

Market Integration In Contemporary World

By : TEAM 2

Objectives

- To understand the concept of market integration and its relevance in today's globalized economy.
- To trace the historical development of market integration.
- To identify the key characteristics and degrees of market integration.
- To explore the three main types of market integration with real-world examples.

Introduction

Market integration refers to the process where separate markets for goods, services, or factors of production become interconnected and operate as a unified market. This allows for the efficient flow of products, capital, and information, leading to better prices and improved access to goods for consumers.

History of Global Market Integration

Early Beginnings (19th Century)

- Global market integration started as early as the 19th century.
- This was made possible by the development of **new technology**, like the **steam engine, railroads, and ports**.
- These inventions **made transportation faster and easier**, helping goods and people move across countries quickly.

First Peak of Integration (Year 1913)

- The first peak of global market integration happened in 1913, a time **when markets were open and free**.
- Countries **traded freely without many rules or restrictions**.
- This allowed businesses to grow and connect globally.

Decline in Integration (Next 60 Years)

- After 1913, integration declined for about 60 years.

REASONS:

- The world went through the Great Depression in the 1930s.
- Countries became afraid to trust and join international financial markets again.
- There were wars and economic problems, so many nations focused on themselves instead of global trade.

History of Global Market Integration

Rise After World War II

- After the Second World War, global market integration started to rise again.
- In US, Big American companies like Avis Car Rental and Sheraton Hotels began expanding to other countries.
- These companies used new tools like the international telegraph to communicate across the world.

Spread to Japan and Europe

- After the US led the way, Japan and European countries also started expanding globally.
- More companies joined the international market, helping the world economy become more connected.

History of Global Market Integration

Big Company Examples

Avis Car Rental

A car rental company based in New Jersey, USA. It's part of the Avis Budget Group, along with Budget Rent a Car, Budget Truck Rental, and Zipcar. Operates in South Africa, North and South America, India, Australia, and New Zealand.



Sheraton Hotels and Resorts

A hotel chain owned by Marriott International. As of 2020, it had 446 hotels with 155,617 rooms around the world. Locations include Asia, Europe, the Middle East, Africa, and the Caribbean.



History of Global Market Integration

2 Key Historical Revolutions

Agricultural Revolution

This was the time when humans started farming and domesticating animals, moving away from hunting and gathering. It allowed people to settle in one place and create communities. This was the first step toward building economies and eventually markets.

Industrial Revolution

This was a major change from hand-made goods to machine-made goods. People used new machines, factories, and power sources to produce items faster. It helped countries become more productive and opened the door for global trading and integration.

Global Market Integration

Definiton

Global market integration refers to the increasing interconnectedness of economies worldwide through trade, investment, technology, and finance. It also allows countries to access broader markets encourages competition, and promotes economic growth.

Example

A clothing brand in the Philippines buys fabric from China, designs the clothes locally and sells them online to customers in the U.S. and Europe. This shows how countries work together through trade and business -that's global market integration.

Degree Of Integration

Market integration has reached a relatively **high degree**, especially due to **globalization, technology, and international cooperation**.

1. High Level of Trade Integration

- Countries trade goods and services across borders at massive volumes.

2. Financial Market Integration

- Capital flows easily across countries. Investors can buy stocks, bonds, or real estate in other countries with just a click.

Degree of Integration

3. Digital and Technological Impact

- Technology plays a huge role. Online platforms allow businesses to sell globally. Digital currencies, payment systems, and e-commerce platforms (like Amazon, Gcash, etc.)

4. Ownership Integration

- This occurs when all the decisions and assets of a firm are completely assumed by another firm.

5. Contract Integration

- This involves an agreement between two firms on certain decisions.

3 Basic Types of Market Integration

1. Horizontal Integration

- When companies or markets at the **same level** of the supply chain merge or work together.
- Helps companies grow in size and revenue, expand into new markets, diversify product offerings, and reduce competition.

Example:



Example:

IN THE PHILIPPINES



Three primary forms of Horizontal Integration

Mergers

- The joining of two similar sizes, independent companies to make one joint entity.

Acquisitions

- The purchase of another company.

Internal Expansions

- A strategy business use to grow organically, focusing on enhancing existing operations, products, and markets.

- The **benefits** are an increase in market share, reduced competition, and increases in other synergies.
- There are **disadvantages**, such as anti-trust issues and legalities, a reduction in flexibility, and destroying value rather than creating it.

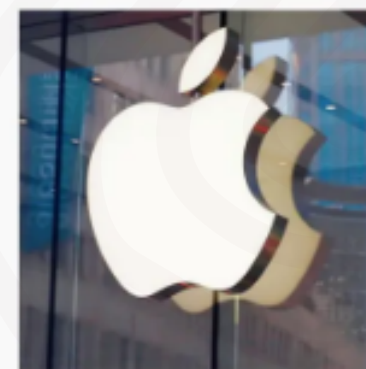
3 Basic Types of Market Integration

2. Vertical Integration

- It is a business arrangement in which company controls different stages along the supply chain.
- Relying on external suppliers, company strives to bring processes in-house to have better control over the production process.

Example:

- Apple product
- McDonald's, Jollibee
- Amazon



- Vertical Integration can be difficult to capitalize on it's costly, complex and not easily undone.

When well executed, it can confer a number of advantages

- Greater control
- reduced cost
- Increased profitability
- Better product or Service quality
- Increased customer & Market insights

3 Basic Types of Market Integration

3. Conglomerate Integration

- Type of **multi-industry company** that consists of several different and unrelated business entities that operate in various industries under one corporate group.
- The formation of a conglomerate enables them to stay afloat
- Increase profitability by being able to lean on the combine efforts
- Resources of multiple companies

Example:

- Ayala Corporation, San Miguel Corporation, SM investments, BDO, PLDT, Aboitiz, Jollibee, etc.

Example:



- Conglomeration allows a company to diversify its revenue stream, reduce its market risk, and the possibility of a takeover.

Despite its rarity, conglomerate mergers have several advantages:

- Diversification
- Expanded customer base
- Increased efficiency

Summary

Market integration is the process of connecting different markets so they function as one. It began in the 1800s, peaked in 1913, declined for a time, and then grew again after World War II with the help of technology, trade, and global cooperation.

Today, countries trade more than ever, money moves easily across borders, and digital platforms help businesses reach customers around the world. Companies also integrate by taking ownership of others or forming agreements to work together.

The three main types of market integration are Horizontal, where similar businesses join together, Vertical, where a company controls different steps of production, and Conglomeration, where a company expands into different industries. This process supports global growth and brings countries closer through economic cooperation.

Thank You!!

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