Global Marketing

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Chapter 2

Assessing the Global Marketing Environment – The Global Economy and Technology

A PESTEL Analysis of the Macro-Global Environment

Factor	Possible Factors for Study	Examples
Political	Local and national government structure, government stability, internal politics that affect business, international relations, terrorist activity.	War in middle-east, which leads to political instability, Russia Ucraina war
Economic	Regional economic growth indicators, exchange rates, trade and trade policy, government intervention in the economy, taxation, consumption, employment/unemployment, inflation, balance of payments.	Economic growth of emerging market countries has multiplied in the last decade.
Social	Demographics, lifestyle, education, living standards (health and welfare), immigration/emigration.	In 2018, the Saudi Arabian government changed the law to allow women to drive.
Technological	Technological infrastructure, including market opportunities in the electronics, high tech markets, development of biotechnology and information technology industries, and clean technology markets.	Email celebrated its 30th anniversary in 2014 and it has completely changed the way we communicate with each other.
Environmental / Legal	Environmental regulations, global warming, pollution, green marketing, legal systems, business legislation, consumer protection, intellectual property issues.	Huge pollution problems and intellectual property protection issues in China that pose a threat to doing business

In addition to PESTEL, it is also important to analyze the industry environment and the level of competitors;

Economic Growth and World Trade

- **Increased economic liberalization and integration** (for example, the European Union - EU).

- Economic liberalization is positive especially for **emerging and developing countries**.

- **Liberalization favors unrestricted capital flowing into and out of the country** in order to boost growth and efficiencies within the home country.

- Investors can provide **new opportunities for diversification and profit**.

- **Digitally deliverable services**, such as insurance, business processes, or financial services is one of the **fastest growing services trade sectors**

Balance of Payments and Balance of Trade

- The **balance of payment** (BOP) records for a given period the payments and receipts of the residents of the country in their transactions with residents of other countries.

- Although the totals of payments and receipts are necessarily equal, there will be inequalities—**excesses of payments or receipts**, called **deficits** or **surpluses**—in particular kinds of transactions.

- The BOP is divided into three main categories:

- The **current account** (**balance of trade-**difference between export and import of goods and services. **)**

  - the **capital account** (e.a. expenses for investments)

  - the **financial account** (**credit and debits)**

Top 20 Countries With the Largest Surplus and Deficit, Respectively, in Their Current Balance Account (CAB)

Countries With Largest Surplus			Countries with Largest Deficit		
Rank	Country	CAB (million USD)	Rank	Country	CAB (million USD)
1	Germany	296,600	1	United States	-466,200
2	Japan	195,400	2	United Kingdom	-106,700
3	China	164,900	3	India	-51,210
4	Netherlands	80,880	4	Canada	-49,260
5	Taiwan	80,110	5	Turkey	-47,100
6	South Korea	78,460	6	France	-36,770
7	Switzerland	63,210	7	Australia	-32,270
8	Singapore	60,990	8	Argentina	-30,790
9	Italy	56,070	9	Algeria	-21,940
10	Thailand	49,280	10	Mexico	-18,830

Top 20 Countries With the Largest Surplus and Deficit, Respectively, in Their Current Balance Account (CAB) [cont...]

Countries With Largest Surplus			Countries with Largest Deficit		
Rank	Country	CAB (million USD)	Rank	Country	CAB (million USD)
11	Ireland	41,880	11	Indonesia	-17,290
12	Russia	40,250	12	Egypt	-15,380
13	Denmark	24,600	13	Lebanon	-12,880
14	Spain	21,700	14	Pakistan	-12,440
15	Norway	20,340	15	Colombia	-10,360
16	Iran	18,400	16	Brazil	-9,762
17	Saudi Arabia	18,230	17	Oman	-8,557
18	United Arab Emirates	17,630	18	South Africa	-7,912
19	Sweden	17,010	19	Romania	-7,298
20	Macau	15,160	20	Ethiopia	-6,551

On which aspects do you think the pandemic is affecting global trade?
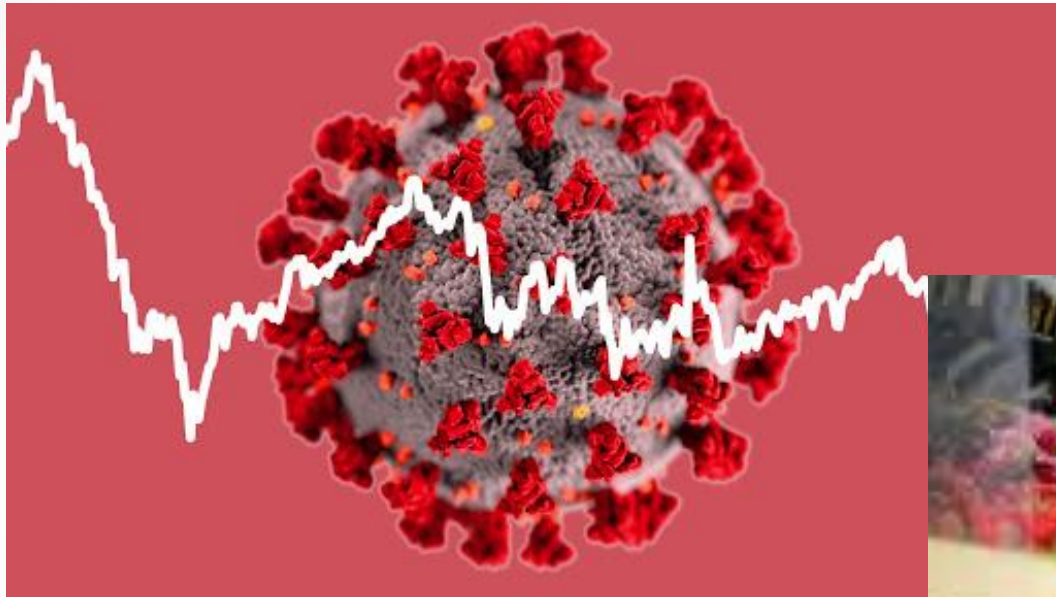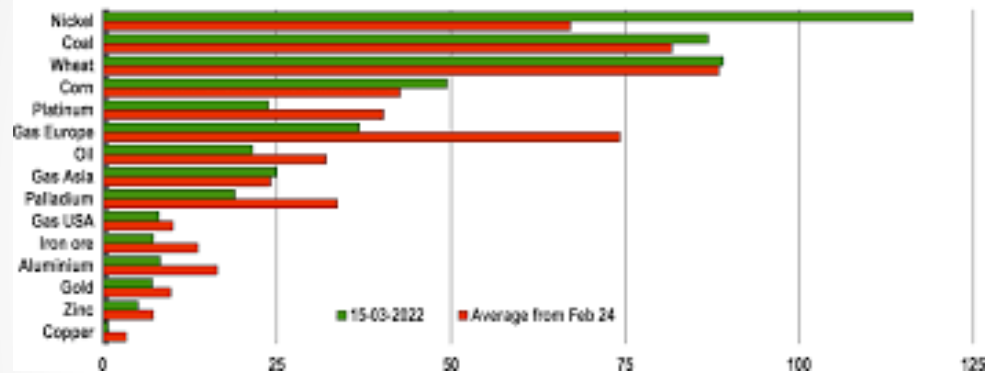
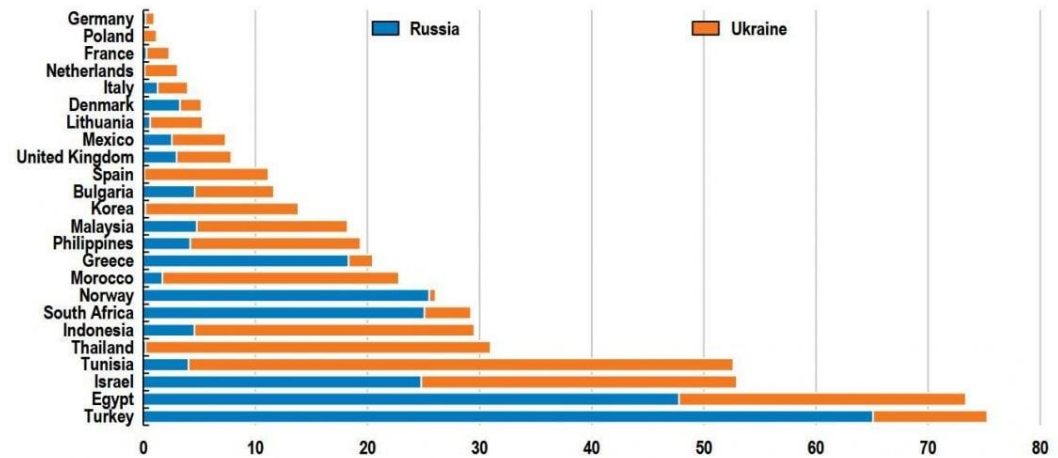# Effects of pandemic on global trade

- International tourism
- distancing and meeting places
- new habits (prudence, hygiene)
- higher costs for companies
- crisis in some sectors
- acceleration of some phenomena (digital shift) smart working / phigital
- ……………….

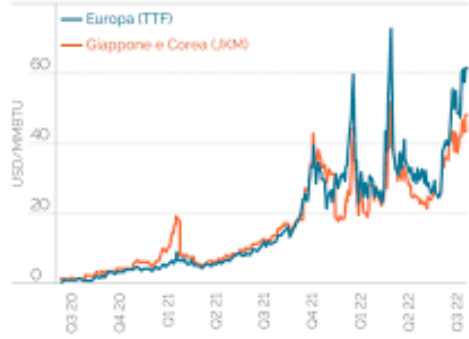# On which aspects do you think the russia.ucraina war is affecting global trade?
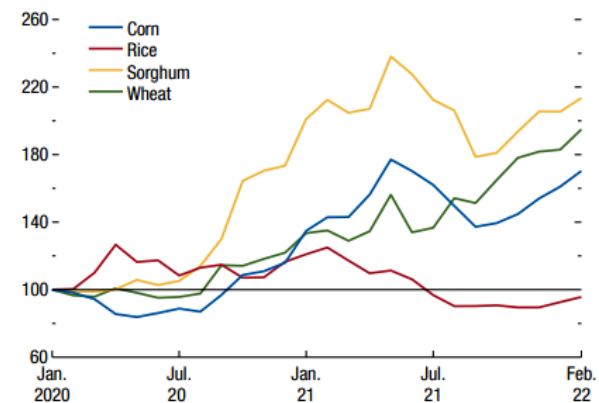
Market development and global geographic

- **A high-income economy** is typically advanced, developed, and industrialized country. Majority of people live in prosperity, living in this society are offered both abundance and a multiplicity of choices. Countries have a high command of infrastructure and knowledge-based business with a dominant service sector.

- **An upper-middle-income economy** is industrializing or developing country. Strong move towards the industrial sector and population movement towards the urban areas. Countries in this group are rapidly accelerating their economy and have rising wages and highly developed public sector institutions with a particular focus on education and rising literacy.

Market development and global geographic [cont...]

- **Lower-middle-income economies** are countries typically with low labor costs and an attractive infrastructure for Western companies, which often makes them a place for outsourcing or subsidiary locations focusing on standardized labor. However, very often lacking stable infrastructures or institutions and investment may be impeded by political developments.

- **Low-income economies** are those where basic supplies (food, health care, infrastructure, education, and so forth) are missing. Even most optimistic analyses accept that many low-income countries (LICs) will remain low for some time. When assessing the policy options available to LICs, it is important to take a long-term view. Key limitations to overcome are the infrastructure deficit, public debt, the role of the government, the size of the state, and taxation. For many companies, marketing their products to these target markets poses a particular challenge as traditional marketing instruments cannot be applied but need to be adjusted to consumers.

key indicators

- **GDP** is used as a measure of the value of a country's wealth and well-being.
- **The ratio between a country's public debt and its GDP is** an important indicator of its financial and economic solidity.

- GDP is a lagging indicator and represents the **total value of finished goods and services produced in a country**. Its calculation is periodic, usually on a quarterly or annual basis. The market's responses to changes in GDP may also depend on how its quarterly calculation compares to previous quarters and to economists' expectations for that current quarter. To determine the performance of a given country, economists compare the positive or negative growth of GDP.

OTHERS KEY INDICATORS

- INFLATION
- UNEMPLOYMENT
- INTEREST RATES
- PUBLIC DEBT
- CONSUMER PRICE INDEX
- PRODUCER PRICE INDEX
- INDUSTRIAL PRODUCTION
- MANUFACTURING ACTIVITY
- REAL ESTATE MARKET
- RETAIL SALES
- CUSTOMER TRUST

Gross National Happiness

- The term "gross national happiness" (**GNH**) was coined in 1972

- In recent years, a few rich-world leaders have pushed efforts to study whether a happiness statistic could prove useful: **measuring happiness could be questionable** as results may differ according to measurement approaches.

- In July 2011, the UN General Assembly passed a resolution inviting member countries to measure the happiness of their people and to use this to help guide their public policies.

- In April 2012, the first World Happiness Report was published. The index ranks countries' happiness based on six factors: **GDP per capita, healthy life expectancy, freedom, generosity, social assistance, and perception of corruption in government or business.**

The green economy

- The green economy is an economy that results in **reducing environmental risks and ecological scarcities**, and that aims for sustainable development without degrading the environment.

- The green economy seeks to optimize the synergy among three sets of values (triple P):
  - **social (people),**
  - **environmental (planet),**
  - **and financial (profit).**

- **Push for a green economy in industries such as** energy and utilities, construction, transportation, and manufacturing. Part of the green economy entails the adoption of "clean technologies".

- **Representative clean tech industries include wind power, solar energy, hydropower, and biofuels**. Today, South Korea and China are the major investors in clean technology, followed by the United States.

The green economy market size

- The global market for green goods and services is about the size of the global oil and gas industry in 2018, or approximately **USD 4 trillion**. The market is served by approximately **3,000** global, publicly traded companies, a number that has grown by 20% since 2009.

- Technology is considered one of the fastest growing sectors of the green economy, while energy management and efficiency is one of the largest and most diverse sectors, ranging from building insulation to cloud technology.

- Consumers are increasingly embracing natural and organic products, and often they are as concerned about what is not in the products they buy, especially food, as much as what is in it.

Green and Healthy Products
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Largest Companies in the Green Economy

Company	Percent of Market	Green activities
Microsoft	2.4	Cloud infrastructure and video conferencing
TSMC	2.4	High efficiency electronics
China Yangtze Power	1.4	Hydroelectric power generation
ABB	1.1	High efficiency power infrastructure and industrial automation
Amazon	1.1	Cloud infrastructure
Tesla	1.1	Electric Vehicles
Monsanto	1.0	High yielding and drought-resistant seeds
Waste Management	1.0	Waste management and recycling
Siemens	0.8	Renewable energy equipment, water treatment equipment, mobility solutions and high efficiency power infrastructure, industrial and building
NextEra Energy	0.7	Renewables and low carbon power generation
Honeywell	0.7	Automotive and building energy efficiency

Consumer segmentations vs green products and services

- TRUE BELIEVERS (passionate of staying fit and healthy)
- ENLIGHTED ENVIROMENTALISTS (passionate about the environment)

- STRAPPED SEEKERS (like to try new things and live a healthy lifestyle. could choose more)
- HEALTHY REALISTS
- INDIFFERENT TRADITIONALISTS
- STRUGGING SWITCHERS (resistent to change)

- Source : market research US

green economy

most companies practise CSR
a self-regulating business model that helps a company be socially accountable—to itself, its stakeholders, and the public.

UN goals

global movements of companies who wants to compete not IN but FOR the planet

international rating for companies .
used by financial investors to evaluate companies froma a sostainable point of view

Managerial Guidelines and Policy Implications for Improving the Profitability of Green Products

Activities	Explanation
Overcome apathy, convenience, and price elasticity	Emphasize the positive aspects of green consumerism
Provide more information	Consumers need to be educated about the firm's green offerings. Also authenticity is very important
Distinguish the benefit of product types	A company should position the product as more than *just* green that is the additional benefit should be mentioned.
Balance price and quality	Green products need to perform at least as good as other products if not better. Determining the price elasticity is paramount.
Public policy implications	Consumers find it difficult to be green. Therefore, incentives should be given to pursue a green lifestyle.

Source: Adapted from Gabler, C. B., Butler, T. D., and Adams, F. G. (2013). "The environmental belief-behavior gap: Exploring barriers to green consumerism." Journal of Customer Behavior, 12(2/3), pp. 159–176.