 (Project GDP Ranking)

1. US	1. China
2. China	2. US
3. Japan	3. India
4. Germany	4. Japan
5. UK	5. Germany



## Shift in GDP by region

Growth in Asian economy and subsequent decline in Europe/ Americas.



## Australia as a choice for FDI

- Australia is in the **top 10 destinations in the world for FDI**
- By 2017, A\$3.2 trillion in foreign investment in Australia.
- Top investors are US, EU, Japan, China, Singapore, Canada
- **US and UK** are largest investors accounting for nearly **45% of all** foreign investment.



## Foreign Acquisitions of Australian Brands

→ EXHIBIT 1.1 Foreign acquisition of Australian brands

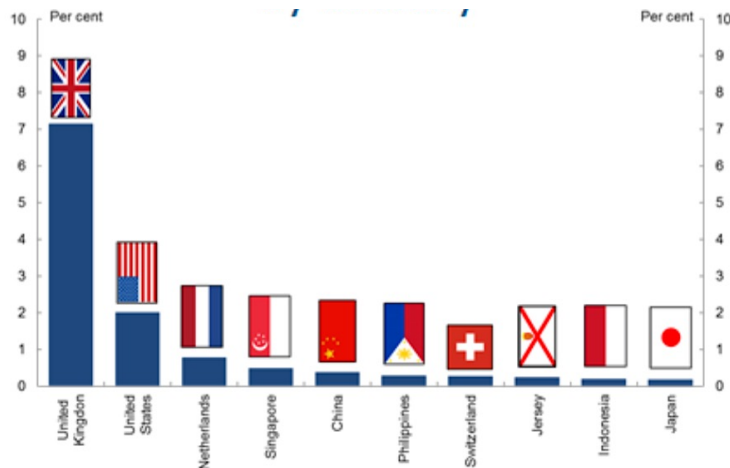
Australian brands	Foreign owner	Country
Arnott's Biscuits	Campbell Soup Company	US
Bushell's tea	Unilever	UK
Cottees Jam	Cadbury Schweppes Plc	UK
Minties	Nestlé Limited	Switzerland
Mortein	Reckitt Benckiser	UK
Peter's Ice Cream	Nestlé Limited	Switzerland
Red Tulip	Cadbury Schweppes Plc	UK
Tom Piper	H J Heinz & Co	US
Uncle Tobys	Nestlé Limited	Switzerland
Vegemite	Kraft Foods/Philip Morris	US

Most familiar Australian companies are now foreign controlled or headed in that direction:

Vegemite was just bought back by Bega.

## Australia's Sale of Agricultural Land

Proportion of agricultural land held by country:



Britain by far owns the most land, yet the media sensationalizes China's purchasing of Australian land.

## The Internationalisation of US Businesses (Similar story)

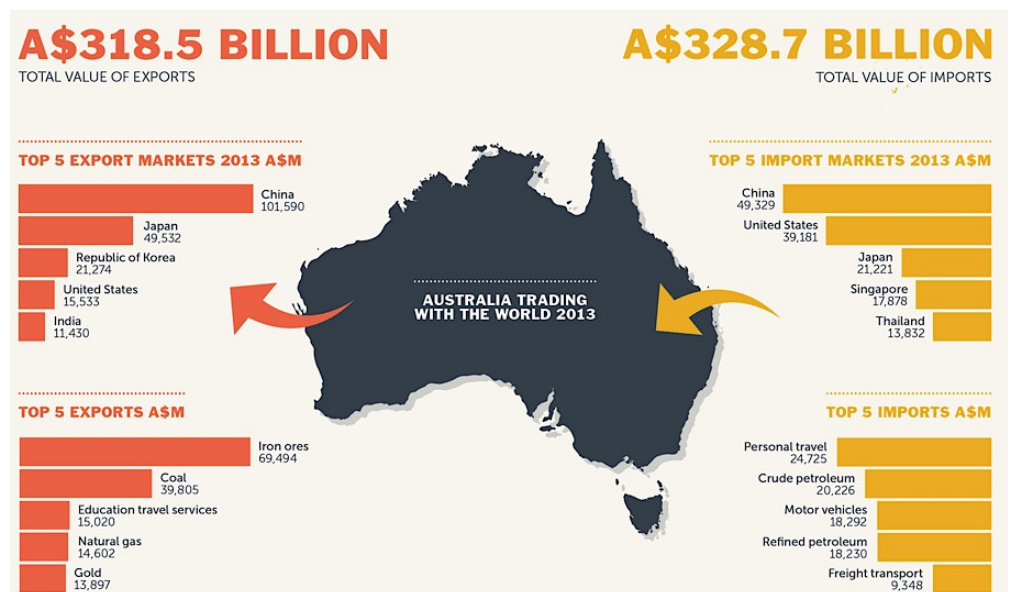
U.S. Companies/Brands	Foreign Owner	Company	Global Revenues (billions)	Percent Revenues from Outside the U.S.
7-Eleven	Japan	Apple	\$170.9	61.3%
Ben & Jerry's (ice cream)	U.K.	Avon	10.0	85.4
Budweiser	Belgium	Boeing	86.6	56.6
Chrysler	Italy	Chevron	211.6	75.9
Chrysler Building (NYC)	Abu Dhabi	Direct TV	31.8	21.0
Church's Chicken	Bahrain	Ford	146.9	41.8
CITGO	Venezuela	IBM	99.8	65.1
Columbia Pictures (movies)	Japan	Intel	52.7	82.8
French's Mustard (not France!)	U.K.	Johnson & Johnson	71.3	55.3
Firestone (tires)	Japan	Mondelez (Oreos, etc.)	35.3	80.2
Frigidaire	Sweden	Walmart	474.3	29.0
Genentech	Switzerland			
Gerber	Switzerland			
Holiday Inn	U.K.			
Huffy Corp. (bicycles)	China			
Oroweat (breads)	Mexico			
Random House (publishing)	Germany			
RCA (televisions)	France/China			
Smith & Wesson (guns)	U.K.			
Swift & Company (meatpacking)	Brazil			
<i>The Wall Street Journal</i>	Australia			

Companies with only domestic markets have found it increasingly difficult in sustaining their customary rates of growth, and many are seeking foreign markets in which to expand. Companies with foreign operations find that foreign earnings are making an important overall contribution to total corporate profits (Truly global companies).

## Australia's Export Trade (2013)

Major trading partners (exports %)

1. China (27.4%)
2. Japan (11.8%)
3. USA (8.8%)
4. South Korea (5.5%),
5. Singapore (4.1%)
6. UK (3.7%)
7. New Zealand (3.7%)
8. India (3.7%)
9. Malaysia (3.7%)



## Australia's Asia Dependency

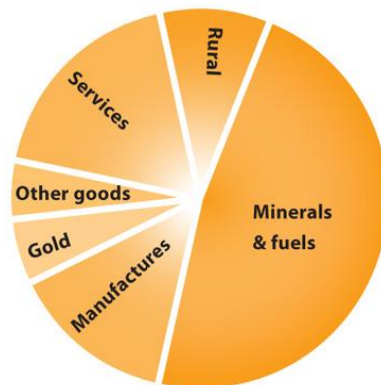


## Australia's Export Trade (2015)

- China 27.4% in 2013 -> 32.5%
- Japan 11.8% -> 15.4%
- South Korea 5.5% -> 6.8%
- USA 8.8% -> 5.1% (US has witnessed a decline whilst, China, Japan and SK have all increased)
- NZ 3.7% -> 3.5%
- India 3.7% -> 3.2%

## Australian Exports: Shift to Resources

Can it continue? Should Australia be reliant on its natural resources?



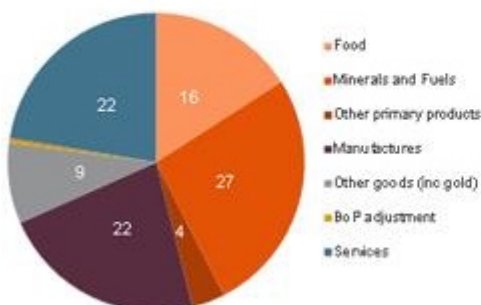
47.5%	Minerals & fuels	\$135.0b
18.4%	Services	\$52.4b
14.2%	Manufactures	\$40.5b
9.6%	Rural	\$27.5b
5.4%	Gold	\$15.0b
5.0%	Other goods	\$14.2b

(a) Balance of payment basis.  
Based on ABS catalogue 5302.0.

## Composition of exports: The shift to resources

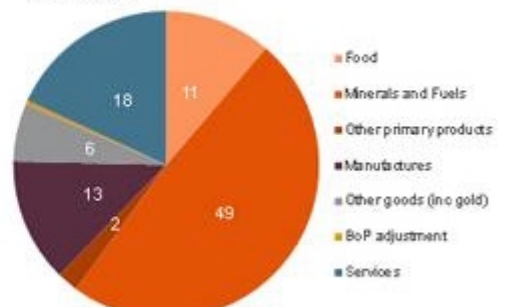
Composition of Australian exports, 2004

Percent of total



Composition of Australian exports, 2014

Percent of total



Source: DFAT Composition of Trade Australia 2004

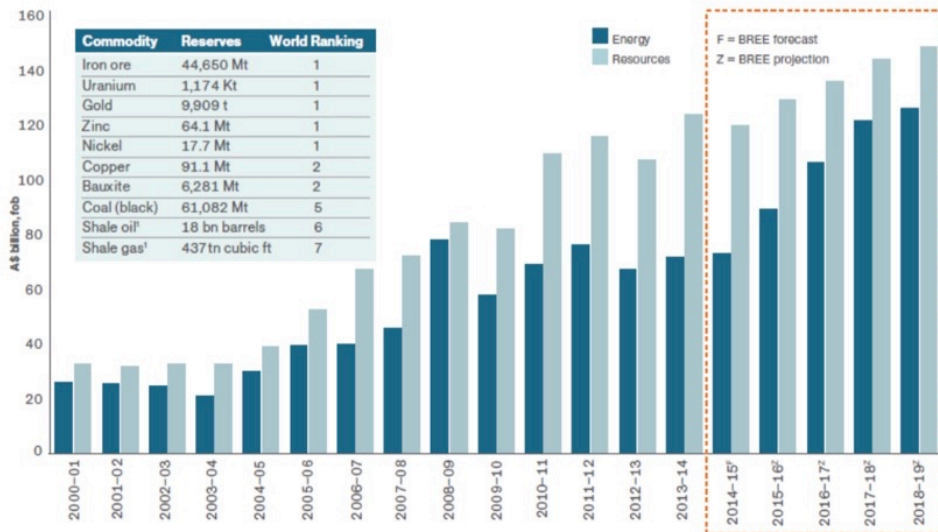
Source: DFAT Summary of Australia's Trade, March 2015

In 2014, the composition of exports increased by almost double for minerals and fuels (27% in 2004 -> 49% in 2014).



## Australia is #1 in Energy/ Resources in the World

### AUSTRALIA'S ENERGY AND RESOURCES SECTOR



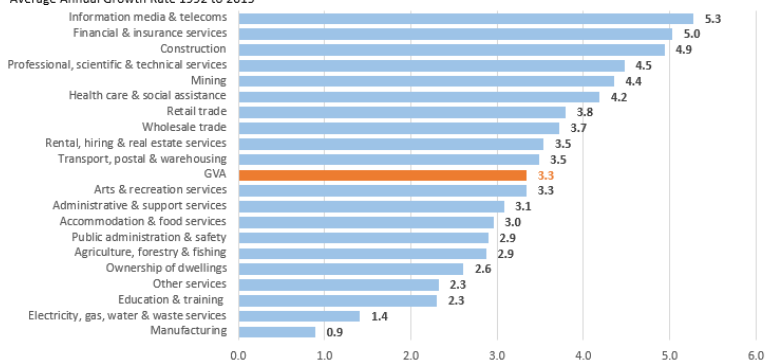
## Industry Growth in Australia 1992 – 2015

However, it isn't where growth lies for Australia. In terms of value add information media, financial services, construction etc.

Still rely on minerals without a doubt but it isn't a growth opportunity.

Chart 1: Australia's Real Gross Value Added by Industry

Average Annual Growth Rate 1992 to 2015



Sources: ABS Cat. No. 5206.0 Australian National Accounts: National Income, Expenditure and Product, Table 6. Gross Value Added by

## AUSTRALIA'S REAL GROSS VALUE ADDED BY INDUSTRY

Annual total ending June 2014-15, as a percentage of total industry

