

# 4

## Social and Cultural Environments

In 2005, while writing a children's book on the life of the prophet Mohammed, Danish author Kåre Bluitgen searched unsuccessfully for an illustrator. The problem: To many of the world's Muslims, it is blasphemy to depict images of the prophet. Denmark's conservative *Jyllands-Posten* newspaper picked up the story; concerned that this was a case of self-censorship, the paper's cultural editor challenged dozens of well-known illustrators to "draw Mohammed the way that they see him." In September, *Jyllands-Posten* printed submissions from 12 illustrators in conjunction with articles on freedom of speech; one of the images depicted Mohammed with a bomb in his turban. A few months later, the cartoons were reprinted in newspapers in France, Germany, Switzerland, and elsewhere. Reaction was swift: Protests erupted in Indonesia and other countries with large Muslim populations. The Danish and Norwegian missions in Damascus were set on fire. Some Arab governments supported boycotts of Danish goods and withdrew their ambassadors from Copenhagen. Meanwhile, the Danish government called its ambassadors back to Copenhagen, and Danish export marketers, such as Arla Foods and the LEGO Group, sought to deal with a growing consumer backlash in the Middle East. In the words of one employee at Saudi Arabia's airport, "Anything to do with Denmark is now history in the [Saudi] kingdom. Shops, businesses, imports. It's over." As Finn Hansen, head of international operations at Arla, noted, "This can happen to anyone, anywhere, at anytime if you don't understand other people's cultures."

The controversy that began in Denmark is an example of the way that differences in the social and cultural environments—in this case, religious differences—impact marketing opportunities and dynamics around the globe. This chapter focuses on the social and cultural forces that shape and affect individual, group, and corporate behavior in the marketplace. We start with a general discussion of the basic aspects of culture and society and the emergence of a twenty-first century global consumer culture. Next, several useful conceptual frameworks for understanding culture are presented. These include Hall's high- and low-context culture concept, Maslow's hierarchy, Hofstede's cultural typology, the self-reference criterion, and diffusion theory. The chapter includes specific examples of the impact of culture and society on the marketing of both consumer and industrial products.

### **SOCIETY, CULTURE, AND GLOBAL CONSUMER CULTURE**

Both differences and similarities characterize the world's cultures, meaning that the task of the global marketer is twofold. First, marketers must study and understand the country cultures in which they will be doing business. Second, they must incorporate this understanding into the marketing planning process. In some instances, strategies and marketing programs will have to be adapted; however, marketers should also take advantage of shared cultural characteristics and avoid unneeded and costly adaptations of the marketing mix. Deep cultural understanding can actually be a source of competitive advantage for global companies. The aggressive expansion of Spain's Telefónica in Latin America provides a case in point. As Juan Villalonga, former chairman



In 2006, protesters across the Muslim world demonstrated against the publication of cartoon images of Mohammed in a Danish newspaper. Many supermarkets in Cairo, the largest city in the Arab world, removed Danish products from their shelves.

of Telefónica, noted, “It is not just speaking a common language. It is sharing a culture and understanding friendships in the same way.”<sup>1</sup>

Any systematic study of a new geographic market requires a combination of tough-mindedness and generosity. While marketers should be secure in their own convictions and traditions, generosity is required to appreciate the integrity and value of other ways of life and points of view. People must, in other words, overcome the prejudices that are a natural result of the human tendency toward ethnocentricity. Although “culture shock” is a normal human reaction to the new and unknown, successful global marketers strive to comprehend human experience from the local point of view. One reason cultural factors challenge global marketers is that many of them are hidden from view. Because culture is a learned behavior passed on from generation to generation, it can be difficult for the inexperienced or untrained outsider to fathom. As they endeavor to understand cultural factors, outsiders gradually become insiders and develop cultural empathy. There are many different paths to the same goals in life. The global marketer understands this and rejoices in life’s rich diversity.

Anthropologists and sociologists have offered scores of different definitions of culture. As a starting point, **culture** can be defined as “ways of living, built up by a group of human beings, that are transmitted from one generation to another.” A culture acts out its ways of living in the context of *social institutions*, including family, educational, religious, governmental, and business institutions. Those institutions, in turn, function to reinforce cultural norms. Culture includes both conscious and unconscious values, ideas, attitudes, and symbols that shape human behavior *and that are transmitted from one generation to the next*. Organizational anthropologist Geert Hofstede defines *culture* as “the collective programming of the mind that distinguishes the members of one category of people from those of another.”<sup>2</sup> A particular “category of people” may constitute a nation, an ethnic group, a gender group, an organization, a family, or some other unit.

Some anthropologists and sociologists divide cultural elements into two broad categories: material culture and nonmaterial culture. The former is sometimes referred to as the *physical component* or *physical culture* and includes physical objects and artifacts created by humans such as clothing and tools.

<sup>1</sup> Tom Burns, “Spanish Telecoms Visionary Beholds a Brave New World,” *Financial Times*, May 2, 1998, p. 24.

<sup>2</sup> Geert Hofstede and Michael Harris Bond, “The Confucius Connection: From Cultural Roots to Economic Growth,” *Organizational Dynamics* (Spring 1988), p. 5.

Nonmaterial culture (also known as *subjective* or *abstract culture*) includes intangibles such as religion, perceptions, attitudes, beliefs, and values. There is general agreement that the material and nonmaterial elements of culture are interrelated and interactive. Cultural anthropologist George P. Murdock studied material and nonmaterial culture and identified dozens of “cultural universals,” including athletic sports, body adornment, cooking, courtship, dancing, decorative art, education, ethics, etiquette, family feasting, food taboos, language, marriage, mealtime, medicine, mourning, music, property rights, religious rituals, residence rules, status differentiation, and trade.<sup>3</sup>

It is against this background of traditional definitions that global marketers should understand a worldwide sociocultural phenomenon of the early twenty-first century.<sup>4</sup> It has been argued that consumption has become the hallmark of postmodern society. As cultural information and imagery flow freely across borders via satellite TV, the Internet, and similar communication channels, new global consumer cultures are emerging. Persons who identify with these cultures share meaningful sets of consumption-related symbols. Some of these cultures are associated with specific product categories; marketers speak of “fast-food culture,” “credit card culture,” “pub culture,” “coffee culture,” and so on. This cosmopolitan culture, which is comprised of various segments, owes its existence in large part to a wired world in which there is increasing interconnectedness of various local cultures. It can be exploited by **global consumer culture positioning (GCCP)**, a marketing tool that will be explained in more detail in Chapter 7. In particular, marketers can use advertising to communicate the notion that people everywhere consume a particular brand or to appeal to human universals.

## Attitudes, Beliefs, and Values

If we accept Hofstede’s notion of culture as “the collective programming of the mind,” then it makes sense to learn about culture by studying the attitudes, beliefs, and values shared by a specific group of people. An **attitude** is a learned tendency to respond in a consistent way to a given object or entity. Attitudes are clusters of interrelated beliefs. A **belief** is an organized pattern of knowledge that an individual holds to be true about the world. Attitudes and beliefs, in turn, are closely related to values. A **value** can be defined as an enduring belief or feeling that a specific mode of conduct is personally or socially preferable to another mode of conduct.<sup>5</sup> In the view of Hofstede and others, values represent the deepest level of a culture and are present in the majority of the members of a particular culture.

Some specific examples will allow us to illustrate these definitions by comparing and contrasting attitudes, beliefs, and values. The Japanese, for example, strive to achieve cooperation, consensus, self-denial, and harmony. Because these all represent feelings about modes of conduct, they are *values*. Japan’s monocultural society reflects the *belief* among the Japanese that they are unique in the world. Many Japanese, especially young people, also believe that the West is the source of important fashion trends. As a result, many Japanese share a favorable *attitude* toward American brands. Within any large, dominant cultural group, there are likely to be **subcultures**; that is, smaller groups of people with their own shared subset of attitudes, beliefs, and values. Values, attitudes, and beliefs can also be surveyed at the level of any “category of people” that is embedded within a broad culture. For example, if you are a vegetarian, then eating meat represents a mode of conduct that you and others who share your views avoid. Subcultures often represent attractive niche marketing opportunities.

<sup>3</sup> George P. Murdock, “The Common Denominator of Culture,” in *The Science of Man in the World Crisis*, Ralph Linton, ed. (New York: Columbia University Press, 1945), p. 145.

<sup>4</sup> The following discussion is adapted from Dana L. Alden, Jan-Benedict Steenkamp, and Rajeev Batra, “Brand Positioning through Advertising in Asia, North America, and Europe: The Role of Global Consumer Culture,” *Journal of Marketing* 63, no. 1 (January 1999), pp. 75–87.

<sup>5</sup> Milton Rokeach, *Beliefs, Attitudes, and Values* (San Francisco: Jossey-Bass, 1968), p. 160.

## Religion

Religion is one important source of a society's beliefs, attitudes, and values. The world's major religions include Buddhism, Hinduism, Islam, Judaism, and Christianity; the latter is comprised of Roman Catholicism and numerous Protestant denominations. Examples abound of religious tenets, practices, holidays, and history directly impacting the way people of different faiths react to global marketing activities. For example, Hindus do not eat beef, which means that McDonald's does not serve hamburgers in India (see Case 1-1). Issues related to Jewish history and the Holocaust were raised in the wake of the 1998 merger of Germany's Daimler-Benz and the American Chrysler Corporation. For example, several Jewish organizations in the United States objected to DaimlerChrysler's 2002 corporate advertising campaign that used references to scientists Wernher Von Braun and Albert Einstein to promote the quality of Chrysler's cars. For one thing, critics noted, Von Braun was the leader of the Nazi rocket program. A second issue was the fact that Einstein was actually a Swiss citizen who fled Germany in 1933 and settled in the United States.<sup>6</sup>

In the aftermath of the September 2001 terror attacks in New York and Washington, D.C., and the subsequent American military actions in the Middle East, some Muslims have tapped into anti-American sentiment by urging a boycott of American brands. One entrepreneur, Tunisian-born Tawfik Mathlouthi, launched a soft drink brand, Mecca-Cola, as an alternative to Coca-Cola for Muslims living in the United Kingdom and France. The brand's name is both an intentional reference to the holy city of Islam as well as an ironic swipe at Coca-Cola, which Mathlouthi calls "the Mecca of capitalism." London's *Sunday Times* called Mecca-Cola "the drink now seen as politically preferable to Pepsi or Coke."<sup>7</sup> In 2003, Qibla Cola (the name comes from an Arabic word for "direction") was launched in the United Kingdom. Founder Zahida Parveen hopes to reach a broader market than Mecca-Cola by positioning the brand "for any consumer with a conscience, irrespective of ethnicity or religion."<sup>8</sup>

Religious issues have also been at the heart of a dispute about whether references to God and Christianity should be included in a new European constitution that will be adopted now that the EU has expanded its membership from 15 to 27 countries. On one side of the dispute are Europe's Catholic countries, including Ireland, Spain, Italy, and Poland. As Italy's deputy prime minister said, "The Italian government believes that [Europe's] common religious heritage should be explicitly referred to with the values of Judeo-Christian tradition." By contrast, the official position in France and Belgium is one of church-state separation. According to this view, religion has no place in the founding documents of the enlarged EU. In addition, Muslims constitute a politically active minority in France and other countries; Turkey is predominately Muslim. Representatives of Europe's Muslim population are resisting any reference to Christianity in the new constitution.<sup>9</sup>

<sup>6</sup> Joseph B. White, "Jewish Groups Say DaimlerChrysler Ads 'Whitewash' History," *The Wall Street Journal*, July 11, 2002, p. B1. See also Arch G. Woodside and Jean-Charles Chebat, "Updating Heider's Balance Theory in Consumer Behavior: A Jewish Couple Buys a German Car and Additional Buying-Consuming Transformation Stories," *Psychology & Marketing* 18, no. 5 (May 2001), pp. 475-495.

<sup>7</sup> Bill Britt, "Upstart Cola Taps Anti-War Vibe," *Advertising Age* (February 24, 2003), p. 1. See also Digby Lidstone, "Pop Idols," *Middle East Economic Digest* (August 22, 2003), p. 4.

<sup>8</sup> Meg Carter, "New Colas Wage Battle for Hearts and Minds," *The Financial Times*, January 8, 2004, p. 9.

<sup>9</sup> Richard Bernstein, "Continent Wrings Its Hands over Proclaiming Its Faith," *The New York Times*, November 12, 2003, p. A4. See also Brandon Mitchener, "Birth of a Nation? As Europe Unites, Religion, Defense Still Stand in Way," *The Wall Street Journal*, July 11, 2003, pp. A1, A6.



Some global companies have successfully capitalized on the love-hate relationship between Muslims and the United States. In the Islamic world, Ramadan is a month of fasting that begins at the end of October. In Indonesia, home to the world's largest Muslim population, KFC uses Ramadan-themed outdoor advertising to encourage Indonesians to come to the restaurants at *buka puasa*, the end of each day's fast. Business at KFC Indonesia's 200 units is up as much as 20 percent during Ramadan.



## Aesthetics

Within every culture, there is an overall sense of what is beautiful and what is not beautiful, what represents good taste as opposed to tastelessness or even obscenity, and so on. Such considerations are matters of **aesthetics**. Global marketers must understand the importance of *visual aesthetics* embodied in the color or shape of a product, label, or package. Likewise, different parts of the world perceive *aesthetic styles*—various degrees of complexity, for example—differently. Aesthetic elements that are attractive, appealing, and in good taste in one country may be perceived differently in another. In some cases, a standardized color can be used in all countries; examples include the distinctive yellow color on Caterpillar's earth-moving equipment and its licensed outdoor gear and the red chevron on a pack of Marlboro cigarettes. A number of companies seem to be experiencing a

Qibla Cola was launched in 2003; company executives hope to position Qibla as an alternative to mainstream American brands. As one executive noted, "We want to show that you can develop a brand that is global, ethical, quality, and commercially viable. We are not trying to do so by being anti-American but by being anti-injustice." By 2005, Qibla Cola was available in Canada, Libya, Malaysia, the Netherlands, Norway, Pakistan, and the United Kingdom.



case of the “blues,” as evidenced by names such as Bluetooth, Blue Moon, and JetBlue Airways; likewise, Skyy vodka is packaged in a distinctive blue bottle.<sup>10</sup> However, because color perceptions can vary among cultures, adaptation to local preferences may be required. Such perceptions should be taken into account when making decisions about product packaging and other brand-related communications. In highly competitive markets, inappropriate or unattractive product packaging may put a company or brand at a disadvantage. New color schemes may also be mandated by a changing competitive environment. For example, after Wal-Mart entered the German market in the 1990s, local retailer Metro AG added blue, white, and yellow to the logo of its Real hypermarket stores.

There is nothing inherently “good” or “bad” about any color of the spectrum; all associations and perceptions regarding color arise from culture. Red is a popular color in most parts of the world; besides being the color of blood, in many countries red also is tied to centuries-old traditions of viticulture and winemaking. One recent study of perceptions in eight countries found that red is associated with “active,” “hot,” and “vibrant”; in most countries studied, it also conveys meanings such as “emotional” and “sharp.”<sup>11</sup> As such, red has positive connotations in many societies. However, red is poorly received in some African countries. Blue, because of its associations with sky and water, has an elemental connotation with undertones of dependability, constancy, and eternity. White connotes purity and cleanliness in the West, but it is associated with death in parts of Asia. In the Middle East, purple is associated with death. Another research team concluded that gray connotes inexpensive in China and Japan, while it is associated with high quality and expensive in the United States. The researchers also found that the Chinese associated brown with soft drink labels and associated the color with good tasting; South Korean and Japanese consumers associated yellow with soft drinks and good tasting. For Americans, the color red has those associations.<sup>12</sup>



*It has been said that upscale Tiffany & Company is in the “blue box business” rather than the jewelry business. When GM was vying for the right to build a sedan in China, company executives gave Chinese officials gifts from Tiffany’s in the jeweler’s signature blue box. However, the Americans replaced Tiffany’s white ribbons with red ones because red is considered a lucky color in China and white has negative connotations. GM ultimately won government approval of its proposal.*

<sup>10</sup> Susan Carey, “More U.S. Companies Are Blue, and It’s Not Just the Stock Market,” *The Wall Street Journal*, August 30, 2001, pp. A1, A2.

<sup>11</sup> Thomas J. Madden, Kelly Hewett, and Martin S. Roth, “Managing Images in Different Cultures: A Cross-National Study of Color Meanings and Preferences,” *Journal of International Marketing* 8, no. 4 (2000), p. 98.

<sup>12</sup> Laurence E. Jacobs, Charles Keown, Reginald Worthley, and Kyung-I Ghymn, “Cross-Cultural Colour Comparisons: Global Marketers Beware!” *International Marketing Review* 8, no. 3 (1991), pp. 21–30.

Music is an aesthetic component of all cultures, accepted as a form of artistic expression and source of entertainment. In one sense, music represents a “transculture” that is not identified with any particular nation. For example, rhythm, or movement through time, is a universal aspect of music. However, music is also characterized by considerable stylistic variation with regional or country specific associations. For example, bossa nova rhythms are associated with Argentina, samba with Brazil, salsa with Cuba, reggae with Jamaica, merengue with the Dominican Republic, and blues, driving rock rhythms, hip hop, and rap with the United States. Sociologists have noted that national identity derives in part from a country’s indigenous or popular music; a unique music style can “represent the uniqueness of the cultural entity and of the community.”<sup>13</sup>

Music provides an interesting example of the “think global, act local” theme of this book. Musicians in different countries draw from, absorb, adapt, and synthesize transcultural music influences as well as country-specific ones, as they create hybrid styles such as Polish reggae or Italian hip hop. Motti Regev describes this paradox as follows:

Producers of and listeners to these types of music feel, at one and the same time, participants in a specific contemporary, global-universal form of expression *and* innovators of local, national, ethnic, and other identities. A cultural form associated with American culture and with the powerful commercial interests of the international music industry is being used in order to construct a sense of local difference and authenticity.<sup>14</sup>

## global MARKETING Q&A

**Wall Street Journal:** “Are there instances where marketing in developing markets inspired marketing in developed ones?”

**James Stengel, Global Marketing Officer, Procter & Gamble:** “I would point to two that are just remarkable. One is a campaign from Rejoice, our shampoo in the Philippines. Filipinos are really into dance and music: They’re tremendous entertainers. We ended up writing a song for a very popular group about a dance you would do for hair that’s wonderful. It might seem corny, but it swept the country. It became the top song on radio stations, the top download on ringtones—when you talk about cell phone marketing, that’s an authentic way of doing it. They associated a dance with it, a little bit like the Macarena. Our business, our share, our brand equity went up, and it made us think about the role of music in other brands and in other cultures.

A South African campaign for the Always feminine-hygiene brand benefited from that learning. It was a similar target consumer . . . and we wanted to associate with a positive value for girls in that market. It’s still a very difficult market, just 12 years after apartheid, and it’s still a struggle for a lot of people in that country. We held dance contests in many cities throughout the country, and branded it the Always Keep Movin’ program. “Keep movin’” in South Africa has very positive overtones; the phrase means ‘stay in school, don’t get pregnant.’ We held these programs in different cities and were overwhelmed by the response. It was associated with the brand in an honest way, and the brand became more relevant, more interesting, more hip, and the [volume] share went way up. Again it was music, but done in a way that’s right for South Africa.”

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<sup>13</sup> Martin Stokes, *Ethnicity, Identity, and Music: The Musical Construction of Place* (Oxford: Berg, 1994).

<sup>14</sup> Motti Regev, “Rock Aesthetics and Musics of the World,” *Theory, Culture & Society* 14, no. 3 (August 1997), pp. 125–142.



The March 2006 inaugural issue of Rolling Stone's Chinese edition featured local rocker Cui Jian on the cover. Mr. Cui was one of the first Chinese musicians to incorporate Western rock stylings into his music; he is also famous for a song titled "Nothing to My Name" that was an anthem to Chinese students participating in the 1989 Tiananmen Square democracy protests.

However, Chinese authorities had other concerns about the first issue; for one thing, they objected to the large Rolling Stone masthead on the magazine's cover. Regulators also disapproved of the U.S. magazine's choice of Audiovisual World as its local partner.

A few months later, Rolling Stone reappeared with a new look and a new publishing partner: for the October 2006 issue, the Rolling Stone masthead was scaled down and the magazine itself was incorporated into a separate publication titled Pop Times.

Because music plays an important role in advertising, marketers must understand what style is appropriate in a given national market. Although background music can be used effectively in broadcast commercials, the type of music appropriate for a commercial in one part of the world may not be acceptable or effective in another part.

## Dietary Preferences

Cultural influences are also quite apparent in food preparation and consumption patterns and habits. Need proof? Consider the following:

- Domino's Pizza, the world's largest pizza-delivery company, pulled out of Italy because Italians perceived its product to be "too American." In particular, the tomato sauce was too bold and the toppings were too heavy.
- To successfully launch the Subway chain in India, it was necessary to educate consumers about the benefits of the company's sandwiches. Why? Because Indians do not normally consume bread.<sup>15</sup>

These examples underscore the fact that a solid understanding of food-related cultural preferences is important for any company that markets food or beverage products globally. Titoo Ahluwalia, chairman of a market research firm in Bombay, points out that local companies can also leverage superior cultural understanding to compete effectively with large foreign firms. He says, "Indian companies have an advantage when they are drawing from tradition. When it comes to food, drink, and medicine, you have to be culturally sensitive."<sup>16</sup> Companies that lack such sensitivity are bound to make marketing mistakes. When Subway expanded into India, the company chose two U.S.-educated Indian brothers to help open stores and supervise operations.

<sup>15</sup> Richard Gibson, "Foreign Flavors," *The Wall Street Journal*, September 25, 2006, p. R8.

<sup>16</sup> Fara Warner, "Savvy Indian Marketers Hold Their Ground," *The Wall Street Journal Asia*, December 1, 1997, p. 8.



While some food preferences remain deeply embedded in culture, there is plenty of evidence that global dietary preferences are converging. For example, “fast food” is gaining increased acceptance around the world. There are several explanations. Heads of families in many countries are pressed for time and are disinclined to prepare home-cooked meals. Also, young people are experimenting with different foods, and the global tourism boom has exposed travelers to pizza, pasta, and other ethnic foods. Shorter lunch hours and tighter budgets are forcing workers to find a place to grab a quick, cheap bite before returning to work.<sup>17</sup> As cultural differences become less relevant, such convenience products will be purchased in any country when consumer disposable income is high enough.

As we have seen, such processes can provoke a nationalist backlash. To counteract the exposure of its young citizens to *le Big Mac* and other American-style fast foods, the French National Council of Culinary Arts designed a course on French cuisine and “good taste” for elementary school students. The director of the council, Alexandre Lazareff, recently published *The French Culinary Exception*. Lazareff warns that France’s vaunted *haute cuisine* is under attack by the globalization of taste. More generally, Lazareff is speaking out against perceived challenges to France’s culinary identity and way of life. His concerns are real enough; while McDonald’s continues to open new restaurants in France (there are currently about 1,000), the number of traditional bistros has declined from 55,000 to 25,000 over the past decade.<sup>18</sup> Meanwhile, the French have coined a new buzzword, *le fooding*, to express the notion that the nation’s passion for food goes beyond mere gastronomy:

To eat with feeling in France is to eat with your head and your spirit, with your nose, your eyes, and your ears, not simply your palate. *Le fooding* seeks to give witness to the modernity and new reality of drinking and eating in the 21st century . . . Everything is *fooding* so long as audacity, sense, and the senses mix.<sup>19</sup>

## Language and Communication

The diversity of cultures around the world is also reflected in language. A person can learn a great deal about another culture without leaving home by studying its language and literature; such study is the next best thing to actually living in another country. Linguists have divided the study of *spoken* or *verbal* language into four main areas: syntax (rules of sentence formation), semantics (system of meaning), phonology (system of sound patterns), and morphology (word formation). *Unspoken* or *nonverbal* communication includes gestures, touching, and other forms of body language that supplement spoken communication. (Nonverbal communication is sometimes called the silent language.) Both the spoken and unspoken aspects of language are included in the broader linguistic field of *semiotics*, which is the study of signs and their meanings.

In global marketing, language is a crucial tool for communicating with customers, channel intermediaries, and others. The marketing literature is full of anecdotal references to costly blunders caused by incorrect or inept translations of product names and advertising copy. American English and British English

<sup>17</sup> John Willman, “‘Fast Food’ Spreads as Lifestyles Change,” *Financial Times*, March 27, 1998, p. 7.

<sup>18</sup> Marlow Hood, “The Holy Terror,” *Financial Times Weekend*, July 4–5, 1998, p. I.

<sup>19</sup> Jacqueline Friedrich, “All the Rage in Paris? Le Fooding,” *The Wall Street Journal*, February 9, 2001, p. W11.

書

book

傘

umbrella

鐘

clock

provide examples of how linguistic differences can characterize the “same” language in different countries.

For example, when British retail-development firm BAA McArthurGlen set up a U.S.-style factory outlet mall in Austria, local officials wanted to know, “Where’s the factory?” To win approval for the project, McArthurGlen was forced to call its development a “designer outlet center.”<sup>20</sup> Anheuser-Busch and Miller Brewing both experienced market failures in the United Kingdom; the problem was the phrase “light beer,” which was understood as meaning reduced alcohol levels rather than fewer calories. Now Miller Lite is marketed in Europe as “Miller Pilsner.”<sup>21</sup>

Before Hearst Corporation launched *Good Housekeeping* magazine in Japan, managers experimented with Japanese translations. The closest word in Japanese, *kaji*, means “domestic duties.” However, that word can be interpreted as tasks performed by servants. In the end, the American title was retained, with the word *Good* in much larger type on the front cover than the word *Housekeeping*. Inside the magazine, some of the editorial content has also been adapted to appeal to Japanese women; for example, the famous Seal of Approval was eliminated because the concept confused readers. Editor-in-chief Ellen

In China, it is bad luck to give a book, an umbrella, or a clock as a gift. Why? The character for “book” is pronounced *shu*, which sounds like “I hope you lose (have bad luck)” — something you wouldn’t wish on the recipient. “Umbrella” (*san*) sounds like “to break into pieces or fall apart,” so it would be a bad sign to give an umbrella to a business acquaintance because it would be the equivalent of hoping that his or her business fails. And “clock” (*zhong*) sounds like “death” or “the end.” “Send clocks” (*song zhong*) is pronounced the same way as the phrase that means “to attend a funeral” or “tend to a dying parent or other family elder.” So, never give clock as a gift in China; if you do, you are, in effect, wishing something really bad on the recipient.

blitz

突袭: 猛撞  
(四分卫) 一种  
防守技术

sack ‘擒杀’ (term) or

成功地擒抱四分  
卫 sack (translation)

onside kick

赌博踢

play action

假跑真传

gambling kickoff

短开球

Hail Mary pass

长传到达阵区

punt

凌空踢球

touchdown

持球触地

Thanks to a team of academics who compiled an encyclopedia of American football terms, Chinese sports fans should have a better understanding of NFL games. For example, the Chinese translation for “blitz” is “lightning war against the quarterback.” “Onside kick” is rendered “gambling kickoff,” while “punt” is “give up and kick it back.”

The authors of *The American Football Encyclopedia* also decided that “capture the commander in chief” is the best way to render “sack” in Chinese; “play action” is “pass after fake run.” “Hail Mary Pass” translates as “miracle long pass,” and “touchdown” is “step on the enemy’s territory.”

<sup>20</sup> Ernest Beck, “American-Style Outlet Malls in Europe Make Headway Despite Local Resistance,” *The Wall Street Journal*, September 17, 1998, p. A17.

<sup>21</sup> Dan Bilefsky and Christopher Lawton, “In Europe, Marketing Beer as ‘American’ May Not Be a Plus,” *The Wall Street Journal* (July 21, 2004), p. B1.

Over the past three decades, advertising for Absolut vodka has achieved near-mythic status in the marketing world. Print campaigns often feature the distinctive high-shouldered bottle and a brief headline that incorporates the word “Absolut” in a clever way that ties in with a particular magazine, cultural trend, or geographic market. Sweden’s V&S Vin & Spirit, the brand’s owner, is moving swiftly to capitalize on opportunities in China. In 2005, in conjunction with Chinese New Year, the campaign focused on the Chinese character “fu,” which can be translated as “blessing” or “fortune.” When the character is turned upside down, the meaning changes to “fortune.”



Levine said, “We have no interest in trying to export our product exactly as it is. That would be cultural suicide.”<sup>22</sup> In China, Dell had to find a meaningful interpretation of “direct sales,” the phrase that describes the company’s powerful business model. A literal translation results in *zhi xiao*, which is the Chinese term for illegal pyramid marketing schemes. To counteract the negative connotation, Dell’s sales representatives began using the phrase *zhi xiao ding gou*, which translates as “direct orders.”<sup>23</sup>

Phonology can also come into play; Colgate discovered that, in Spanish, *colgate* is a command that means “go hang yourself.” Whirlpool spent considerable sums of money on brand advertising in Europe only to discover that consumers in Italy, France, and Germany had trouble pronouncing the company’s name.<sup>24</sup> Conversely, Renzo Rosso deliberately chose “Diesel” for a new jeans brand because, as he once noted, “It’s one of the few words pronounced the same in every language.” Rosso has built Diesel into a successful global youth brand and one of Italy’s most successful fashion stories; sales revenues in 2004 totaled \$1.2 billion.<sup>25</sup>

<sup>22</sup> Yumiko Ono, “Will Good Housekeeping Translate into Japanese?” *The Wall Street Journal* (December 30, 1997), p. B1.

<sup>23</sup> Evan Ramstad and Gary McWilliams, “Computer Savvy: For Dell, Success in China Tells Tale of Maturing Market,” *The Wall Street Journal* (July 5, 2005), pp. A1, A8.

<sup>24</sup> Greg Steinmetz and Carl Quintanilla, “Tough Target: Whirlpool Expected Easy Going in Europe, and It Got a Big Shock,” *The Wall Street Journal* (April 10, 1998), pp. A1, A6.

<sup>25</sup> Alice Rawsthorn, “A Hipster on Jean Therapy,” *Financial Times* (August 20, 1998), p. 8.

Technology is providing interesting new opportunities for exploiting linguistics in the name of marketing. For example, young people throughout the world are using mobile phones to send text messages; it turns out that certain number combinations have meaning in particular languages. For example, in Korean, the phonetic pronunciation of the numerical sequence 8282, “Pal Yi Pal Yi,” means “hurry up,” and 7179 (“Chil Han Chil Gu”) sounds like “close friend.” Also, as many digital-savvy young people in South Korea can attest,, 4 5683 968 can be interpreted as “I love you.”<sup>26</sup> Korean marketers are using these and other numerical sequences in their advertising. After eBay boosted its presence in China by acquiring the EachNet auction site in 2003, it used rebates and other promotions to attract users. For example, EachNet offered credits of 68 yuan on purchases of 168 yuan or more. The figures were chosen for their linguistic properties: In Chinese, the word *six* is a homophone (has the same pronunciation) for the word *safe*, and *eight* is pronounced the same as *prosperity*.<sup>27</sup>

One impact of globalization on culture is the diffusion of the English language around the globe. Today there are more people who speak English as a foreign language than there are people whose native language is English. Nearly 85 percent of the teenagers in the EU are studying English. Despite the fact that Sony is headquartered in Japan, the company makes it clear to job applicants in any part of the world that it does not consider English to be a “foreign language.” The same is true for Finland’s Nokia. Matsushita recently introduced a policy that requires all managers to pass an English language-competency test before being considered for promotion. Top management at Matsushita concluded that a staid corporate culture that was exclusively Japanese was eroding the company’s competitiveness in the global market. The



Renzo Rosso is the founder and owner of Only The Brave, a holding company whose fashion divisions include Diesel, Martin Margiela, and Dsquared. When Rosso first launched his Diesel brand jeans, they featured “vintage” denim with cutting-edge fabrics and detailing. The price: \$100 per pair. Today, to keep its finger on the cultural pulse—and protect its image as a hip brand—Diesel sponsors the annual U-Music Awards, a competition for unsigned rock bands from around the world. Winning bands in various categories can qualify for thousands of dollars in cash prizes as well as free legal and public relations services ([www.diesel-u-music.com](http://www.diesel-u-music.com)).

<sup>26</sup> The authors are indebted to Professor Yong Tae Bang, Department of International Trade, College of Business Administration, Paichai University, South Korea, for his comments on this section. See also Meeyoung Song, “How to Sell in Korea? Marketers Count the Ways,” *The Wall Street Journal*, August 24, 2001, p. A6.

<sup>27</sup> Mylene Mangalindan, “Hot Bidding: In a Challenging Market, Ebay Confronts a Big New Rival,” *The Wall Street Journal*, August 12, 2005, p. A1.



*“Global business makes sense, but it’s much more difficult to do it than to talk about it. The American manager prides himself or herself on directness, frankness, being in-your-face, being accountable. But that’s almost unique in the world.”<sup>30</sup>*

A. Paul Flask, Managing Partner,  
Korn/Ferry International

English-language requirement is a potent symbol that a Japanese company is globalizing.<sup>28</sup>

The challenges presented by nonverbal communication are perhaps even more formidable. For example, Westerners doing business in the Middle East must be careful not to reveal the soles of their shoes to hosts or pass documents with the left hand. In Japan, bowing is an important form of nonverbal communication that has many nuances. People who grow up in the West tend to be verbal; those from Asia exhibit behavior that places more weight on nonverbal aspects of interpersonal communication. There is a greater expectation in the East that people will pick up nonverbal cues and understand intuitively without being told.<sup>29</sup> Westerners must pay close attention not only to what they hear but also to what they see when conducting business in such cultures.

Several important communication issues may emerge. One is *sequencing*, which concerns whether the discussion goes directly from point A to point B or seems to go off on tangents. Another is *phasing*, which pertains to whether certain important agenda items are discussed immediately or after the parties have taken some time to establish rapport. According to two experts on international negotiations, there are 10 distinctly American tactics that frequently emerge during negotiations. These tactics are often effective with other Americans, but may require modification for people from other cultural backgrounds. In any communication situation, speakers offer a variety of verbal cues that can help astute observers understand the speaker’s mind-set and mental programming. Table 4-1 summarizes some typical American English cues, the underlying culture-influenced attitudes and behaviors they signify, and suggested adaptations.

## Marketing’s Impact on Culture

Universal aspects of the cultural environment represent opportunities for global marketers to standardize some or all elements of a marketing program. The astute global marketer often discovers that much of the apparent cultural diversity in the world turns out to be different ways of accomplishing the same thing. Widespread shared preference for convenience foods, disposable products, popular music, and movies in the United States, Europe, and Asia suggests that many consumer products have broad, even universal, appeal. Increasing travel and improving communications have contributed to a convergence of tastes and preferences in a number of product categories. The cultural change and the globalization of culture have been capitalized upon, and even significantly accelerated, by companies that have seized opportunities to find customers around the world. However, as noted at the beginning of this chapter, the impact of marketing and, more generally, of global capitalism on culture can be controversial. For example, sociologist George Ritzer and others lament the so-called “McDonaldization of culture” that, they say, occurs when global companies break down cultural

<sup>28</sup> Kevin Voigt, “At Matsushita, It’s a New Word Order,” *Asian The Wall Street Journal Weekly*, June 18–24, 2001, p. 1

<sup>29</sup> See Anthony C. Di Benedetto, Miriko Tamate, and Rajan Chandran, “Developing Strategy for the Japanese Marketplace,” *Journal of Advertising Research* (January–February 1992), pp. 39–48.

<sup>30</sup> Robert Frank and Thomas M. Burton, “Side Effects: Cross-Border Merger Results in Headaches for a Drug Company,” *The Wall Street Journal*, February 4, 1997, p. A1.

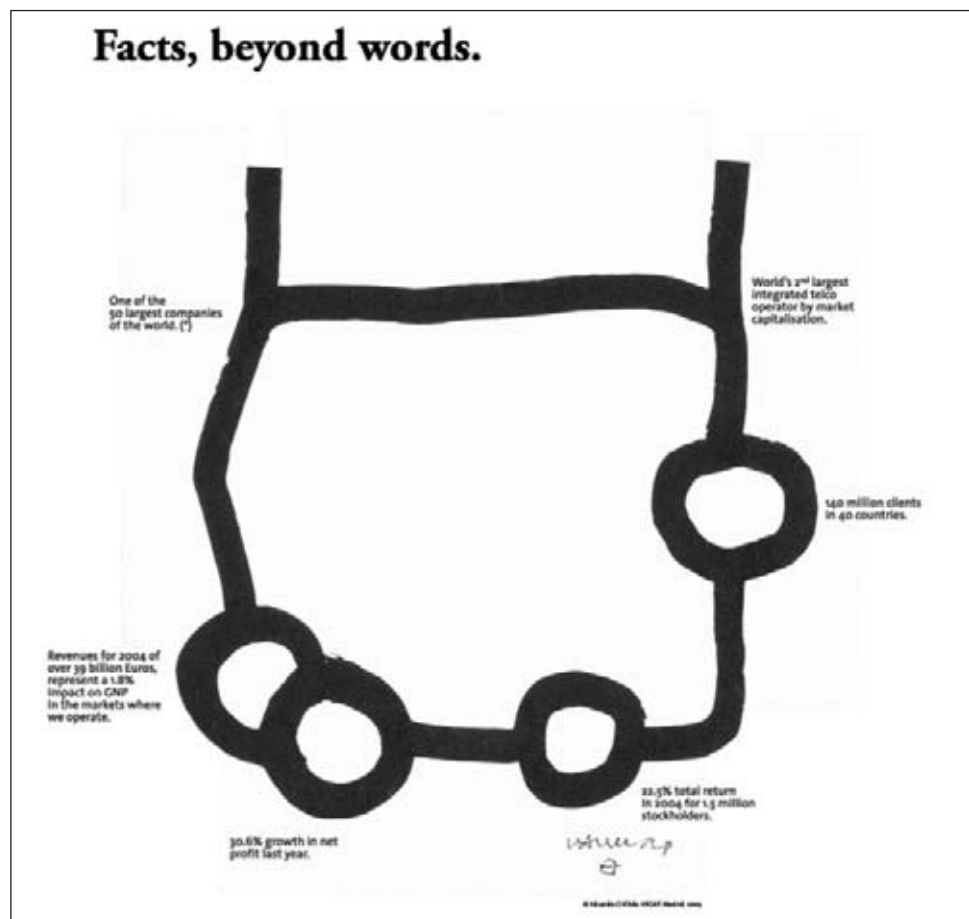
Verbal Cues	Underlying Reality	Adaptation Required
1. "I can go it alone."	Americans are typically outnumbered in negotiations. Reflects culture of individualism.	Greater reliance on teamwork and division of negotiating labor, especially in collectivist culture.
2. "Just call me 'John.'"	Americans place a high value on informality and equality of participants in negotiations. This may conflict with the customs and class structures of foreign cultures.	Respect the customs, hierarchies, and class structure of other cultures. Learn more via self study; ask country nationals to explain local attitudes and values.
3. "Do you speak English?"	Americans are culturally monolingual. (Old joke: Q: What do you call someone who speaks two languages? A: Bilingual. Q: What do you call someone who speaks one language? A: American!)	Ignore the conventional wisdom about how difficult it is to learn a foreign language; if you have ongoing business in a country, make the effort to study the language. At a minimum, develop a good working relationship with a skilled interpreter.
4. "Get to the point."	Americans' short-term orientation manifests itself as a tendency to be blunt and impatient.	Understand that people from other cultures need to develop a sense of connection and personal trust in order to feel comfortable about doing business. This takes time.
5. "Lay your cards on the table."	Americans like to state the case up front, and are not accustomed to "feeling out" prospective partners.	Slow down, and recognize the need to rephrase the question, several times if necessary. Prepare to spend double the time you think is needed to get the information you seek.
6. "Why doesn't somebody say something?"	Americans are uncomfortable with silence during negotiations and often deal with their discomfort by continuing to speak.	Recognize that silence is golden in many cultures. It can be detrimental to keep up a constant stream of chatter. If there is silence, let it be. Reflect. Take in nonverbal information. <i>Value</i> the silence. Take advantage of it.
7. "Don't take no for an answer."	Tenacity and the hard sell are highly valued in the United States.	If the answer is no, stop selling and find out why. Respond to the reasons for the answer no.
8. "One thing at a time."	Many Americans favor a linear, organized, "left brain" negotiation style. "Point One, Point Two"-style sequencing is not a universal approach.	Recognize your own right-brain capability. Embrace a more holistic approach toward negotiations. Be patient if the discussion seems to proceed in loops and spirals.
9. "A deal is a deal."	Expectations and perceptions may not be shared by all parties. Have you agreed on all the points in the contract, or have you agreed to work together?	Accept a more gradual, supplemental view of negotiations and joint effort.
10. "I am what I am."	Americans have a tendency to see things in black-and-white terms.	Adopt a more flexible standpoint. Be willing to change your mind and manner and to adapt to your opposite.

**Table 4-1**

*American Communication Styles: Verbal Cues, Underlying Realities, and Suggested Adaptations*

Source: Adapted from John L. Graham and Roy A. Heberger Jr., "Negotiators Abroad—Don't Shoot from the Hip," *Harvard Business Review* 61, no. 4 (July–August 1983), pp. 160–168.

Spain's Telefónica is a leading provider of both fixed-line and wireless communication services in Spain and Latin America. In Brazil, Telefónica's joint venture with Portugal Telecom commands one-third of the market. Now Telefónica is moving aggressively to provide "triple play" services that include high-speed Internet and video on demand in addition to regular voice communication. The company's U.K. subsidiary recently launched Look at Me, a service that lets cellphone subscribers create videos with their phones that they can upload and share with others.



barriers while expanding into new markets with their products. As Ritzer noted in a recent book:

Eating is at the heart of most cultures and for many it is something on which much time, attention and money are lavished. In attempting to alter the way people eat, McDonaldization poses a profound threat to the entire cultural complex of many societies.<sup>31</sup>

Fabien Ouaki is living proof that persons outside of academe and government have also joined the battle against McDonaldization. Ouaki is the managing director of Tati, a discount retailer based in France. Ouaki is opening new stores in select countries, including the United States. Ouaki claims that "personal revenge" is one motivation for entering the U.S. market. "As a Frenchman, it makes me sick to see kids crying to go see *Titanic*, eat at McDonald's, or drink Coke. I want to see New Yorkers crying to have a Tati wedding dress," he said.<sup>32</sup> Similarly, the international Slow Food movement boasts 70,000 members in 35 countries. Slow Food grew out of a 1986 protest over the opening of a McDonald's on a popular plaza in Rome; every two years,

<sup>31</sup> George Ritzer, *The McDonaldizNation Thesis* (London: Sage Publications, 1998), p. 8.

<sup>32</sup> Amy Barrett, "French Discounter Takes Cheap Chic World-Wide," *The Wall Street Journal*, May 27, 1998, p. B8.

Slow Food stages a Salone del Gusto in Italy that showcases traditional food preparation. As a spokesperson said, “Slow Food is about the idea that things should not taste the same everywhere.”<sup>33</sup>

## HIGH- AND LOW-CONTEXT CULTURES

Edward T. Hall has suggested the concept of high and low context as a way of understanding different cultural orientations.<sup>34</sup> In a **low-context culture**, messages are explicit and specific; words carry most of the communication power. In a **high-context culture**, less information is contained in the verbal part of a message. Much more information resides in the context of communication, including the background, associations, and basic values of the communicators. In general, high-context cultures function with much less legal paperwork than is deemed essential in low-context cultures. Japan, Saudi Arabia, and other high-context cultures place a great deal of emphasis on a person’s values and position or place in society. In such cultures, a business loan is more likely to be based on “who you are” than on formal analysis of pro forma financial documents. In a low-context culture, such as the United States, Switzerland, or Germany, deals are made with much less information about the character, background, and values of the participants. Much more reliance is placed upon the words and numbers in the loan application. Similarly, Japanese companies, such as Sony, traditionally paid a great deal of attention to the university background of a new hire; preference would be given to graduates of Tokyo University. Specific elements on a résumé were less important.

In a high-context culture, a person’s word is his or her bond. There is less need to anticipate contingencies and provide for external legal sanctions because the culture emphasizes obligations and trust as important values. In these cultures, shared feelings of obligation and honor take the place of impersonal legal sanctions. This helps explain the importance of long and protracted negotiations that never seem to get to the point. Part of the purpose of negotiating, for a person from a high-context culture, is to get to know the potential partner.

For example, insisting on competitive bidding can cause complications in low-context cultures. In a high-context culture, the job is given to the person who will do the best work and whom you can trust and control. In a low-context culture, one tries to make the specifications so precise that the threat of legal sanction forces a builder to do a good job. As Hall has noted, a builder in Japan is likely to say, “What has that piece of paper got to do with the situation? If we can’t trust each other enough to go ahead without it, why bother?”

Although countries can be classified as high- or low-context in their overall tendency, there are exceptions to the general tendency. These exceptions are found in subcultures. The United States is a low-context culture with subcultures that operate in the high-context mode. The world of the central banker, for example, is a “gentleman’s” world; that is, a high-context culture. Even during the most hectic day of trading in the foreign exchange markets, a central banker’s word is sufficient for him or her to borrow millions of dollars. In a high-context culture, there is trust, a sense of fair play, and a widespread acceptance of the rules of the game as it is played. Table 4-2 summarizes some of the ways in which high- and low-context cultures differ.

<sup>33</sup> Jerry Shriver, “At Slow Food Fest, Taste Trumps Time,” *USA Today*, November 9, 1998, p. 1D. See also Alexander Stille, “Slow Food’s Pleasure Principles,” *Utne Reader* (May–June 2002), pp. 56–58.

<sup>34</sup> Edward T. Hall, “How Cultures Collide,” *Psychology Today* (July 1976), pp. 66–97.



**Table 4-2***High- and Low-Context Cultures*

Factors or Dimensions	High Context	Low Context
Lawyers A person's word	Less important Is his or her bond	Very important Is not to be relied upon; "get it in writing"
Responsibility for organizational error	Taken by highest level	Pushed to lowest level
Space	People breathe on each other	People maintain a bubble of private space and resent intrusions
Time	Polychronic—everything in life must be dealt with in terms of its own time	Monochronic—time is money
Negotiations	Are lengthy—a major purpose is to allow the parties to get to know each other	Linear—one thing at a time Proceed quickly
Competitive bidding Country or regional examples	Infrequent Japan, Middle East	Common United States, Northern Europe

## HOFSTEDE'S CULTURAL TYPOLOGY

Organizational anthropologist Geert Hofstede was introduced earlier in this chapter in a discussion of his widely quoted definition of culture. Hofstede is also well known for research studies of social values suggesting that the cultures of different nations can be compared in terms of five dimensions.<sup>35</sup> Hofstede notes that three of the dimensions refer to expected social behavior, the fourth dimension is concerned with "man's search for Truth," and a fifth

*Folk medicine is popular in many cultures. Street vendor stalls and open air markets selling health remedies and other products are a common sight in India. This stall sells an elixir made from purified cow urine. While such products are viewed with scepticism by some doctors, their medicinal properties are said to provide relief from a variety of ailments.*



<sup>35</sup> Geert Hofstede and Michael Harris Bond, "The Confucius Connection: From Cultural Roots to Economic Growth," *Organizational Dynamics* (Spring 1988), p. 5.

reflects the importance of time. Table 4-3 shows a summary of Triad country rankings, plus Hong Kong and Taiwan (for more information, visit [www.geert-hofstede.com](http://www.geert-hofstede.com)).

The first dimension, **power distance**, is the extent to which the less powerful members of a society accept—even expect—power to be distributed unequally. To paraphrase Orwell, all societies are unequal, but some are more unequal than others. Hong Kong and France are both high power-distance cultures; low power distance characterizes Germany, Austria, the Netherlands, and Scandinavia.

The second dimension is a reflection of the degree to which individuals in a society are integrated into groups. In **individualist cultures**, each member of society is primarily concerned with his or her own interest and those of the immediate family. In **collectivist cultures**, all society's members are integrated into cohesive in-groups. High individualism is a general aspect of culture in the United States and Europe; low individualism is characteristic of Japanese and other Asian culture patterns.

**Masculinity**, the third dimension, describes a society in which men are expected to be assertive, competitive, and concerned with material success, and women fulfill the role of nurturer and are concerned with issues such as the welfare of children. **Femininity**, by contrast, describes a society in which the social roles of men and women overlap, with neither gender exhibiting overly ambitious or competitive behavior. Japan and Austria ranked highest in masculinity; Spain, Taiwan, the Netherlands, and the Scandinavian countries were among the lowest.

**Uncertainty avoidance** is the extent to which the members of a society are uncomfortable with unclear, ambiguous, or unstructured situations. Members of uncertainty avoiding cultures may resort to aggressive, emotional, intolerant

**Table 4-3**

*Hofstede's Cultural Dimension Rankings: Triad*

Country	Power Distance (PDI)		Individualism		Masculinity		Uncertainty Avoidance		Long-Term Orientation (LTO)	
	Index	Rank	Index	Rank	Index	Rank	Index	Rank	Index	Rank
Austria	11	53	55	18	79	<b>2</b>	70	24–25	31	22–24
Belgium	65	20	75	8	54	22	94	5–6	38	18
Denmark	18	51	74	9	16	50	23	51	46	10
Finland	33	46	63	17	26	47	59	31–32	41	14
France	68	<b>15–16</b>	71	10–11	43	35–36	86	10–15	39	17
Germany	35	42–44	67	15	66	9–10	65	29	31	22–24
Greece	60	27–28	35	30	57	18–19	112	<b>1</b>	—	—
Ireland	28	49	70	12	68	7–8	35	47–48	43	13
Italy	50	34	76	7	70	4–5	75	23	34	19
Netherlands	38	40	80	4–5	14	51	53	35	44	11–12
Portugal	63	24–25	69	13	31	45	104	2	30	25–26
Spain	57	31	51	20	42	37–38	86	10–15	19	31–32
Sweden	31	47–48	71	10–11	5	52	29	49–50	33	20
United Kingdom	65	42–44	89	3	66	9–10	35	47–48	25	28–29
United States	40	38	91	<b>1</b>	62	15	41	43	29	27
Japan	54	33	46	22–23	95	<b>1</b>	92	7	80	4
Hong Kong	68	<b>15–16</b>	25	37	57	18–19	29	49–50	96	<b>2</b>
Taiwan	58	29–30	17	44	45	32–33	69	26	87	3

Source: Geert Hofstede, *Culture's Consequences* (Thousand Oaks, CA: Sage, 2001), p. 500, © 2001 by Sage Publications, Reprinted by Permission of Sage Publications, Inc.

behavior; they are characterized by a belief in absolute truth. Members of uncertainty accepting cultures (e.g., Denmark, Sweden, Ireland, and the United States) are more tolerant of persons whose opinions differ from their own.

Greece and Portugal outrank the others in Table 4-3 in uncertainty avoidance; other Mediterranean countries and much of Latin America ranks high in uncertainty avoidance as well. Acceptance of uncertainty generally manifests itself in behavior that is more contemplative, relativistic, and tolerant; these values are evident in Southeast Asia and India.

Hofstede's research convinced him that, although these four dimensions yielded interesting and useful interpretations, they did not provide sufficient insight into possible cultural bases for economic growth. Hofstede was also disturbed by the fact that Western social scientists had developed the surveys used in the research. Because many economists had failed to predict the explosive economic development of Japan and the Asian tigers (i.e., South Korea, Taiwan, Hong Kong, and Singapore), Hofstede surmised that some cultural dimensions in Asia were eluding the researchers. This methodological problem was remedied by a Chinese Value Survey (CVS) developed by Chinese social scientists in Hong Kong and Taiwan. The CVS data supported the first three "social behavior" dimensions of culture: power distance, individualism/collectivism, and masculinity/femininity. Uncertainty avoidance, however, did not show up in the CVS. Instead, the CVS revealed a dimension, **long-term orientation (LTO)** versus **short-term orientation**, that had eluded Western researchers.<sup>36</sup> Hofstede interpreted this dimension as concerning "a society's search for virtue," rather than a search for truth. It assesses the sense of immediacy within a culture, whether gratification should be immediate or deferred.

Long-term values include *persistence* (perseverance), defined as a general tenacity in the pursuit of a goal. *Ordering relationships* by status reflects the presence of societal hierarchies, and *observing this order* indicates the acceptance of complementary relations. *Thrift* manifests itself in high savings rates. Finally, *a sense of shame* leads to sensitivity in social contacts. Hofstede notes that these values are widely held within high-performing Asian countries, such as Hong Kong, Taiwan, and Japan, but that the presence of these values by themselves is not sufficient to lead to economic growth. Two other conditions are necessary: the existence of a market and a supportive political context. Although Hofstede determined that India ranked quite high on the LTO dimension, market restrictions and political forces have, until recently, held back that nation's economic growth.

By studying Hofstede's work, marketers gain insights that can guide them in a range of activities, including product development, interacting with joint venture partners, and conducting sales meetings. For example, understanding the time orientation of one's native culture compared to others' is crucial (see Table 4-2). In Japan, Brazil, and India, building a relationship with a potential business partner takes precedence over transacting the deal. People from cultures that emphasize the short term must adapt to the slower pace of business in some countries. As noted earlier, language can offer some insights into cultural differences. For example, the phrase "in a New York minute" captures the urgent pace of American urban life.

Conversely, the Japanese notion of *gaman* ("persistence") provides insight into the willingness of Japanese corporations to pursue R&D projects for which the odds of short-term success appear low. When Sony licensed the newly invented transistor from Bell Laboratories in the mid-1950s, for example,

<sup>36</sup> In some articles, Hofstede refers to this dimension as "Confucian Dynamism" because it is highest in Japan, Hong Kong, and Taiwan.

the limited high-frequency yield (sound output) of the device suggested to American engineers that the most appropriate application would be for a hearing aid. However, *gaman* meant that Sony engineers were not deterred by the slow progress of their efforts to increase the yield. As Sony cofounder Masaru Ibuka recalled, “To challenge the yield is a very interesting point for us. At that time no one recognized the importance of it.” Sony’s persistence was rewarded when company engineers eventually made the yield breakthrough that resulted in a wildly successful global product—the pocket-sized transistor radio.<sup>37</sup>

By understanding the dimension of uncertainty avoidance, global marketers are better equipped to assess the amount of risk with which buyers are comfortable. In Japan and other Asian cultures characterized by a low tolerance for ambiguity, buyers will be conscious of brand names and are likely to exhibit high brand loyalty. Advertising copy in countries with high levels of uncertainty avoidance should provide reassurance by stressing warranties, money-back guarantees, and other risk-reducing features. Hong Kong has an even higher tolerance for ambiguity than the United States; Japan, however, ranks quite high in uncertainty avoidance, as do France and Spain.

The power distance dimension reflects the degree of trust among members of society. The higher the power distance (PDI), the lower the level of trust. Organizationally, high PDI finds expression in tall, hierarchical designs, a preference for centralization, and relatively more supervisory personnel. The PDI dimension also provides insights into the dynamics between superiors and subordinates. In cultures where respect for hierarchy is high, subordinates may have to navigate through several layers of assistants to get to the boss. If so, the latter is likely to be isolated in an office with the door closed. In such cultures, superiors may easily intimidate lower-level employees. Recent research has suggested that, when evaluating alternatives for entering global markets, companies in high PDI cultures prefer sole ownership of subsidiaries because it provides them with more control. Conversely, companies in low PDI cultures are more apt to use joint ventures.<sup>38</sup> Of the Triad countries in Table 4-3, France has the highest PDI. Other countries with high PDI scores are Mexico, India, and Hong Kong.

The masculinity-femininity dimension is likely to manifest itself in the relative importance of achievement and possessions (masculine values) compared with a spirit of helpfulness and social support (feminine values). Overall, an aggressive, achievement-oriented salesperson is better matched to the culture of Austria, Japan, or Mexico than that of Denmark. (Such a salesperson would also have to bear in mind that both Japan and Mexico rank high in LTO, a dimension that can be at odds with transaction-oriented assertiveness.) Similarly, a Western woman who is sent to make a presentation to a Japanese company will undoubtedly find that her audience consists of men. The Japanese managers may react negatively to a woman, especially if she is younger than they are.

The collective-individual orientation deserves special comment because there is wide agreement that it is an important component of culture. Knowing which cultures value the collective and which value the individual can help marketers in various ways. In Japan, for example, the team orientation and desire for *wa* (“harmony”) means that singling out one person for distinction and praise in front of peers can be awkward for those involved. Again, language provides important

<sup>37</sup> James Lardner, *Fast Forward: Hollywood, the Japanese, and the VCR Wars* (New York: NAL Penguin, 1987), p. 45.

<sup>38</sup> Scott A. Shane, “The Effect of Cultural Differences in Perceptions of Transactions Costs on National Differences in the Preference for International Joint Ventures,” *Asia Pacific Journal of Management* 10, no. 1 (1993), pp. 57–69.



# the rest of the story

## Applying Hofstede's Typology to Denmark

The cultural confrontation between Denmark and the Middle East cast a spotlight on the small European country. What is Denmark really like? The following profile captures Denmark in terms of Hofstede's cultural values framework.

### Future Orientation

The extent to which a society encourages and rewards future-oriented behaviors such as planning, investing in the future, and delaying gratification. Denmark scores high.

In the Danish business environment, it is normal to prepare and discuss five-year budgets and business plans that are then adjusted yearly. Also, the Danish population is aware of the importance of saving up for retirement. Minister of Economic Affairs Bendt Bendtsen hopes to establish a world-class innovation center in Denmark. The center would focus on predicting consumer needs and elevate Denmark to the top ranks of countries with consumer-driven innovation. The key areas of study would be economics, anthropology, engineering, design, and psychology.

### Gender Differentiation

The extent to which a society maximizes gender role differences. Denmark scores low.

In Denmark, gender role differences are insignificant. Danish women are strong and believe they can do anything that a man can. Because of this, it is very uncommon for men to open doors for women or give them flowers. A few years ago, it was very popular for women to attend "know your car" seminars. Denmark's maternity leave policy provides for a total of 12 months that both the mother and father can use. As is true in the United States, there are great differences between families in Denmark. Generally though, Danish women are very focused on equality both in the home and at work. It is very common for fathers to take equal part in cleaning and other duties around the house.

### Uncertainty Avoidance

The extent to which the members of a society are accepting of ambiguous situations or comfortable with unfamiliar situations. Denmark scores low; in other words, it is an uncertainty accepting society.

Danes generally are not afraid of taking chances; they are comfortable doing things that are not carefully thought out or planned. The Danish social system provides a close-knit safety system to fall back on. In other words, making a mistake may not be very costly so people are less afraid of taking chances. Society relies on and supports a system that is costly but provides a constant sense of security. Health care is free for all Danish citizens, so a person doesn't have to worry about losing benefits if he or she changes jobs.

### Power Distance

The degree to which members of a society expect power to be unequally shared. Denmark scores low.

This is an area where the countries of Europe differ to the extreme. Denmark scores very low on power distance, which results in very flat and informal organizational structures and the wide use of various matrix models. CEOs and other leaders are directly accessible to the average worker and it is common that leaders are satirized in sketches at company parties. In the Danish workplace, it is normal to be paid in accordance to qualifications instead of in accordance to position. *Janteloven* or "the law of Jante" deeply affects how Scandinavian people act and are expected to act. The term originated with writer Aksel Sandemose who wrote a novel about Jante, a village where one is not supposed to believe he or she is better or smarter than anyone else. Humility is important, and this limits power distance. It is not unusual for the Danish Queen Margrethe II to visit stores in Copenhagen without any visible protection. Also, Prince Felix, son of Prince Joachim and Princess Alexandra, attends a public school in his hometown of Møgeltønder.

### Individualism/Collectivism

The degree to which societal institutions encourage individuals to integrate into groups within organizations and society. Denmark scores low.

Due to the high rates of taxes in Denmark schooling is free for everyone at all levels of education. The system is completely based on merit and does not favor people who are well off financially.

### In-group Collectivism

Extent to which members of a society take pride in membership in small groups, such as their family and circle of close friends and the organizations in which they are employed. Denmark scores low.

Denmark's divorce rate is one of the highest in the world. It is difficult to find exact numbers to compare because of the many different ways of calculating it. High uncertainty acceptance may be a factor.

*Sources: Mikkel Jakobsen, personal communication; David Ibson, "We Have to Think Differently," Financial Times, October 2, 2006, p. 7; Lydia Polgreen, "Nigeria Counts 100 Deaths over Danish Caricatures," The New York Times, February 24, 2006, p. A8; Andres Higgins, "Danish Businesses Struggle with Big Dilemma," The Wall Street Journal, February 10, 2006, p. A4; "The Cartoons That Shook the World," The Wall Street Journal, February 11-12, 2006, p. A7; Michael Kimmelman, "A Startling New Lesson in the Power of Imagery," The New York Times, February 8, 2006, p. B1; Bertrand Benoit, "Muslim Anger Spreads Round the World," Financial Times, February 4-5, 2006, p. 2.*

cues about these cultural dimensions; as the saying goes in Japan, “The nail that sticks up gets hammered down.” Throughout much of Asia, the collectivist orientation is dominant. In the highly individualist U.S. culture, however, a person whose individual accomplishments are publicly acknowledged is likely to be pleased by the recognition.<sup>39</sup>

Several teams of researchers have attempted to determine whether cross-national collective-individual differences are reflected in print and television advertisements. In theory, a global company’s communication efforts should be adapted in accordance with a particular country’s orientation. For example, in cultures where individualism is highly valued, ads would typically feature one person; in countries where individualism is less highly valued, ads would feature groups. Although one team<sup>40</sup> claimed to have found a strong correlation, the findings were not confirmed by a later study.<sup>41</sup> However, Cutler argues that print advertising is, by its very nature, designed to communicate to an individual reader. This suggests that the individualism-collectivism distinction may be a moot issue in print advertising.

In highly collectivist cultures, however, products or services that enjoy an early word-of-mouth buzz among influential consumer groups can quickly achieve phenomenon status that then spreads to other countries. The Tamagotchi craze of the late 1990s is a perfect example. The virtual pets were test marketed in central Tokyo in a shopping area frequented by teenage girls. *Kuchikomi* (“word of mouth”) was so strong among schoolgirls that toymaker Bandai was hard-pressed to keep up with demand. By the time Tamagotchis reached New York toy retailer FAO Schwartz, the prerelease buzz ensured that the initial 10,000-unit shipment sold out immediately. Although Japanese teens also pay attention to print and television advertising, it is clear that marketers can reach this segment by providing selected youngsters with product samples.<sup>42</sup>

Other recent research suggests that Hofstede’s framework can provide useful insights for global marketers hoping to create culturally appropriate consumer brand images. For example, researcher Martin Ross described three types of brand images: functional, social, and sensory. A product with a *functional brand image* is oriented toward problem solving and problem prevention; products with a *social brand image* fulfill consumers’ needs for group membership and affiliation; a product with *sensory appeal* provides novelty, variety, and sensory gratification. In the United States, for example, the Crest, Ultra Brite, and Aim toothpaste brands respectively embody these images. Ross surveyed marketing managers at U.S. companies that market jeans and athletic shoes. His research suggests that in countries where power distance is high, social brand images enhance brand performance. Conversely, by limiting the use of social and sensory images and emphasizing functional benefits, marketers can enhance brand performance in countries or regions with low power distance. Ross also found strong evidence that sensory brand images would perform well in countries where high individualism is a dominant cultural pattern and that social brand image strategies would be effective in countries characterized by low individualism.<sup>43</sup>

<sup>39</sup> Adapted from Anne Macquin and Dominique Rouziès, “Selling across the Culture Gap,” *Financial Times—Mastering Global Business, Part Seven*, 1998, pp. 10–11.

<sup>40</sup> Katherine Toland Frith and Subir Sengupta, “Individualism: A Cross-Cultural Analysis of Print Advertisements from the U.S. and India,” paper presented at 1991 Annual Conference of Advertising Division of Association for Education in Journalism and Mass Communication, Boston, MA.

<sup>41</sup> Bob D. Cutler, S. Altan Erdem, and Rajshekhar G. Javalgi, “Advertisers’ Relative Reliance on Collectivism-Individualism Appeals,” *Journal of International Consumer Marketing* 9, no. 3 (1997), pp. 43–55.

<sup>42</sup> Bethan Hutton, “Winning Word-of-Mouth Approval,” *Financial Times*, September 8, 1997, p. 10.

<sup>43</sup> Martin S. Roth, “The Effects of Culture and Socioeconomics on the Performance of Global Brand Image Strategies,” *Journal of Marketing Research* 32 (May 1995), pp. 163–175.

## THE SELF-REFERENCE CRITERION AND PERCEPTION

As we have shown, a person's perception of market needs is framed by his or her own cultural experience. A framework for systematically reducing perceptual blockage and distortion was developed by James Lee and published in *Harvard Business Review* in 1966. Lee termed the unconscious reference to one's own cultural values the **self-reference criterion (SRC)**. To address this problem and eliminate or reduce cultural myopia, he proposed a systematic four-step framework:

1. Define the problem or goal in terms of home-country cultural traits, habits, and norms.
2. Define the problem or goal in terms of host-country cultural traits, habits, and norms. Make no value judgments.
3. Isolate the SRC influence and examine it carefully to see how it complicates the problem.
4. Redefine the problem without the SRC influence and solve for the host-country market situation.<sup>44</sup>

The Walt Disney Company's decision to build a theme park in France provides an excellent vehicle for understanding SRC. As they planned their entry into the French market, how might Disney executives have done things differently had they used the steps of SRC?

Step 1. Disney executives believe there is virtually unlimited demand for American cultural exports around the world. Evidence includes the success of McDonald's, Coca-Cola, Hollywood movies, and American rock music. Disney has a stellar track record in exporting its American management system and business style. Tokyo Disneyland, a virtual carbon copy of the park in Anaheim, California, has been a runaway success. Disney policies prohibit sale or consumption of alcohol inside its theme parks.

Step 2. Europeans in general and the French in particular are sensitive about American cultural imperialism. Consuming wine with the midday meal is a long-established custom. Europeans have their own real castles, and many popular Disney characters come from European folk tales.

Step 3. The significant differences revealed by comparing the findings in Steps 1 and 2 suggest strongly that the needs upon which the American and Japanese Disney theme parks were based did not exist in France. A modification of this design was needed for European success.

Step 4. This would require the design of a theme park that is more in keeping with French and European cultural norms. Allow the French to put their own identity on the park.

The lesson that the SRC teaches is that a vital, critical skill of the global marketer is unbiased perception, the ability to understand a culture. Although this skill is as valuable at home as it is abroad, it is critical to the global marketer because of the widespread tendency toward ethnocentrism and use of the self-reference criterion. The SRC can be a powerful negative force in global business, and forgetting to check for it can lead to misunderstanding and failure. While planning Euro Disney, former Chairman Michael Eisner and other company

*"Disney has learned that they can't impose the American will—or Disney's version of it—on another continent. They've bent over backward to make Hong Kong Disneyland blend in with the surroundings."<sup>45</sup>*

Dennis McAlpine, media and entertainment research specialist

*"We have been U.S.-centric forever. We realize that if we're going to be a global network, then we need to solicit material from around the world."<sup>46</sup>*

Gary Marsh, Disney Channel Worldwide, commenting on Disney's new programming divisions in the United Kingdom and Japan.

<sup>44</sup> James A. Lee, "Cultural Analysis in Overseas Operations," *Harvard Business Review* (March–April 1966), pp. 106–114.

<sup>45</sup> Michael Schuman, "Disney's Great Leap into China," *Time*, July 18, 2005, p. 34.

<sup>46</sup> Matthew Garrahan, "Disney Ventures into Famous Five Territory," *Financial Times*, December 4, 2006, p. 15.

## Global Marketing in Action

The globalization of food tastes is one sign of broader cultural shifts that are taking place in many countries. Changing lifestyles as well as global retailing and food processing trends are driving changes in eating habits. Many Europeans, for example, are eating bigger breakfasts because lunch breaks have been shortened. Options for breakfast foods, in turn, have multiplied because supermarkets are popping up in neighborhoods in competition with small mom-and-pop stores. Supermarkets can stock a broader selection of food items and are more likely to offer new products to their customers. Global companies, such as Kellogg's and Cereal Partners Worldwide, are competing fiercely with each other and with smaller, local firms for a share of palates and pocketbooks.

Europeans are also developing a taste for salty snacks like tortilla chips. As with breakfast cereal, consumption of tortilla chips in Europe has historically been much lower than in the United States. However, the Tex-Mex concept is gaining momentum. Although Frito-Lay introduced its Doritos brand in Europe in 1994, Europeans viewed the chips as a snack for special occasions, and sales were below expectations. In 1998, Frito-Lay relaunched Doritos in the United Kingdom, France, Spain, Portugal, Belgium, the Netherlands, and Luxembourg. A \$20 million advertising campaign, identical across the seven countries except for the individual languages, intended to raise European consumption of the snack chips. Following the recommendations of a brand consultant, Frito-Lay made two significant changes to

the packaging. First, it dropped the America-style "see-through window" in favor of the type of sealed foil package that is used for potato chips in Europe. Second, the dominant color of the package was changed from white to black.

In another global food trend that some have likened to "taking coals to Newcastle," food items are being introduced in some countries from unlikely sources. American versions of cheddar cheese are being exported to southwest England, where cheddar was first produced. German imports of American wine increased sevenfold between 1991 and 1996. A Hong Kong noodle maker has achieved great success exporting to China. Grass-fed beef from Argentina is becoming popular in the United States.

Despite these trends, some local food preferences are likely to remain entrenched—at least for a while. For example, many Japanese prefer a traditional breakfast of *okayu* ("rice porridge") with *umeboshi* ("pickled plums"). In Vietnam, street vendors offer *pho* (pronounced *fu*) for breakfast, lunch, dinner, or as a snack. It consists of a broth made of oxtail, beef, and shrimp paste, seasoned with spices and served over rice noodles. One sign of the times: *Pho* is now sold from street carts in New York, Chicago, and Los Angeles.

Sources: Ernest Beck and Rekha Balu, "Europe Is Deaf to Snap! Crackle! Pop!" The Wall Street Journal, June 28, 1998, pp. B1, B8; Helene Cooper and Scott Kilman, "Exotic Tastes: Trade Wars Aside, U.S. and Europe Buy More of Each Other's Foods," The Wall Street Journal, June 28, 1998, pp. A1, A8; Anna Wilde Mathews, "Modern Menus Star Flown-in Fish, Game," The Wall Street Journal, July 7, 1998, pp. B1, B2; John Willman, "Salty Snack Attack on Europe," Financial Times, February 2, 1998, p. 11.

executives were blinded by a potent combination of their own prior success and ethnocentrism. Avoiding the SRC requires a person to suspend assumptions based on prior experience and success and be prepared to acquire new knowledge about human behavior and motivation.



Hong Kong Disneyland opened its gates for the first time on September 12, 2005. Donald Tsang, Hong Kong Special Administrative Region, Zeng Qinghong, Vice President of People's Republic of China, Michael D. Eisner, Chief Executive Officer of the Walt Disney Company and Robert A. Iger, Disney's President, Chief Operating Officer and CEO-Elect, were on hand for the opening ceremonies.

First-year attendance figures fell short of the target figure of 5.6 million people, prompting company executives to step up efforts to educate the Chinese about Mickey Mouse, Donald Duck, and other Disney characters. As Bill Ernest, managing director, told the Financial Times, "If you haven't grown up with the brand, the stories, or the theme, you are not quite sure what you are walking into."



## DIFFUSION THEORY<sup>47</sup>

Hundreds of studies have described the process by which an individual adopts a new idea. Sociologist Everett Rogers reviewed these studies and discovered a pattern of remarkably similar findings. In *Diffusion of Innovations*, Rogers distilled the research into three concepts that are extremely useful to global marketers: the adoption process, characteristics of innovations, and adopter categories.

An innovation is something new. When applied to a product, *new* can mean different things. In an absolute sense, once a product has been introduced anywhere in the world, it is no longer an innovation because it is no longer new to the world. Relatively speaking, however, a product already introduced in one market may be an innovation elsewhere because it is new and different for the targeted market. Global marketing often entails just such product introductions. Managers find themselves marketing products that may be, simultaneously, innovations in some markets and mature or declining products in other markets.

### The Adoption Process

One of the basic elements of Rogers's diffusion theory is the concept of an **adoption process**—the mental stages through which an individual passes from the time of his or her first knowledge of an innovation to the time of product adoption or purchase. Rogers suggests that an individual passes through five different stages in proceeding from first knowledge of a product to the final adoption or purchase of that product: awareness, interest, evaluation, trial, and adoption.

1. *Awareness.* In the first stage, the customer becomes aware for the first time of the product or innovation. Studies have shown that at this stage impersonal sources of information, such as mass media advertising, are most important. An important early communication objective in global marketing is to create awareness of a new product through general exposure to advertising messages.
2. *Interest.* During this stage, the customer is interested enough to learn more. The customer has focused his or her attention on communications relating to the product and will engage in research activities and seek out additional information.
3. *Evaluation.* In this stage, the individual mentally assesses the product's benefits in relation to present and anticipated future needs and, based on this judgment, decides whether or not to try it.
4. *Trial.* Most customers will not purchase expensive products without the "hands-on" experience marketers call "trial." A good example of a product trial that does not involve purchase is the automobile test drive. For health-care products and other inexpensive consumer packaged goods, trial often involves actual purchase. Marketers frequently induce trial by distributing free samples. For inexpensive products, an initial single purchase is defined as trial.
5. *Adoption.* At this point, the individual either makes an initial purchase (in the case of the more expensive product) or continues to purchase—adopts and exhibits brand loyalty to—the less expensive product. Studies show that, as a person moves from the evaluation through trial to adoption, personal sources of information are more important than impersonal sources. It is during these stages that sales representatives and word of mouth become major persuasive forces affecting the decision to buy.

<sup>47</sup> This section draws from Everett M. Rogers, *Diffusion of Innovations* (New York: Free Press, 1962).



## Characteristics of Innovations

In addition to describing the product adoption process, Rogers also identifies five **characteristics of innovations** that affect the rate at which innovations are adopted: relative advantage, compatibility, complexity, divisibility, and communicability.

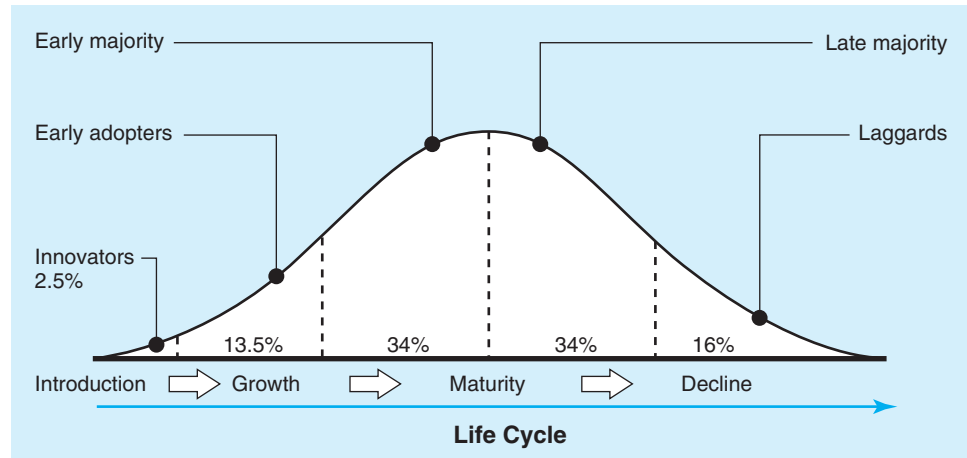
1. *Relative advantage.* How a new product compares with existing products or methods in the eyes of customers. The perceived relative advantage of a new product versus existing products is a major influence on the rate of adoption. If a product has a substantial relative advantage vis-à-vis the competition, it is likely to gain quick acceptance. When compact disc players were first introduced in the early 1980s, industry observers predicted that only audiophiles would care enough about digital sound—and have the money—to purchase them. However, the sonic advantages of CDs compared to LPs were obvious to the mass market; as prices for CD players plummeted, the 12-inch black vinyl LP was rendered virtually extinct in less than a decade.
2. *Compatibility.* The extent to which a product is consistent with existing values and past experiences of adopters. The history of innovations in international marketing is replete with failures caused by the lack of compatibility of new products in the target market. For example, the first consumer VCR, the Sony Betamax, ultimately failed because it could only record for one hour. Most buyers wanted to record movies and sports events; they shunned the Betamax in favor of VHS-format VCRs that could record four hours of programming.
3. *Complexity.* The degree to which an innovation or new product is difficult to understand and use. Product complexity is a factor that can slow down the rate of adoption, particularly in developing country markets with low rates of literacy. In the 1990s, dozens of global companies are developing new interactive multimedia consumer electronics products. Complexity is a key design issue; it is a standing joke that in most households, VCR clocks flash 12:00 because users don't know how to set them. To achieve mass success, new products will have to be as simple to use as slipping a prerecorded videocassette into a VCR.
4. *Divisibility.* The ability of a product to be tried and used on a limited basis without great expense. Wide discrepancies in income levels around the globe result in major differences in preferred purchase quantities, serving sizes, and product portions. CPC International's Hellmann's mayonnaise was simply not selling in U.S.-size jars in Latin America. Sales took off after the company placed the mayonnaise in small plastic packets. The plastic packets were within the food budgets of local consumers, and they required no refrigeration—another plus.
5. *Communicability.* The degree to which benefits of an innovation or the value of a product may be communicated to a potential market. A new digital cassette recorder from Philips was a market failure, in part because advertisements did not clearly communicate the fact that the product could make CD-quality recordings using new cassette technology while still playing older analog tapes.

## Adopter Categories

**Adopter categories** are classifications of individuals within a market on the basis of their innovativeness. Hundreds of studies of the diffusion of innovation demonstrate that, at least in the West, adoption is a social phenomenon that is characterized by a normal distribution curve, as shown in Figure 4-1.

**Figure 4-1**

Adopter Categories



Five categories have been assigned to the segments of this normal distribution. The first 2.5 percent of people to purchase a product are defined as innovators. The next 13.5 percent are early adopters, the next 34 percent are the early majority, the next 34 percent are the late majority, and the final 16 percent are laggards. Studies show that innovators tend to be venturesome, more cosmopolitan in their social relationships, and wealthier than those who adopt later. Early adopters are the most influential people in their communities, even more than the innovators. Thus, the early adopters are a critical group in the adoption process, and they have great influence on the early and late majority, who comprise the bulk of the adopters of any product. Several characteristics of early adopters stand out. First, they tend to be younger, with higher social status, and in a more favorable financial position than later adopters. They must be responsive to mass media information sources and must learn about innovations from these sources because they cannot simply copy the behavior of early adopters.

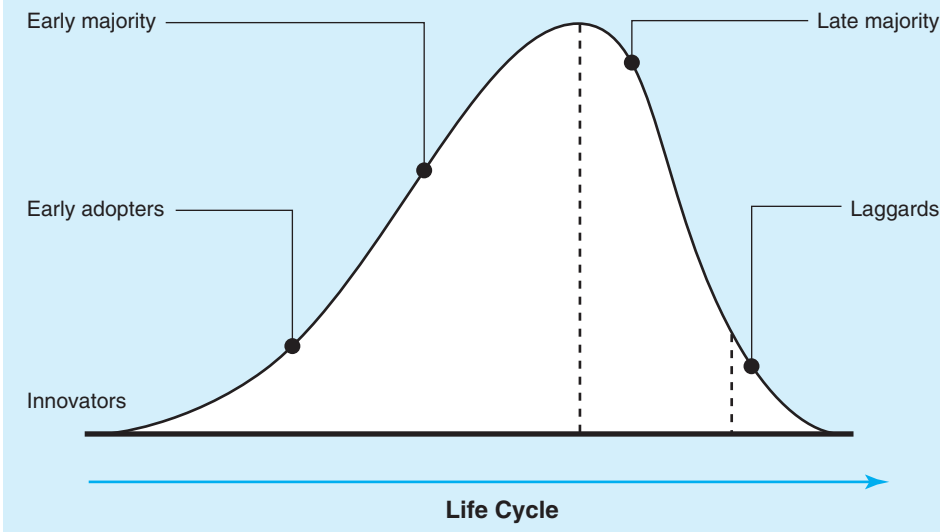
One of the major reasons for the normal distribution of adopter categories is the *interaction effect*; that is, the process through which individuals who have adopted an innovation influence others. Adoption of a new idea or product is the result of human interaction in a social system. If the first adopter of an innovation or new product discusses it with two other people, and each of these two adopters passes the new idea along to two other people, and so on, the resulting distribution yields a normal bell shape when plotted.<sup>48</sup>

## Diffusion of Innovations in Pacific Rim Countries

In a recent cross-national comparison of the United States, Japan, South Korea, and Taiwan, Takada and Jain present evidence that different country characteristics—in particular, culture and communication patterns—affect diffusion processes for room air conditioners, washing machines, and calculators. Proceeding from the observation that Japan, South Korea, and Taiwan are high-context cultures with relatively homogeneous populations, and the United States is a low-context, heterogeneous culture, Takada and Jain surmised that Asia would show faster rates of diffusion than the United States. A second hypothesis supported by the research was that adoption would proceed more quickly in markets where innovations were introduced relatively late. Presumably, the lag time

<sup>48</sup> For an excellent application and discussion of adopter categories, see Malcolm Gladwell, *The Tipping Point* (New York: Little, Brown, and Company, 2000), Chapter 6.

### Diffusion of Innovation in an Asian Context



**Figure 4-2**

### Adopter Categories in Asia

Source: Hellmut Schütte, "Asian Culture and the Global Consumer," *Financial Times—Mastering Marketing* (September 21, 1998), p. 2.

would give potential consumers more opportunity to assess the relative advantages, compatibility, and other product attributes. Takada and Jain's research has important marketing implications. They note:

If a marketing manager plans to enter the newly industrializing countries (NICs) or other Asia markets with a product that has proved to be successful in the home market, the product's diffusion processes are likely to be much faster than in the home market.<sup>49</sup>

Figure 4-2 shows how the curve of Asian adopter categories would differ from the curve associated with Western consumer behavior. As noted before, there are likely to be fewer innovators in Japan and other Asian countries, where risk avoidance is high. However, as the Tamagotchi story illustrated, once consumers become aware that others have tried the product, they follow suit quickly so as not to be left behind. Hence the left tail in Figure 4-2 is longer, reflecting hesitancy to try a new product; moreover, the curve is steeper and less symmetrical, reflecting the speed with which early adopters and early majority try the product.<sup>50</sup>

## MARKETING IMPLICATIONS OF SOCIAL AND CULTURAL ENVIRONMENTS

The various cultural factors described earlier can exert important influences on consumer and industrial products marketing around the globe. These factors must be recognized in formulating a global marketing plan. **Environmental sensitivity** reflects the extent to which products must be adapted to the culture-specific needs of different national markets. A useful approach is to view products on a continuum of environmental sensitivity. At one end of the continuum

<sup>49</sup> Hirokazu Takada and Dipak Jain, "Cross-National Analysis of Diffusion of Consumer Durable Goods in Pacific Rim Countries," *Journal of Marketing* 55 (April 1991), pp. 48–53.

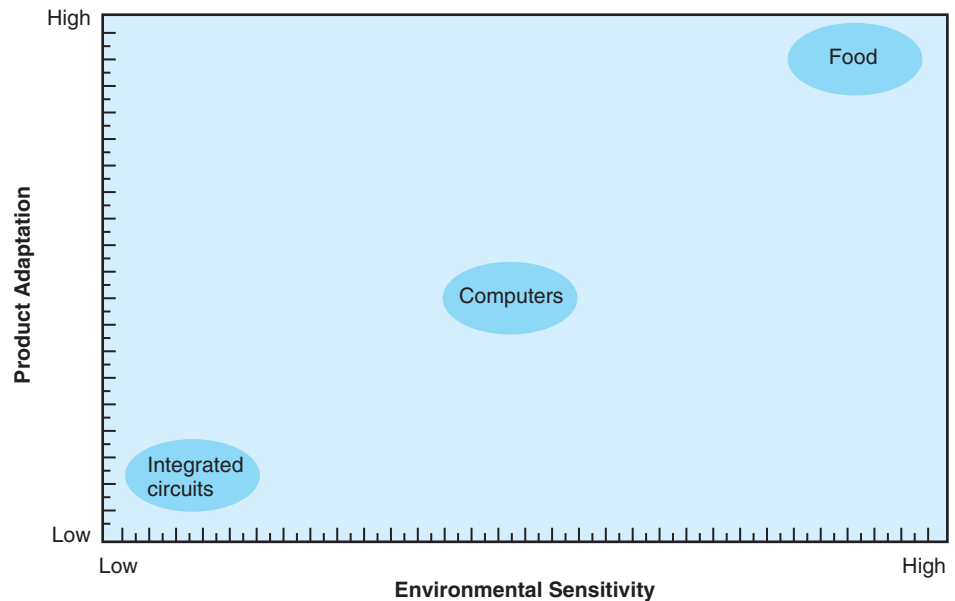
<sup>50</sup> Hellmut Schütte, "Asian Culture and the Global Consumer," *Financial Times—Mastering Marketing, Part Two*, September 21, 1998, p. 2

are environmentally insensitive products that do not require significant adaptation to the environments of various world markets. At the other end of the continuum are products that are highly sensitive to different environmental factors. A company with environmentally insensitive products will spend relatively less time determining the specific and unique conditions of local markets because the product is basically universal. The greater a product's environmental sensitivity, the greater the need for managers to address country-specific economic, regulatory, technological, social, and cultural environmental conditions.

The sensitivity of products can be represented on a two-dimensional scale as shown in Figure 4-3. The horizontal axis shows environmental sensitivity, the vertical axis shows the degree for product adaptation needed. Any product exhibiting low levels of environmental sensitivity—integrated circuits, for example—belongs in the lower left of the figure. Intel has sold more than 100 million microprocessors because a chip is a chip anywhere around the world. Moving to the right on the horizontal axis, the level of sensitivity increases, as does the amount of adaptation. Computers exhibit moderate levels of environmental sensitivity; variations in country voltage requirements require some adaptation. In addition, the computer's software documentation should be in the local language. At the upper right of Figure 4-3 are products with high environmental sensitivity. Food sometimes falls into this category because it is sensitive to climate and culture. As we saw in the McDonald's case at the end of Chapter 1, the fast-food giant has achieved great success outside the United States by adapting its menu items to local tastes. GE's turbine generating equipment may also appear on the high-sensitivity end of the continuum; in many countries, local equipment manufacturers receive preferential treatment when bidding on national projects.

Research studies show that, independent of social class and income, culture is a significant influence on consumption behavior and durable goods ownership.<sup>51</sup> Consumer products are probably more sensitive to cultural difference than are industrial products. Hunger is a basic physiological need in Maslow's

**Figure 4-3**  
Environmental Sensitivity



<sup>51</sup> Charles M. Schaninger, Jacques C. Bourgeois, and Christian W. Buss, "French-English Canadian Subcultural Consumption Differences," *Journal of Marketing* 49 (Spring 1985), pp. 82–92.



In countries where water from the tap or well may be contaminated, bottled water is a convenient alternative. The fastest growth in the industry is occurring in developing countries; in the past five years, bottled water consumption has tripled in India and more than doubled in China. Many consumers also choose bottled water as an alternative to other beverage choices. However, the Earth Policy Institute and other groups view bottled water as an overpriced, wasteful extravagance. The International Bottled Water Association disagrees with that view. A spokesman said, "We're an on-the-go society demanding convenient packaging and consistent quality, and that's what bottled water provides."

hierarchy; everyone needs to eat, but what we want to eat can be strongly influenced by culture. Evidence from the front lines of the marketing wars suggests that food is probably the most sensitive category of consumer products. CPC International failed to win popularity for Knorr dehydrated soups among Americans. The U.S. soup market was dominated by Campbell Soup Company; 90 percent of the soup consumed by households was canned. Knorr was a Swiss company acquired by CPC that had a major share of the European prepared food market, where bouillon and dehydrated soups account for 80 percent of consumer soup sales. Despite CPC's failure to change the soup-eating habits of Americans, the company (now called Bestfoods and a unit of Unilever) is a successful global marketer with operations in more than 60 countries and sales in 110 countries.

Thirst also shows how needs differ from wants. Hydration is a universal physiological need. As is the case with food and cooking, however, the particular liquids people *want* to drink can be strongly influenced by culture. Coffee is a beverage category that illustrates the point. On the European continent, coffee has been consumed for centuries. By contrast, Britain has historically been a nation of tea drinkers, and the notion of afternoon tea is firmly entrenched in British culture. In the 1970s, tea outsold coffee by a ratio of 4 to 1. Brits who did drink coffee tended to buy it in instant form because the preparation of instant is similar to that of tea. By the 1990s, however, Britain was experiencing an economic boom and an explosion of new nightclubs and restaurants. Trendy Londoners looking for a non-pub "third place" found it in the form of Seattle Coffee Company cafés. An instant success after the first store was opened by coffee-starved Americans in 1995, by 1998 Seattle Coffee had 55 locations around London. Starbucks bought the business from its founders for \$84 million. By 2005, Starbucks had overcome the challenge of high real estate prices and had 466 locations in the United Kingdom.<sup>52</sup>

<sup>52</sup> Deborah Ball, "Lattes Lure Brits to Coffee," *The Wall Street Journal*, October 20, 2005, pp. B1, B6. See also Marco R. della Cava, "Brewing a British Coup," *USA Today*, September 16, 1998, pp. D1, D2.



## summary

**Culture**, a society's "programming of the mind," has both a pervasive and changing influence on each national market environment. Global marketers must recognize the influence of culture and be prepared to either respond to it or change it. Human behavior is a function of a person's own unique personality and that person's interaction with the collective forces of the particular society and culture in which he or she has lived. In particular, **attitudes**, **values**, and **beliefs** can vary significantly from country to country. Also, differences pertaining to **religion**, **aesthetics**, dietary customs, and language and communication can affect local reaction to a company's brands or products as well as the ability of company personnel to function effectively in different cultures. A number of concepts and theoretical frameworks provide insights into these and other cultural issues.

Cultures can be classified as **high-** or **low-context**; communication and negotiation styles can differ from

country to country. Hofstede's **social values typology** helps marketers understand culture in terms of **power distance**, **individualism** versus **collectivism**, **masculinity** versus **femininity**, **uncertainty avoidance**, and **long-term** versus **short-term orientation**. By understanding the **self-reference criterion (SRC)**, global marketers can overcome the unconscious tendency for perceptual blockage and distortion. Rogers's classic study on the diffusion of innovations helps explain the product **adoption process** and the way products are adopted over time by different **adopter categories**. Rogers's findings concerning the **characteristics of innovations** can also help marketers successfully launch new products in global markets. Recent research has suggested that Asian adopter categories differ from the Western model. An awareness of **environmental sensitivity** can help marketers determine whether consumer and industry products must be adapted to the needs of different markets.

## discussion questions

1. What are some of the elements that make up culture? How are these expressed in your native culture?
2. What is the difference between a low-context culture and a high-context culture? Give an example of a country that is an example of each type and provide evidence for your answer.
3. How can Hofstede's cultural typologies help Western marketers better understand Asian culture?
4. Explain the self-reference criterion. Find examples of product failures that might have been avoided through the application of the SRC.
5. Briefly explain the social research of Everett Rogers regarding the product adoption process, characteristics of innovations, and adopter categories. How does the adoption process in Asia differ from the traditional Western model?
6. Compare and contrast the United States and Japan in terms of traditions and organizational behavior and norms.

## build your own global marketing skills

To better understand Hofstede's social values framework, interview a fellow student from another

country. Develop a country cultural profile similar to the one for Denmark in this chapter.

John J. Miller and Mark Molesky, *Our Oldest Enemy* (New York: Doubleday, 2004).

What happens when the world's biggest brand collides with the world's largest religion?

*Cola Wars: Message in a Bottle* (Films for the Humanities & Sciences, 2004).

A 150-pound bag of coffee beans might earn a farmer in Latin America \$50; the "street value" of that same

bag—10,000 cups of coffee—is approximately \$20,000.

*Cappuccino Trail: The Global Economy in a Cup* (Films for the Humanities & Sciences, 2002).

**suggested  
reading**

**recom-  
mended  
videos**

## Case 4-1

### Fair Trade Coffee: Ethics, Religion, and Sustainable Production

It's a basic law of economics: When supply goes up, price goes down. That is the situation facing the coffee industry today, as a glut of coffee beans led to sharply lower prices on world commodities markets. Historically, coffee has been one of the most lucrative exports in many developing nations. Green, unroasted coffee beans are traded on the London and New York futures markets; Volcafe and Neumann Gruppe are large coffee traders that buy about 25 percent of the world's coffee supply. Other major players include Procter & Gamble (P&G), Kraft, and Nestlé; all three are key suppliers to the grocery industry, where the greatest percentage of coffee is purchased. For example, P&G sells about \$1 billion worth of Folgers coffee each year. Specialty coffees, such as those marketed by Starbucks, are regarded as niche products that account for only about 2 percent of the world's supply of coffee beans.

In 1999, the wholesale price for coffee was about \$1.40 per pound; in 2001, the price dropped to \$0.42. By the end of 2003, prices had recovered to about \$0.50 per pound; however, the cost of producing and processing green coffee beans is between \$0.80 and \$0.90 per pound. Oversupply is another problem. Between 1990 and 2000, Vietnam's production soared from 84,000 tons to 950,000 tons; Vietnam produces mostly robusta beans, which are cheaper and have a harsher taste than arabica beans. According to the International Coffee Organization,



the 2001–2002 harvest yielded 115 million sacks of coffee. However, worldwide consumption only absorbed 105 million bags. Low prices and excess supply all add up to bad news for 25 million coffee farmers in Latin American and Africa.

Since the mid-1990s, Starbucks has pursued a policy of improving working conditions at its suppliers; however, Starbucks' annual coffee purchases amount to only about \$180 million. A number of different nongovernmental organizations have begun to address the situation faced by farmers who supply the broader coffee market. For example, the Rainforest Alliance works with big corporations to monitor

environmental and working conditions in developing countries. It was a pioneer in certifying lumber sourced from forests in the tropics. It certifies about \$12.5 billion worth of coffee beans each year. The Fairtrade Labeling Organization International (FLO; [www.fairtrade.net](http://www.fairtrade.net)) is a certification authority based in Bonn, Germany, that licenses its trademark to organizations such as the U.K.'s Fairtrade Foundation ([www.fairtrade.org.uk](http://www.fairtrade.org.uk)). The Fairtrade label on a bag or can of coffee indicates that growers were paid a fair price for their crops. TransFair USA is a fair-trade certification organization in the United States ([www.transfairusa.org](http://www.transfairusa.org)).

Coffee bearing the Fairtrade label is often marketed with the help of charitable organizations; for example, Oxfam, a private charity in Britain, joined with Equal Exchange, a fair trade distribution company, Traidcraft, and Twin, to create a new coffee brand called Cafédirect ([www.cafedirect.co.uk](http://www.cafedirect.co.uk)). In addition to providing price supports, such organizations also sponsor training and development programs to help growers become more knowledgeable about market prices and learn ways to reach export markets. Catholic Relief Services (CRS) recently launched an effort to encourage America's 65 million Catholics to buy fair trade coffee ([www.catholicrelief.org/coffee/trade](http://www.catholicrelief.org/coffee/trade)). The CRS Coffee Project is part of a larger organization, the Interfaith Coffee Program of Equal Exchange; the latter includes participants from Lutheran, Presbyterian, and Methodist groups. The bottom line: Wholesale coffee buyers that participate in the fair trade program agree to pay farmers \$1.26 per pound for regular coffee beans and \$1.41 for higher quality, organic beans.



The Fairtrade coffee movement is gaining momentum among socially conscious consumers. For example, in 2002, the interfaith partnership in the United States sold nearly \$1.7 million of fair trade coffee at 7,500 houses of worship; sales in 2003 reached \$2.7 million. Although impressive, that figure is a mere drop in the bucket; annually, Americans spend about \$19 billion on coffee. However, as Paul Rice, President and CEO of Transfair, noted, "If we could get every Catholic in the country to drink fair-trade coffee, that would be a huge market right there." He added, "But it's the ripple effect—getting all those people kind of up to speed on what fair trade

is all about and getting them to ask for it at their local stores—that's going to have a much broader effect on the market."

*"We've been in this business for 100 years and want to be in it for another 100. . . . This is not philanthropy. This is about incorporating sustainable coffee into our mainstream brands as a way to have a more efficient and competitive way of doing business"*

Annemieke Wijm, Senior Director for Commodity Sustainability Programs, Kraft Foods

Kraft recently signed an accord with the Rainforest Alliance; Kraft, which buys about 10 percent of the world's coffee crop, agreed to buy beans that are certified as produced with sustainable agricultural practices and blend them into their mass-market brands. The purchases will amount to about \$3.1 billion annually and will benefit farmers in Brazil, Colombia, Mexico, and Central America. Tensie Whelen, executive director for the Rainforest Alliance, hailed the accord, noting, "This step by Kraft marks the beginning of transforming the coffee industry. You have a company capable of shaping markets commit to buying a significant amount of coffee and to mainstreaming across their brands and not 'ghettoising' it in one brand."

Meanwhile, industry experts disagree about ways to reduce the supply of low-quality beans. A recent Oxfam report recommended government financing to destroy 5 million bags of robusta beans currently being stored in warehouses in developing countries. Others would prefer not to ask for government intervention. Peter A. Reiling, president and chief executive of Technoserve, a nonprofit organization that

promotes socially responsible entrepreneurship in developing countries, noted, "It's an emotional issue and everyone seems to have a different solution. I'd say there's no one silver bullet, but there are market solutions."

## Discussion Questions

1. Is it important for coffee marketers, such as Starbucks, Kraft, and Nestlé, to create "ethical supply chains"? Why?
2. A recent study by the U.K.'s Institute of Grocery Distribution determined that the majority of consumers do not buy fair-trade products. The report noted, "Self-interest is at the center of food choice for most consumers. Few consumers consider the impact of their purchase decisions on anyone or anything but themselves and their family." Do you agree with this finding?
3. What recommendations would you make to help cure the ills of the coffee market?

Sources: Elizabeth Weise, "Fair Trade Sweetens Pot," *USA Today*, February 9, 2005, p. 6D; Mary Beth Marklein, "Goodness—To the Last Drop," *USA Today*, February 16, 2004, pp. 1D, 2D; Tony Smith, "Difficult Times for the Coffee Industry," *The New York Times*, November 25, 2003, p. W1; Sara Silver, "Kraft Blends Ethics with Coffee Beans," *Financial Times*, October 7, 2003, p. 10; Tim Harford, "Fairtrade Tries a Commercial Blend for Coffee," *Financial Times*, September 12, 2003, p. 10; In-Sung Yoo, "Faith Organizations Throw Weight Behind 'Fair Trade' Coffee Movement," *USA Today*, December 2, 2003, p. 7D; Peter Fritsche, "Bitter Brew: An Oversupply of Coffee Beans Deepens Latin America's Woes," *The Wall Street Journal*, July 8, 2002, pp. A1, A10.

## Case 4-2

### Barbie: Growing Pains as the American Girl Goes Global

In 1976, a time capsule was buried to commemorate the U.S. bicentennial. The capsule contained items that captured the essence of America and included a Barbie doll, described as the "quintessential American." Thirty years later, Barbie has become much more cosmopolitan. Although Mattel generates about 60 percent of its annual revenue in the U.S. market, millions of girls around the world have adopted Barbie as a favorite toy; Barbie is sold in more than 150 countries. Overall, Barbie is the best-selling toy brand in the world, and Mattel is the world's largest toy maker. However, as Barbie approaches her fiftieth birthday, the fashion doll's popularity is declining at home and abroad. For example, Bratz, a competing doll line featuring racing fashions, has exploded in popularity. By contrast, in the Middle East, the hottest-selling doll line, Fulla, is associated with Islamic values such as modesty and respect. Also, young girls are gravitating towards electronics devices such as digital music players. These and other trends spell trouble for Mattel, which depends on Barbie for about 20 percent of its annual sales.

What was the secret to Barbie's first several decades of success? Ruth Handler, Barbie's creator, believed that all children needed to play with mature dolls to effectively project their fantasies of growing up (Handler's children were named Barbie and Ken). Though Mattel's executives initially believed

that a doll with a womanly bosom was improper and would never sell, Barbie became an instant success with American children.

Over time, Barbie's look has changed to reflect changing fashion and cultural trends. In 1968, for example, the first black Barbie was introduced to cater to the growing African-American market. Hispanic and Asian American Barbies have also been created in response to the growth of America's other ethnic markets. It was a natural step for the Mattel to target untapped groups of children in other parts of the world. A strategy dubbed "Mattel 2000" focused on the company's direction during the decade of the 1990s. As former CEO John Amerman noted,



"There are twice as many children in Europe as in the U.S. . . . three times as many in South America and fifteen times as many in Asia . . . the potential market for products like Barbie . . . is mind boggling." However, although Barbie has been successfully adapted to cultural differences in the United States, the opportunities for international growth come with formidable challenges. Even so, according to current CEO Robert Eckert, Mattel is "dedicated to becoming a truly global company."

### Europe

Mattel adopted a pan-European, regiocentric approach to the Western European market. Barbie is a huge success in Europe; children in Italy, France, and Germany average five Barbie dolls in their toy collections. In the early 1990s, Mattel developed a new "Friendship Barbie" to sell in Central and Eastern Europe. The new doll was less elaborate than its Western European counterpart, which sports designer clothes and accessories. By contrast, Friendship Barbie reflects the more basic lifestyle children had experienced under communism. However, although Mattel has experimented with multi-cultural dolls, the company discovered that little girls in Europe prefer the well-known American Barbie to the local versions.

### The Middle East

Since being introduced in the Middle East, Barbie has faced opposition on political, religious, and social grounds. Parents and religious leaders alike object to the cultural values that Barbie and Ken portray. Writing in the *Cairo Journal*, Douglas Jehl noted, "To put it plainly, the plastic icon of Western girlhood is seen in the Middle East, where modesty matters, as something of a tramp."

In Egypt and Iran, Barbie faces competition from several new doll brands aimed at providing an Islamic alternative to Barbie. As one Arab toy seller noted, "I think that Barbie is more harmful than an American missile." Barbie's challengers include demure-looking dolls such as Laila, who was designed according to recommendations of participants at the Arab League children's celebrations in 1998. Laila wears simple contemporary clothes such as a short-sleeve blouse and skirt and traditional Arab costumes. Abala Ibrahim, director of the Arab League's Department of Childhood, believes "there is a cultural gap when an Arab girl plays with a doll like Barbie . . . the average Arab girl's reality is different from Barbie's with her swimming pool, Cadillac, blond hair and boyfriend Ken."

Despite the cultural differences and a price equal to seven times the average monthly salary, Barbie has been highly successful in Iran. It remains to be seen whether Barbie, who is "forbidden by Islam," will struggle against new local competitors Sara and Dara, which have been created expressly to compete against Barbie. The dolls feature traditional clothing and headscarves and are available with family members, thus, reinforcing the importance of family for Iranian children. The dolls were launched in 2002 at prices about one-third of Barbie's.

Neither Laila nor Sara has achieved the popularity of Fulla, a doll named after the fragrance of the jasmine plant. Syria-based NewBoy Design Studio introduced Fulla in 2003. Packaged in a shiny pink box, Fulla dolls are clothed in modest "outdoor fashions." These include the hajib, or traditional headscarf, and a long gown known as an abaya; a pink prayer rug

is included with each doll. As Fawaz Abidin, Fulla brand manager for NewBoy, explained, "This isn't just about putting the hijab on a Barbie doll. You have to create a character that parents and children will want to relate to. Our advertising is full of positive messages about Fulla's character. She's honest, loving, and caring, and she respects her father and mother."

### Latin America

In Brazil, Barbie faces stiff competition from a cheaper local rival. Latin America was one of the first non-U.S. markets Barbie entered. Brazil is an important market for Mattel because dolls account for 37 percent of the country's annual \$430 million in toy sales. However, Barbie has been losing market share to the Susi doll manufactured by Estrela, the company once licensed to distribute Barbie in Brazil. Due to Susi's overwhelming popularity, Estrela introduced Susi in Chile, Argentina, Paraguay, and Uruguay in 2000. Susi's success can be attributed to both a lower price and the inclusion of realistic Brazilian touches allowing Brazilian children to identify with Susi. Susi is a blond with a small chest and waist but wide thighs and dark skin, similar to Brazilian girls. Susi represents the philosophy that "young girls want dolls that show them as they are, not as they want to be."

### Asia/Japan

Mattel has learned that, to be successful within a foreign culture, Barbie does not need a total overhaul but instead can be very profitable with minor cosmetic changes. For example, Barbie was successfully launched in India in 1995 and, while the core product remains unchanged, Indian dolls are painted with a head spot and dressed in a sari.

Mattel has had more difficulty conquering the world's second-largest toy market, Japan. The Japanese toy market is worth \$8 billion in annual sales and is vital if Mattel is to achieve its goal of becoming more global. The Japanese market is notoriously difficult to penetrate as Mattel has found during 20 years of doing business in the country. Companies entering Japan must contend with complex distribution systems and intense competition from Japanese brands. Furthermore, dolls have a strong tradition in the Japanese culture with a heritage of over 800 years and ceremonial importance.

Mattel's initial attempts to market Barbie in Japan met with limited success. Management presumed that Barbie's success in other markets would be replicated in Japan. As John Amerman, CEO of Mattel in the mid-1990s, noted, "They didn't know what that product was, and it didn't work." To boost sales, Mattel enlisted the services of Takara, a Japanese toy specialist. Through focus groups, Mattel learned that Barbie's legs were too long and her chest too large—in short, Japanese girls didn't relate to Barbie's physical attributes. Also, Barbie's eyes were changed from blue to brown, and the doll ultimately took on a look that was appealing to the Japanese children's sense of aesthetics. The Takara Barbie was born.

Although sales improved, a licensing disagreement prompted Mattel to terminate the relationship with Takara and search for a new partner in Japan. Takara continued selling the doll as Jenny, which, ironically, became a competitor to the new Japanese Barbie. In 1986, Mattel joined forces with Bandai, Japan's largest toy company. Bandai produced Maba Barbies



("Ma" for Mattel and "ba" for Bandai) with wide brown eyes. Due to its similarities to the Jenny doll, however, Maba Barbie was withdrawn from the market before it achieved success. Maba was replaced by Bandai Barbies, which were again similar to Jenny, possessing the wide-eye look but wearing mainly ball gowns and unimaginative clothing.

Once again, market success eluded Mattel. Mattel was committed to neither Japanese style nor an American style and competed poorly against dolls whose identity was well defined. However, Mattel realized that its competitive advantage lay with its American culture. Though Mattel had attempted to adapt to the Japanese culture, Mattel discovered once again that girls prefer the well-known Barbie to the local versions. In 1991, Mattel ended its relationship with Bandai and opened its own marketing and sales office in Tokyo. Mattel introduced its American Barbie to Japan and experienced success with "Long Hair Star Barbie," which became one of the top-selling dolls in Japan. Although financial losses mounted until 1993, in 1994 Barbie made a profit in Japan with sales almost doubling since its reintroduction.

In 1999, Mattel refocused its Japanese efforts. Then-CEO Jill Barad promised to double Mattel's international sales within 5 years. To this end, a Japanese native named Sam Sugiyama was placed in charge of Mattel's Japanese operations; previously, American expatriates had held the position. Sugiyama stated that Mattel was "very anxious to do something quickly," understandable considering its past problems in the market. After almost 20 years of perseverance in Japan, it was imperative that Mattel improve its position. Therefore, the company joined forces once again with Bandai to form a marketing, sales, and product development alliance in an effort to tackle the complex Japanese distribution system. At the end of 2001, new CEO Robert Eckert reported that Mattel's strategic partnership with Bandai had "eliminated chronic operating losses" in Japan.

### **Mattel's Twenty-First-Century Challenge: Breathing New Life into Barbie**

Writing in Mattel's 1999 *Annual Report*, acting CEO Ronald Loeb promised that the company "will proactively adapt its products to local tastes, economic conditions, and pricing, rather than viewing the rest of the world as an extension of our U.S. strategy." At the same time, Richard Dickson, senior vice president of Mattel's girl's consumer products worldwide, believed Barbie's global strategy must originate from a perspective of worldwide cohesion. He noted, "If I go on a plane from France to Japan to the United States and there's a Barbie billboard, you're going to sense that it's the same Barbie [in all three countries]." To facilitate its global approach, Mattel has given the U.S. president of Barbie the full responsibility for the brand around the world.

Even as Mattel executives tweaked the company's global strategy, a new competitive threat appeared on the home front. In 2001, MGA Entertainment—whose chief executive, ironically, is a native of Iran—introduced Bratz, a line of fashion dolls with oversized heads and a "street" attitude. In both the United States and Europe, they are most popular with girls 8 to 12 years old, a segment known as tweens. Within three years, global sales of Bratz dolls—in edgy black and purple

boxes—and merchandise totaled \$2.5 billion. In 2003, alarmed that Barbie's share of the fashion doll market had dropped from 85 percent to 70 percent—a decline attributed largely to the success of Bratz—Mattel responded by rolling out its own line of trendy dolls for tweens called Flavas.

Mattel's management team was also faced with another critical decision. To rekindle Barbie's appeal to American girls under the age of 8, should they radically overhaul Barbie, and risk alienating young girls and their moms? Could such a proposal be embraced by Mattel's corporate culture? As one marketing consultant put it, "There's a depth that's missing from the Barbie brand. Mattel needs to build a foundation for this age and time. They need to ask 'What's my story? What is Barbie's new direction for the long term?'" Adds brand consultant Ken Markman, a former Mattel executive, "It's not a function of saving Barbie, it's a matter of recognizing what made her powerful to begin with and making that relevant today."

### **Discussion Questions**

1. Describe Mattel's global marketing strategy for Barbie and assess its success. Does management demonstrate that it understands and embraces the need to "think global and act local"?
2. Approximately 90 percent of the world's children live in developing countries. Despite recent negative sales trends, Barbie remains the most popular toy in the world. What must Mattel do to capitalize on the strategic strength of the Barbie brand and take advantage of market opportunities around the globe?
3. How important is culture in dictating children's toy preferences? Will cultural differences result in failure for Mattel as the company faces new competitors in the Middle East?
4. Industry observers often refer to Barbie as an "icon." What does this mean? What should Mattel executives do to turn around sales of Barbie in the United States?

This is a revised and updated version of a case written by Alexandra Kennedy-Scott, David Henderson, and Michel Phan, ESSEC Business School. Used by permission. Sources: Edward Iwata, "How Barbie Is Making Business a Little Better," *USA Today*, March 27, 2006, pp. 1b, 2B; Michael Barbaro, "Breaking Up Was Hard to Do," *The New York Times*, February 9, 2006, pp. C1, C6; Souheila Al-Jadda, "Move over, Barbie," *USA Today*, December 14, 2005, p. 23A; T. L. Stanley, "Barbie Hits the Skids," *Advertising Age*, October 31, 2005, pp. 1, 33; Katherine Zoepf, "This Doll Has an Accessory Barbie Lacks: A Prayer Mat," *The New York Times*, September 22, 2005, p. A4; Queena Sook Kim and Ichiko Fuyuno, "Barbie's New Clothes," *The Wall Street Journal*, January 30, 2004, pp. B1, B3; Maureen Tkacik, "Dolled Up: To Lure Older Girls, Mattel Brings in Hip-Hop Crowd," *The Wall Street Journal*, July 18, 2003, pp. A1, A6; Richard Dickson, "Marketers of the Next Generation: Richard Dickson," *Brandweek*, April 8, 2002, p. 30; David Finnigan, "Mattel Dolls Up Barbie 'Nutcracker' with a Little Help from McD, CBS," *Brandweek*, July 16, 2001, p. 6; Jan Golab, "King Barbie: How I Gussied Up America's Favorite Toy and Turned My Struggling Company into a Megatoyopoly," *Los Angeles Magazine*, August 1, 1994, p. 66; Lawrence B. Chonko, "Case Study: Alliance Formation with Direct Selling Companies: Avon and Mattel," *Journal of Personal Selling & Sales Management* 19, no. 1 (Winter 1999), p. 6; "Big Game Hunting," *Economist*, April 17, 1999, p. 68; Mattel Inc. *Annual Report* (various years).