Alignment and Market Expansion by Using Psychic Distance: Recommendation for Thai Small Business to Export

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Abstract

The major practice of export development in Thai marketing begins with the product adaptation and development. Therefore, the local and small business tends to have less or no concern for exporting. Also, the global and mass marketing are the great barriers to the Thai small businesses to export oversea, for example, requirement of huge investment and cost. This article will introduce the approach to international marketing strategy for the Thai small businesses. It links the notion of alignment and market expansion by using psychic distance. The article will show how the Thai small business serves the global needs with the existing or little adapted products for its origin. Finally, it will explore possible future growth and potential problems of the global market change.

บทคัดย่อ

การพัฒนาการส่งออกทางการตลาดของไทยส่วนใหญ่จะเริ่มต้นด้วยการปรับเปลี่ยนและการพัฒนาผลิตภัณฑ์เป็นหลัก ดังนั้นธุรกิจท้องถิ่นและธุรกิจขนาดย่อมจึงมักขาดความสามารถที่จะส่งออก ถึงแม้การตลาดระดับโลกและการตลาดแบบรวมก็เป็นอยู่ในไทยอย่างมากต่อธุรกิจขนาดเล็กในไทยที่จะส่งออก เช่น ความจำเป็นที่ต้องลงทุนและตนทุนจำนวนมาก บทความนี้จะแนะนำวิธีในการใช้กลยุทธ์การตลาดระหว่างประเทศสำหรับธุรกิจขนาดย่อมในประเทศไทยโดยใช้ความคิดของการปรับเปลี่ยนและการขยายตลาดโดยใช้ระยะทางทางจิตวิทยา โดยบทความนี้จะนำเสนอว่าธุรกิจขนาดเล็กในไทยควรจะมีกลยุทธ์การส่งเสริมการสินค้าในระดับโลเก โดยการนำเสนอผลการศึกษาที่มีอยู่หรือปรับเปลี่ยนแต่ยังไม่ได้รับการส่งเสริมเพื่อส่งออก และรวมท้ายสุดของบทความจะศึกษาความเจริญเติบโตและปัญหาที่ยังคงคงที่อาจเกิดขึ้นได้จากการเปลี่ยนแปลงของการตลาดระดับโลก

Small Business and Its Strategies

The notion of global market and standardized marketing has been popular in the academic and business for decades. However, many businesses, for example, small businesses cannot serve the global market and standardized marketing according to micro-level problems as the resource constraints, for example, lack of finance, lack of some talent, and lack of capital (Bhide, 1996) and macro-level problems (often in Asia) as ineffective market input, strong but inappropriate role of national governments, inadequate human and financial resources and skills, lack of appreciation for intangibles and an underdog mentality (Boulton & Turner, 2005).
Export therefore is rare anticipation for small businesses, particularly the one where it is located in rural areas. There are many small business would like to go to the international markets; however, as they have been obstructed by the international trade barriers from the size and local characteristics of product and national identities. Regarding the constraints of small businesses (Dollinger, 1999), the most problems have been found within is the generally cost-based. Many small businesses have potential though they are not going to the international trade with the potential and explicit costs, for example, product development cost, branding cost. However, if looking at the business strategy, it does not mean that the small business must have everything perfect before going international, particularly cost for product adaptation. The point of going to international business is to maximize profit. Don’t let the size and localities be the barriers.

Strategically, small businesses grow bigger by using various factors not associate with the cost based but relationship. Furthermore, underpinning of the successful of small businesses stems from the niche market and focus strategy (Walker, Mullins, & Larréché, 2006). The small business often pick these as strategies in competition rather than cost-based and they do well because the niche and focus strategy serve the value based market segmentation. They both accommodate the customer focused, unique needs and are adaptable to the environmental context (McDonald & Dunbar, 2004). In addition, the niche and focus strategy determine the positioning and avoid the intense competition from the big competitors according to cost leadership and mass market competition games (Linneman & Stanton, 1991).

**Small Business Using Psychic Distance**

A literature addressed the importance of psychic distance as one of the great weapon to small businesses for international marketing or export since there is costless method to export and many use this at the beginning stage of export development (Stöttinge & Schlegelmilch, 1998). Therefore, the small businesses using psychic distance is then similar to the entrepreneurs in this matter as they apply the social entrepreneurial mind in the first entrepreneurial process: to identify, evaluate opportunity and taking risk by using the similar context of business (Dollinger, 1999). The major attributes of cost in export is perhaps the minor consideration.

Nordström and Vahlne (1994) defined psychic distance as factor preventing or disturbing firm's learning about and understanding a foreign environment. O’Grady and Lane (1996) explained that psychic distance can be used a tool a firm reduce degree of uncertainty about a foreign market resulting from cultural differences and other business difficulties that present barriers to learning about the market and operating there. Even though measurement of using psychic distance is difficult by cultural and perceptual evaluation (Evans, Treadgold & Mavondo, 2000) and it is not evidently proven by the quantitative, but qualitative method (Ojala & Tyrläinen, 2009); it still has impacts on micro and macro level of export business. In addition, Scholars (Conway & Swift, 2000) agreed that business using psychic distance tends to create the long-term and value-based relationship which will develop the personal power application, for example, approachable information, informal mutual support in the future.

Psychic distance still benefits the small businesses in term of management as well as marketing. It is believed that psychic distance is the tool that exporting business prefers to initiate business internationally at the first time. The business, particularly small business tend to reduce risk and international barriers by targeting similar values for the purposes of management and marketing. The study (Klein & Roth, 1990) showed that psychic distance benefits the export in 5 differently rated aspects as 1) language of the country 2) accepted business practice 3) economic environment 4) legal system and 5) communication infrastructure. However,
since it is the psychological and cognitive-based, it is quite perceptive to the standard test.

The study of external business environment also showed that though the psychic distance last but it can change due to the perception of cultural closeness and value. Since perception is an interpretation of data, and is, therefore, highly subjective in terms of an individual’s personal experiences and value systems, it can be changed by timing (Swift, 1999). In addition, cultural affinity, trust and experience are influencing the psychic distance in different levels as individual, organization and national levels (Hallen & Wiedershein-Paul, 1984). The psychic distance will have same quality in every level and majorly the national level influences most in psychic distance; since it has vast impact in the way people shape their thinking and cognitive processing (Swift, 1999). Furthermore, certain imperatives, for instance, organizational structure, political power in organization terminates the employment of psychic distance even the exporting business finds opportunity in using psychic distance (Klein & Roth, 1990).

Thai Export and the Use of Psychic Distance

Thai business people use psychic distance as other businesspeople in South East Asian. Thai businesspeople use psychic distance in export since the beginning of international marketing stage until they create relationship with the oversea market in the last stage. The study (Racela, Chaikittisilpa, & Thourmungroje, 2007) showed that the market orientation of major Thai exporters develop from cultural perspective (the similarity of cultural closeness) & value relationship-based business. Thai businesspeople feel safer to go to the similar international market where they assume similar risks with Thailand, for example, language, consumer behavior, culture. They believed that similar culture and minimum distance can confirm their safety and process, for example, buying and selling (Law, Helo, Kanchana & Phusavat, 2009).

Regarding the international business context in Thailand, Thai values and cultures are cores of doing business oversea. Perhaps the major reason was that the Thai businesspeople begin the business with entrepreneurial mind. They began taking risks based on similarity and understanding, not scientific or probability methodologies. Therefore, they develop their international marketing by using social network based on relationship and quickly adapt to the focused markets of the low-psychic distance, such as similar purchasing power and culture. Their successes shared the same attributes of the common entrepreneurs as supporting and aligning initiatives regarding the SWOT analysis (Digman, 2003). In general, Thai small export businesses have maintained psychic distance along the process of buying and selling even in the customer relationship period to keep the sustainable competitive advantage (Peng, 2009).

Though there are common problems of psychic distance for Thai small business exporters as they maintain the same world view or assumed similarity and apply stereotype to some targeted prospects. The cases of failures are selling game, animation, and OTOP to Japan. Use psychic distance without research and development would result in failures of the products that have opportunity to growth in some similar extent of Asian psychic distance (Wongkampoo, 2009). Another problem is the dated assumption hold and stereotype of China for Thai small business exporters, many Thai businesspeople keep the stereotype of China and assume that the entire country has the same cultures, even there are about 55 recognized minorities in the country. This resulted in the failure in export in some provinces that the Thais use wrong psychic distance.

In order to succeed in the market, Thai small business exporters should have more information and update their psychic distance along the time and context changed. There will be less mass market with similar identities and segments for consumer products like in the past. People in different parts of the world develop
their own psychic distance by their internal and external environments and values change in the shorter time. The conclusion is that Thai people should pay attention more into the research in the customer needs and demands study rather than focusing on the mass production based on the belief of selling with the targeted of similar psychic distance. In general, the psychic distance is useful and beneficial to small export beginners and recommended to use with exploratory research for the better (Kurtz, 2008).

Four Major Shifts in Thai Small Export Competitive Environment

Business growth depends on its environment that provides ‘strategic fit’ or to have both fit tangible for example financial and physical and intangible for example technology, human resource, reputation, and culture (Peng, 2009). In studying the use of psychic distance in Thai small export, there are 4 major shifts to determine for the competitive strategy as below:

1. Global Opportunities in the Niche Markets

Globalization makes world similar to some extent but actually opens the door for the communication with the niche market in global. Opportunities for the niche markets in global can be regions, subcultures, and groups. The ‘me-too’ products cannot sustain the market at the moment, even in China (Williamson, 2005). Customers try to find the mixture of the culture they like and can respond to their new individual needs, for example, trying Thai Styled Chinese Food or the Fusion. Besides, the cultural diversity acceptance is opening niche market and increase the new choice of global buying.

2. Global Approachable and Personalized Communication

Increase in media and channel of communication and presentation give more opportunities for the Thai small businesses in exporting. There are numbers of social media that can publicize and socially network with lower cost, personalized, and timeless to the needs for the group of similar interest. Thai psychic distance can respond here to the global approachable and personalized communication as on-line society, for example, Facebook, Hi5, YouTube. To this type of media, it can find and link the similar psychic distance people who prefer and seek for Thai valued products. In addition to buying Thai products, the consumers feel participative, enjoyable, and impressive and at the same time the Thai buyers can understand and reach their targeted all over the world within a short period of time. Numbers of Thai values can show here from movie clips and songs.

3. Global Growth in Numbers of the Middle Class and Appreciative Demand

A new trend of population growth is an increase in middle class, today. Numbers of country show that they have more quantities of middle class and societal hierarchy. More middle class come to the labor market and they learn fast with the new ways of working and less traditional working style. Generally, the middle class has more varieties of buying for both survival consumption and non-essential consumption, for example, food, education, change, new taste and oversea trips. To the demand of the middle class, some difference shows that they are demanding change and fulfilling their higher needs. To this Thai psychic distance can fulfill their needs with the similar needs but inspire much appreciative demands. Firstly, the consumers may enjoy similar psychic distance and later on they feel impressed with the appreciative demand that Thai values offer, for example, new experience of personalized and delicate service, spiritual
and Asian arts. The products for the middle class can be Thai trips, experience of photographing.


Opening the market in China, Asian markets and the liberalization are opportunities to connect the big market whose possess similar identities and customers take less time to learn and use straight selling. The specific groups of the new markets that link Thai psychic distance may not need either promotion or product adaptation. They do not need even peripheral route to persuasion to buy. In addition, the benefit of local and regional trade reduces tariffs and can increase the export of Thailand, for example, ASEAN.

Recommended Strategic Responses to Four Major Shifts in Thai Small Exporters

1. Renewed Focused and Niche Market on Products and Services

The general idea of psychic distance needs more exploratory research for the targeted group of buying. To open center for product development specified by the psychographic is the recommendation for focusing strategies and niche market, rather than developing product with no idea or product adaptation and promotion with unclear goals. A focused lower-cost strategy is recommended for the advantages as low cost for targeted groups, mostly intangible costs as starting-up cost, promotion cost, and some training costs. Furthermore, innovating in creative economy supported by the Thai government will also help adding values to Thai products and services, for example, Thai foods and souvenirs.

2. A New Channel Distribution and Market Development

The channel of distribution and market development appear in number of ways. The direct and person-to-person channel of distribution increase and the development of micro trend product in the past to the macro trend product in the future; therefore, the quick respond strategy can be created. In addition, decision making process of family SMEs in the context of internationalization accelerates the speed from the being informal, unstructured and founder centered (Tsang, 2001). Some social networks can also help penetration and developing new market and building the relationship to customers. Others possible strategies for second mover advantages added here can be strategies for challengers, vacant-niche strategy, specialist strategy, and distinctive-image strategy.

3. Aligning and Collaborating the Strategic Alliance from Regional Growth

Regarding the development in the region and regional growth, there are possible that Thailand can take advantage as being in the strategic location where it connects to the resourceful countries, in both tangible, the use of energy from Lao and intangible countries, for example, the use of great financial knowledge from Singapore. There is collaboration that can help Thai as being offered the regional as South East Asian Tour for the Europeans. The Alignment for the Benchmarking would be the best if it uses under the condition to substitute of the ‘missing’ and “win-win” strategies. In addition, the alliance will reduce the tariffs and allow more customers to use psychic distance.
References


