

Apple inc decided to enter thai market marketing essay



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The report is conducted to evaluate the decision of Apple to enter in Thailand market based on the analysis from various factors.

Apple Inc. decided to enter Thai market by adopted the indirect exporting by sale its products thru authorized dealers, for example, the main authorized in Thailand are Copperwired, Com7, and SPV. Based on this strategy, Apple gave the authorities to authorized dealers for doing their own marketing process under a contract of the annual target import of Apple's products, to their dealers, is set by the Apple Inc. Under this market entry strategy, Apple Inc. transfers the almost all of the risks in doing business to authorized dealers.

According to authorized dealers have to concern almost all of the risks, they are required to make the profit on their own. For instance, authorized dealers need to find the prime location e. g. in the big mall of Thailand, place where there's mass of people and target group to gain more potential sales.

Furthermore, authorized dealers have to recruit the employees by themselves but all employees are required to be trained thru the Apple's training programs prior to their works to guarantee the high quality of customer services of Apple along with Apple's business strategy. The price is set identically all over the globe, only a bit different due to the vat of each country.

Perceptions of Thai consumers, evaluate the social status of people based on their images, in conjunction with the image of Apple's products itself that looked high quality and luxury support and favor the penetration into Thai Market.

Various factors, impact the business of Apple in Thailand, are analyzed by using the analysis, computation, and interpretation. The CAPM is used to analyze the Apple's decision to doing the business in Thailand. The result is positive by comparing the CAPM of Apple's in Thailand market with the Thailand Treasury Bills; the CAPM of Apple's in Thailand is higher by 6.451%.

However, there's a small problem about intellectual property in Thailand. Fake good sold on internet is slightly growing (Ridder, 2004). But there's a legal protection that allows the Apple Inc. to sue if there's any imitation of its products.

Based on the result of this research, the Apple Inc. action to enter the Thailand market was a good decision that favored the company and made the substantial profit to the firm.

Table of Contents

Introduction 3

Literature Review 4

Methodology 6

Environmental Factors

½ Political Economy 7

½ Financial Considerations 9

½ Legal and Technical 11

½ Social and Ethical 12

½ Cultural 14

Internal Strategy, Structure, and Entry Strategy 15

HR and Leadership Issues 18

The Impact of Global Competition/Forces 19

Conclusion 22

Appendix 23

Bibliography 26

Group Workload Self-Assessment 30

Introduction

Apple Company (Apple Inc.) is a multinational corporation that established on 1976 in California by Steven Jobs and Stephen Wozniak. The Apple, Inc. was named in year 1977. The company's mission is to change the world by bringing computer to the masses (Freedman and Vohr, 1998). The slogan that Apple uses in its advertising campaign is "Think Different".

According to Apple's slogan, it makes Apple has a unique reputation in the consumers' point of view. The company's product categories are personal computing products, a variety of related software, peripherals, application software, mobile communication device, portable digital music,

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video players, services, networking solutions, third-party hardware and software products. The products and services are selling through iTunes stores, online, and retail stores. Apple has 301 retail stores in 10 countries (Apple Inc., 2009).

Apple, Inc. does not have subsidiary in Thailand. There are only authorized dealers. The management and marketing of Apple in Thailand is not based on Apple, Inc. Each authorized dealer manages their retail shops by themselves. There are number of authorized dealers with many iStudios in Thailand (Apple. com, 2010). The retail shops that called iStudio are located in many popular areas which are department stores, universities, and IT stores. Apple is one of the technological brands that is popular in Thailand.

This report will discuss about Apple in Thailand with the topic of literature review, methodology, environmental factor, internal strategy and structure, HR and leadership issues, and the impact of global competition and forces. Finally, the evaluation of decision to enter Thailand market of Apple will be exhibited.

Literature Review

Political Economy Aspect

From the article of Bangkok Post newspaper, (Subhanij, Ph. D 2001), current Thai political instability seemingly affects the overall economy in Thailand. However, Thailand's Political Instability Index is still far better than country from Africa and in Central and South Asia. From the studied, the growth of economy is driven by human and physical capital; technological innovation,

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foreign trade and investment that are directly or indirectly rely on political stability. Hence, the fiscal policy is not enough to push the growth of economy, the clearing of political is also pay the significance role in the growth of Thai economy.

Financial Aspect

From the journal *Entering into business or Joint Venture in Thailand- A Cultural Perspective* (Sheehan 1996), Thailand has steadily growth in GDP which mainly come from the agricultural sector. Later, the growths are from the export activities and the undertaking business of foreign companies that mostly are from western company.

Legal and Technical Aspect

According to Gomez-Arias and Montermoso (2007), the technology products have short product life cycle because technology changes quickly. The initial reference customer who is the first group of customers will be the source of revenue for the company that sells technological products. The strong initial reference customer can be the client organization because of the performance, competitive advantage, and vendor-client relationship. The factors for selecting first initial customer are size, industry, approach to innovation, and previous relationship. Moreover, the high technology products need the pre-launch activities for increase the product success rate. The product development and improvement are important after product has been launched. The initial reference customer can create market penetration and reduce business uncertainty.

Social and Culture Aspect

According to Foscht et al. (2008), the cultural different in a global market can impact the marketing strategy. The brand personality may not be experience by the way company want. The brand personality can be differ depend on the cultural background which is religion, language, values, and standards. The collectivism/individualism, masculinity/femininity, power distance, performance orientation are the cultural factors that the business should concern. For example, Thailand is the collectivism, which can affect the brand management directly because collectivist society has a narrow social network. Consumers will buy the products based on their social network. In Thailand, family opinion is very important in buying decision (Vallaster and Hasen? hrl, 2006).

Methodology

In this report, we are going to use the information from Latrobe library database to search for the articles and journals that relate to the project. Then, we will interpret all sources and analyze the possibility in each aspect, which are political economy, financial consideration, legal and technical, social and ethical, and cultural aspect. Later, formulation method will be applied by using CAPM model.

The interpretation method will summarize the study and research from the author that will place on literature review section. The summary will focus on the findings from the research that the author have done so far and all the result will be used to support the analyzing.

The analyzing method will be used on the following section. Our group will analyze the treats that Apple Inc. have faced when doing business in Thailand. There will be the support reference throughout the report. The support information will be use from various sources, such as, Internet, e-journal, and interview with the owner from one of Apple's authorized dealer in Thailand that can guarantee to reader that the information from analyzing are up to date.

Lastly, formulating method will be used. We will use CAPM model to calculate expect return rate in investing in Thailand. The CAPM model will lead to our final conclusion whether Apple Inc. make the right decision to invest in Thailand or not.

Throughout the process, we have followed what we have learned from the class to ensure that we move to the right direction. Also, we have put the in-text references and the work cited page to support our words. Moreover we include the appendixes to prove some argument that the reader may need in order to have clear understanding in our project.

Environmental Factors

Political Economy

Thailand political system is conducted within the framework of Constitutional Monarchy, which has the King as a chief of the state and Prime Minister as the head of the government of the country. However due to the 19 September 2006, Prime Minister Taksin Chinnawattra was revolted by the Thai military who claimed that Ex-Prime Minister Taksin would overthrow the

king system in Thailand. After the year 2006 until now, the conflict between 2 groups of people have been being appeared. First, the people who called themselves red shirt, Red shirt group are the group of poorer people and business people in Thailand who support Ex-Prime Minister Taksin. The other group is yellow shirt which is the group of middle level of people, Royals and King. Yellow shirt group support Mr. Abhisit Vejjajiva, the present Prime Minister of Thailand. On the yellow shirt side, they claim that Ex-prime minister Taksin and red shirt would overthrow the King and royal system down. On the other hand, red shirt group who claim on the protested that they want the justice for their ex-prime minster and also they want King and royals are under the constitution of Thailand. From these conflict, many of economic expert fear that Thailand may has another revolt again in the near future which can lead to lower the investment of foreign investors in Thailand.

As the result of Thailand where has well developed infrastructure, free-enterprise and generally pro-investment policy for the foreign investor, Thailand would be one of the best country for foreign investors to invest in Thailand with full cooperated from Thai government. Many investors may see that Thailand has potential ability to grow in the future. However, since Thailand got political problem, it cause lower in annual growth to 3% from 2005 to 2008 (CIA World, 2010). Although, in the year 2010, Thai government launched and promoted many activities to stimulate Thai economy to be better and try to convince foreign investors to trust in country's ability to grow in the future. For example, Central Bank of

Thailand reduced the discount rate from 7.25% in 2007 to 7.04% in 2008 to stimulate the lending rate in the banking system (CIA world, 2010).

Moreover, Thai economy was forecasted to expand at 3.3% per year or in the range of 2.5 - 4.1% due to the expansion of fiscal policy from 2009, particularly from the program of *Strong Thailand 2012* (Thailand Business News, 2009). Also, the public consumption growth was forecasted to increase 4.8% per year. While GDP in 2010 was forecasted to increase around 3.7 - 4.6%, due to the program of *Strong Thailand 2012*, private investment was forecasted to increase to 6.6%. Meanwhile, the rate of import of goods and services was expected to increase between 10.6 - 14.2%. For inflation in 2010 was expected to increase to 2.5% due to the global oil and agricultural price increase from the recovery of global crisis. Lastly, unemployment rate was expected to reduce to 1.3% of the total labor force (Thailand Business News, 2009).

However, if Thailand changes the government then the policy of nation would change as well. As a result, the policy of all sections will be changed and that will finally effect to the Apple Inc. For instance, if the new policy is set to lower number of imported technology's products, then Apple would get the thread of this situation.

Financial Considerations

Apple Inc. does not have their branches in Thailand, as a result, they need to use authorized dealers which are the local company in Thailand e. g.

Copperwired, Com7, SPV, and etc. All of the authorized dealers are the one who sign the contracts with Apple Inc. to be the legal authorized dealer for <https://assignbuster.com/apple-inc-decided-to-enter-thai-market-marketing-essay/>

company. The target of import of the authorized dealers is set by the Apple Inc. every year. Authorized dealers have to open their own shop in the prime location in Thailand for example Siam Paragon, Central World. The reason why the authorized dealers need to open in the prime location is the price of the Apple products are a bit expensive so they need to select the places with most of the people can afford to buy the Apple's product.

Moreover, every authorized dealers need to do the advertising by themselves to competing with other authorized dealers in the market. For the product price, all the products of Apple Inc. are using the same price around the world so when Apple Inc. need to distribute their products to Thailand by using local authorized dealers, they do not have to consider much in exchange rate risk that translate from Thai Baht to US Dollar. As the result of exchange rate risk is transferred to the local authorized dealers, thus, local authorized dealers have to concern this risk by themselves.

There is only one point that Apple Inc. needs to consider for expansion their products to Thailand which is purchasing power of Thai's consumers.

Thailand is a developing country which most of people in the rural area of the country are working in the farm. The products of the country are agriculture goods that export to global e. g. rice, rubbers. However, most teenagers and people in the age around 25-35 year old tends to follow all the new technology in the market which Apple products are one of the latest products in the market with the luxury and modern design which capable to make Thai teenagers feel up to date when using the products.

However, according to the research, it shows that average income of Thai consumers per year would be 4,400 US Dollars (Rose, 2010). From the research, if Apple Inc. requires performing the direct exportation, the company needs to consider for export to Thailand due to many people has low income and low in standard of living than the people in the United State of America.

The Capital Asset Pricing Model (CAPM) is used to evaluate how interesting of Thai market for Apple Inc. to invest:

- Risk-free of Market = 2.4%
- Beta of electronic industry = 0.89
- Total risk premium = 6.9%

Sources: ThaiBMA. or. th (2010), Damodaran (2010) and Tao (2010), See Appendix 1

CAPM: $R_i = R_f + [\beta \times (R_m - R_f)]$

= 2.4% + [0.89 x (6.9%)]

= 8.541%

According to the calculation above, the CAPM is 8.541%. Comparing with Thailand Treasury bills (365 days) in 2010 is only 2.02%. As such, the CAPM is greater than the Thailand Treasury bills 8.541% > 2.02%. Therefore, the Thai market is interested for Apple Inc. to invest their money to make the profit.

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Legal and Technical

Thailand legal system is based on the civil law. Discovery of procedures is not the part of the system. Prescription period is based on the nature of identification which can cause in one month to ten years (Tilleke, 2002).

For the case of violation on intellectual property right in Asia, many of the foreign company or investors reluctant to investing in the countries where lack or low in the standard of protection of property right because they afraid of their product invention that used lots of resource and capital in research would be imitated from other competitors. However, Thailand has the standard of mark legal system for registration, Thailand is currently used to trade mark legal system in Trademark Act B. E. (A. D. 1991) as got improved by Trademark Act (No. 2) B. E. 2543 (A. D. 2000) which effective in 30 June 2000. The Trademark Act has provided good and service into groups which are Trademark, Service mark and Registered user.

The legal about intellectual property in Thailand aims to protect the owners who created the product from their ideas. The owners of the intellectual property have the right to file or sue the person or organization who imitates their ideas or products within three years of the date that the owners aware of the imitation but not more than ten years (Tilleke, 2002).

For the penalty of the copy of the products or ideas, the person who imitated the products or ideas without the permission from the owner or copyright from the organizations need to be fined up to THB 200, 000 or around 7, 000 AUS dollars. For the commercial imitation might has to pay higher in THB

800, 000 or around 27, 000 AUS Dollars or imprisonment up to 4 years or both (Tilleke, 2002).

Based on the research, there's less risk to the Apple Inc. regarding the legal and technical factor of Thailand. Only, a potential problem, imitation or violate the intellectual property that would consider to be less risk as there's a legal system that allow the Apple Inc. to sue if there's any imitation exists.

Social and Ethical

For social system in Thailand, Buddhism is the major religion of the country. As a result, most of Thai's habits are concerned with the Buddhism. From the birth until the death, everything is about the Buddhism which can make Thai people tends to be soft and have a good habit among themselves and also with foreigners. Thailand got the good name as 'Land of Smile' because Thai people always smile to the foreigner tourists. They like to help and guide about the culture, food or even invite the foreigners to visiting their own houses. As the result, many of foreigner tourists like to travel to Thailand because Thai people are very kind to them and they can find the happiest day in Thailand. Furthermore, about the ethical of Thai people, people tend to believe in deed of their action or words that they said. In addition, Buddhism teaches about the after death path or the consequence of the previous actions will determine the present, thus, Thai people tend to follow it strictly. From the result, Thai people tend to be calm, soft and gentle to each other (Mahidol, 2002).

However, world is changed all the time same as Thai culture. As the result of increasing in the float of foreign culture and value in Thailand, most of Thai people especially teenagers tend to forget about Thai culture and receive more in foreign culture. For example, they are currently receiving Japanese and Korean style. Most of the teenagers in Thailand value other people in the ways of their looks e. g. their dresses and how luxury of the product that they have. They believe that the more expensive of that product, the more value and good looking to them. As such, Thai teenagers tend to buy the products which capable to make them looking good to other views. Apple's products are one of their famous choices to spend their money with because all of Apple's products are looked luxury for them.

However, due to the price of Apple's products are very expensive and the advance in the technology of Apple's products, some of Thai teenagers may not be able to buy because of lacking on the money or lacking in the skill of new technology because Thailand is just the developing country and most of the people are poor. From these, Apple Inc. should focusing more in Thai people in the age of 24-35 years old as they are in the age of working in many kinds of works. They have enough money or capability to buy the luxury products for themselves and they tend to buy it because they believe that luxury products will made them look professional and get accepted from other people. Thai people evaluate others from their jobs and how much money do they have. As such, it is appeared to be the good opportunity for Apple's products to penetrate in Thai market because of Thai consumers tend to following foreign products and they love to buy luxury products to make them acquire the acceptance from society.

About the ethical part, as Buddhism is the major religion in Thailand therefore most of Thai people are very kind, feel sympathize with other things easily and also tend to oppose to everything that disagree with their belief or oppose with bad criminal for them. As Thailand is the developing country, many parts of the country are under developed from the government and people are suffering from the poor. As such, it may be the good chance for Apple Inc. or even other companies to win the Thai people mind by using charities from the sale volume in the company to create positive reputation to the firm which can create long-term profit for the company.

Cultural

As the result of Thailand is a developing country, most of people in Thailand are uneducated and poor (CIA World, 2010). There are some Thai people believe that the more luxury and expensive that they buy, the more rich that they are looked by other points of view. They tend to buy the luxury products to gain acceptance from other people because the new generation of society in Thailand is evaluating people from their image not their mind.

Thai people tend to justify other people from their dress or their car, for example, most of Thai people believe that people who drive Mercedes Benz are rich people. Moreover, most of Thai people believe that most products that come from the foreign countries are providing the better quality than domestic products (Kesornbua, 2010). As such, they tend to buy for themselves even the price of the products are expensive than other domestic products.

This evidence reveals that Thai market is the good choice for Apple Inc. to expand the penetration in the future. According to the culture of Thai consumers who tend to follow the foreign trend and believe that foreign products have better quality than Thai's products, Apple's products are surely gain advantage from this culture and perception of Thai people by their innovation and modern style of its products.

Internal Strategy, Structure, and Entry Strategy

Apple's Internal Strategy

The Apple Inc. aims to enlarge the limits of human potential through its innovative and modern designed products and services. The company is committed to provide the best electronic products e. g. personal computer, mobile communication devices and portable multimedia player to the consumers with the ease-of-use, innovative design and seamless integration (Apple Inc. Annual Report, 2009). The following strategies of the Apple Inc. are employed thru its companies, subsidiaries, and even the authorized dealer all over the globe.

The company's strategy is the integration of both its hardware and software products to serve its customer's needs (Inside CRM Editors, 2008). Their hardware products are MacBook, Mac Desktop Computer, iPod, iPhone, iPad, Apple TV and other peripheral products. On the other hand, the company also offers its own software products including the operating system software i.e. Mac OS X, application software i.e. iLife, iWork, iTunes and also internet software i.e. Safari, QuickTime. The complete solutions strategy of company allows its variety of hardware and software

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products to complement and complete each other (Inside CRM Editors, 2008). The strategy enhances the customer loyalty by the control entire user processes, from hardware to software. Thus, the existed consumers are retained.

Another significant strategy of the company is the innovation strategy. The company continually invests in various research and development programs as it is considered to be a critical factor to the enhancement and improvement of innovative products and technologies (Apple Inc. Annual Report, 2009). The effective research and development programs of the company enhance the quality of its innovative products. The company consistently comes out with the new products which attract the existed and future consumers and also serve more customer satisfaction. In addition to its research and development programs, the company also offers the developer programs to support the development of third-party products that complement the Apple's products (Apple Inc. Annual Report, 2009).

The company's strategy also includes the improvement on customer relations. With high level of buying experience of its customers that provided by the high skilled and knowledgeable salespersons who can deliver the value of its products and services to customers, the company believes that the sale will be enhanced (Apple Inc. Annual Report, 2009). The strategy to directly and effectively reach the targeted customers and provides them a quality sale and after sale services plays an important role to attract the new customers and retain the existed the customers. Direct contact with the targeted customers is the efficient strategy to exhibit the strong point of its products over its competitors (Apple Inc. Annual Report, 2009). The company

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also initiates and invests in Apple Sales Consultant & Training Program and Apple Premium reseller Program (Apple. com, 2010). These programs aim to enhance the sales of the Apple's products thru the distribution channel of the company e. g. Apple's shops, retailers, resellers, and authorized dealers by train, develop and ensure the high quality of customer service and product expertise.

Regarding these main strategies of the Apple Inc., Apple sales in Thailand has been being influenced. The major strategies, directly stimulating the sales in Thailand, are the innovation strategy and the improvement on customer relations of the company. The continual Apple's innovation, for example iPhone, continually attracts both existed and potential customers to pursue its new product and resulting in a gradually increasing in sales trend in Thailand and in global as evidences in Appendix 2 and 3.

In addition, according to the innovation and customer relations strategies, Apple Inc. keep its customers satisfied what they want from the Apple's products as such the sales are increased. For instance, 89 percent of the iPhone's owners revealed that they were satisfied with iPhone and also the after sale services which result as they would consider purchasing the next model of iPhone (Andrews, 2010).

Furthermore, Wise (2010) argued that 77 percent of pre-order of Apple's products went to the existing customers. The evidence shows that the strategy of integration of its hardware and software products, help in influencing the customer royalty, reflects the rise of Apple's revenue.

Apple's Structure

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According to the organizational chart of Apple Inc. (see Appendix 4), the company's structure is a hybrid structure that combines geographical structure and worldwide matrix structure (AllExperts. com, 2008). By mixing the geographic elements with product and functional units, this structure supports the strategies to both local and global area. For instance, under the same Chief Operating Officer, subordinates are separated geographically i. e. America & Asia Regions and Europe Middle-East Africa and India, and functionally i. e. Online Store, AppleCare, Education and Global Outsourcing. The geographic structure of operating function works effectively as regional managers are familiar with the cultural environment, business transactions and government regulations (Deresky, 2008). Meanwhile, the functional structure provides the integration in foreign operations which are similarly across borders such as AppleCare and Online Store. This hybrid structure provides the great flexibility to the company.

Apple's Entry Strategy

Apple Inc. distributes and sells its products in Thailand thru its Thai authorized dealers. As such, the company's mode of entering in Thailand is considered as Indirect Exporting. This entry strategy of the company serves the low cost to the company to sell its products in Thailand's market. Indirect exporting requires less investment but also causes a loss over the control of marketing (Pierobon. org, n. d.). However, with the customer satisfaction that provided by an innovation of Apple's products and high-quality service of the authorized dealers, the significant profit still be made to the firm.

Moreover, there is an alternative way for customer to purchasing the Apple's products which is to buy products thru Apple's Online Store. Thai and including other nation's customers can access to their Apple's Online Store which the price of products are quoted in local currency. This online store provides the convenient to the customers all over the globe by ordering online and delivering its products to the customer's home.

HR and Leadership Issues

Apple Inc. does not have the subsidiary in Thailand. They have only authorized dealers which are not under the control of Apple Inc. Therefore, the human resource and leadership of Apple in Thailand is based on each dealer. Most Apple's authorized dealers hire local employees to work for a company. The human resource functions of Apple's authorized dealers are recruitment and selection, training and development, and compensation management.

The working environment of Apple's authorized dealer in Thailand is flexible because the employees are not required to wear uniform. According to Miles and Snow's strategy typology, the organization design of Apple in Thailand is flexible and fluid which related to the prospector strategy that is to innovate, take risks, seek out new opportunities, and grow (Daft, 2007).

For the recruitment and selection, Apple's authorized dealers will select sales representatives and technicians who have fluent in English communication skill. From interview, the minimum wage per month for sales representatives is about 330 Australian dollars and a commission. Actually, the sales representatives and technicians of Apple's authorized dealer <https://assignbuster.com/apple-inc-decided-to-enter-thai-market-marketing-essay/>

have low English communication skill because the low salaries cannot attract the high educational workers to apply for a job. Hence, it is the cause of job dissatisfaction because of the pay and benefits factor (De cieri et al., 2008).

Apple's authorized dealer in Thailand also provided training program for employees every month to improve employees' skill and quality of service. The needed of training key skills are customer service and retention, problem solving capabilities, maintaining customer satisfaction, and effective use of technology (New developments in customer service training, 1997).

The Impact of Global Competition/Forces

Globalization has increased the level of competition due to decentralization and deregulation and the increase of multinational competitors. This report will look particularly in the results which have occurred by global competition. In addition several factors also force strategies and tactics of the company. Such a global company, Apple also faces these issues. In recent year, Apple has expanded its market to other regions, including Thailand, the country which has different environment from the US.

Therefore, this section will demonstrate those effects which have influenced the company (it