POTENTIAL MARKET ASSESSMENT: CULTURAL ENVIRONMENT

5

Learning objectives

After studying this chapter you will be able to

- illustrate the impact of culture on individual and organizational customer behavior

- give an overview of cultural factors having an impact on international marketing

- explain the necessity of international marketers adapting to cultural differences

- discuss marketing's influence on culture

Chapter outline

Influence of culture on international marketing

A definition of culture

Consumer culture
Business culture

Analyzing the cultural environment

Determining relevant factors of influence
Values and norms
Communication
Aesthetics
Social organization

"Managing" the cultural environment

Adapting to cultural differences
Marketing's influence on culture

Summary

INTERNATIONAL MARKETING SPOTLIGHT

Generation slump

Their heroes are athletes and actors, comedians and television personalities. They tell pollsters they dislike math and science and they aspire to become television announcers, musicians, athletes, beauticians, and video game creators. At the bottom of the list are politician, business executive, and banker.

They change their jobs frequently, more often than their parents in a lifetime. Graduates are postponing career choices and marriage, taking time to travel, dabble in temporary work and just hang out. The word "freeter," a combination of "free" and the German word *Arbeiter*, or "worker," is now commonly used in Japanese society. It describes young people who do not commit to one line of work, change jobs frequently and will not, even if unemployed, take up a decent job if they do not like it.

Many color their hair blond and orange. On the streets of Tokyo walking beside the legions of salarymen in dark suits rushing to fill 14-hour work days are wild-haired, brightly dressed young people, some of them with platform shoes and artificial tans. On occasion, flustered, older Japanese have been known to refer to these younger people as *uchu jin*, or space aliens.

As a generation they do not yet have a name. But young people in Japan might as well be called generation slump: For the past 10 years they have lived in the shadow of the country's deepest postwar economic recession, a decade that has left many of them disillusioned and apathetic.

One economist popularized the term "parasite singles" to describe young people who are content to live off their parents well into their 20s and beyond. But perhaps most significantly, young people are rejecting their parents' job choices and heavily structured lifestyles.

They are not "hungry." Despite the country's economic troubles, members of generation slump have had some of the most pampered lives in Japan's history. They reaped the benefits of being the children of one of the world's richest countries. Because they came from small families, they were often doted on and given large allowances. A survey of teen trends found that older teens, aged 18 and 19, spend on average $100 a week on leisure-related things, some of the money coming from an allowance provided by their parents.

Yet, despite these apparently cushioned lives, one of the hallmarks of generation slump is malaise. A survey found that half of the 4,800 Japanese teenagers polled said they were unhappy and only 50% said they "liked themselves." Just 47% said they believed they would have happy families, and only 34% of Japanese students said they foresaw themselves playing an active role in society in the future.

It goes without saying that the economic success or failure of young people in Japan is crucial for both the nation and the world: Generation slump will soon carry the burden of supporting the world's fastest aging society.

Source: Adapted from Fuller, T. (2001) "Work hard? Young Japanese have other ideas", *International Herald Tribune*, Bangkok, 11 April, pp. 1, 7

The focal question of this chapter is: What cultural dimensions are particularly relevant for our served product market(s), how are they shaped in the geographic markets under consideration, and how do they influence the attractiveness of those markets?

Influence of culture on international marketing

Marketing managers are focusing on exchanges of more or less tangible products with business partners who are more or less personally involved in the exchange. The exchange may be a single transaction or take place as part of an ongoing relationship between the exchange partners. In any case, the initiator of the exchange has to know who its preferred exchange partners are. A precise idea of what needs to be offered to them and how to make the exchange happen in a manner satisfying both parties is critical for business success.

Understanding potential business partners and their open as well as latent expectations means understanding the reality in which they subjectively live. This personal view of the world determines the business partners' goals, decision making, and behavior. People's subjective perceptions of reality depend on their cognitions and cognitive structures, which they have acquired to a great extent through experience during enculturation and acculturation. **Enculturation** is the process by which individuals become a member of their culture. That is, they learn what a member of the group they belong to (or want to belong to) accepts as normal, necessary, reasonable and plausible facts, behavior and actions, values, and social relations. As a result, both organizational buyer and consumer behavior are strongly influenced by the cultural environment in which those persons have been raised.

Acculturation is the process of learning about a new culture. This might occur when people adopt some language, values, customs, and beliefs when coming in real or virtual contact with another culture. Such contacts occur, for example, when students go to study abroad, when business people extensively travel to foreign countries, but also when people participate in an interest group on the internet, or when they are subject to intensive market communication campaigns from business organizations of foreign cultures.

For an international marketer to be successful in a multicultural environment, managers need to carefully analyze the relevant cultural environment of potential markets. The first step in assessing the cultural environment of a country market is to determine which parts or characteristics of culture are relevant to the product market(s) of the company (Figure 5.1). Having determined those relevant

Business relations are largely governed by cultural context
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factors, the marketer may analyze their current state of development in the country markets under consideration. To fully assess the potential impact of the relevant factors on the success of the firm, their potential changes will need to be anticipated based on current trends.

An evaluation of the impact of the current state and future potential development of all relevant characteristics of the cultural environment in the country markets under consideration will allow the international marketer to decide how to "manage" those environments. That is, management will decide how to react to the expected development.

This chapter will first describe the various layers of consumer culture and business culture. Then, characteristics of cultures that may be relevant for the business of internationally operating business organizations will be discussed, and examples given of how they may influence decisions and actions of international marketers. A look at the need for adaptations to cultural differences as well as marketing's influence on culture concludes the chapter.

A definition of culture

Culture may be defined as the standards of beliefs, perception, evaluation, and behav ; shared by the members of a social group. Some authors even define cultu. as "the collective programming of the minds" that distinguishes the members of one group of people from another.

FIGURE 5.1 Assessing potential markets: Cultural environment
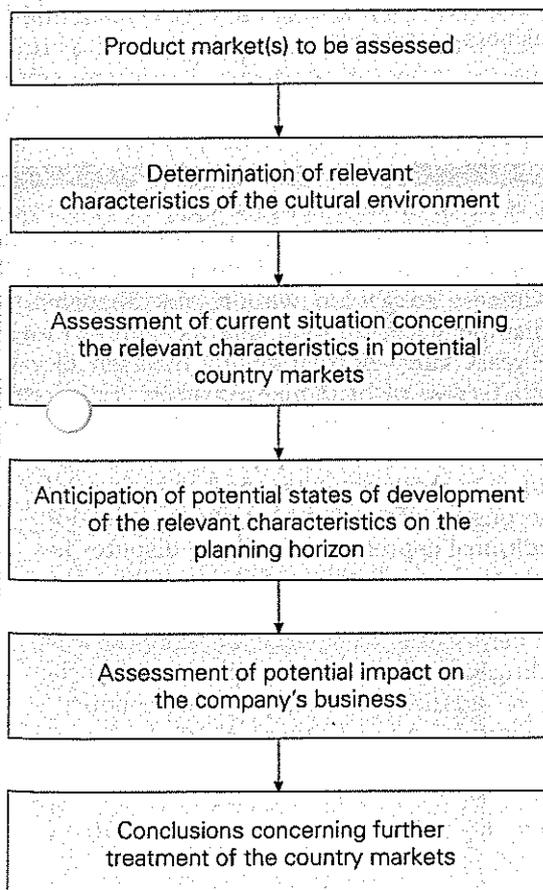
In assessing the cultural environment of potential markets the marketer first has to determine factors relevant to the product market(s) the company is serving. Then the current state of those factors of influence can be assessed in various country markets, and their potential states of development on the planning horizon anticipated. From the results of the analysis the potential impact on the company's business can be assessed. Finally, conclusions concerning the further treatment of the analyzed country markets may be drawn.

Markets, companies, and exchange relations exist inside such cultural contexts. Culture affects people's tastes, preferences for colors, and attitudes towards product classes. For example, Dutch children often eat chocolate shavings on buttered bread for breakfast. Children in the U.S. frequently have fried eggs. Indian children may have a paratha with chillis, and Malays have rice. All are culturally acceptable and appropriate within their culture, but seemingly strange in others. How exchange relations come to exist, how business partners communicate with each other, how they negotiate, perceive each other, or terminate business relations largely depends on the cultural environment. Culture box 5.1 gives an example that illustrates how strongly business behavior is influenced by cultural factors.

The example also shows that a (potential) business partner's interpretation of the international marketer's behavior depends on expectations of proper conduct, which, in turn, depend on the cultural background of the business partner. For example, *amae* is an important value of Japanese culture that stresses mutual goodwill, complaisance, and kindness in personal relationships. Because of *amae*, Japanese managers tend to perceive detailed contracts, such as those to which U.S. businesspeople are accustomed, as signs of distrust.

Even business behavior, down to details such as the proper way to present a business card, is determined by culture. North Americans and Europeans, for example, most often present a business card informally, between two fingers. They may turn the card over and take notes on the back. In Japan, a business card is an extension of the person – to be handled carefully and respectfully, with both hands. It is laid on the table and only put in one's pocket, or written on, after the meeting is over and the guest has gone.

In fact, all behavior occurs within the framework of a culture. Thus, in order to adequately assess the impact of culture on its own business activities, any marketer must determine the specific role culture plays in the company's product markets. Culture may influence business success via:

CULTURE BOX 5.1

Confucian confusion

Robert Aronson is a U.S. engineer and businessman, owner of Revpower, based in Fort Lauderdale, Florida. He signed a joint venture agreement with the Shanghai Far East Aero-Technology Import & Export Corp. to develop a battery factory. Revpower would provide the know-how and distribute the product. The Chinese partner would organize the plant. Two years later the Chinese imposed a price hike of 40% on Revpower, purportedly because of higher utility costs. In reaction Aronson terminated the contract and started arbitration proceedings in Stockholm.

Aronson won a $5 million award, which, with interest, came to $8 million. But Aronson's award could be enforced for only 6 months, and the Chinese courts stalled recognition of it. After the U.S. government applied diplomatic pressure on the Chinese to get on with it, the Shanghai Intermediate People's Court finally recognized the award 7 years later. At that point, Aronson discovered that most of his Chinese partner's assets had been transferred elsewhere.

Aronson went home empty handed, having learned too late about doing business in the world's hottest economy. The Chinese abhor litigation. Their traditional approach to resolving disputes has been through good faith negotiation. This, they believe, offers the obvious advantages of a disposition with neither side losing face. The Chinese aversion to litigation has its roots in the Confucian teaching of harmony in thought and conduct – people should conduct themselves by moral example, not legal compulsion.

Source: Zirin, J.D. (1997) "Confucian confusion", *Forbes*, 24 February, p. 136

- *consumer culture*, that is, the cultural factors determining consumer decision making and behavior
- *business culture*, that is, all cultural factors influencing business behavior.

In international marketing the situation is further complicated because cultural differences among customer and stakeholder groups may lead to different perceptions and behavior even in similar product markets. Indeed, in the search for similar product markets that exist across countries' boundaries, it is very important that the international marketer understands the cultural differences and similarities that exist.

Consumer culture

Consumers have specific cognitions and related emotions based on their learning experiences. These cognitive systems make consumers perceive their environment, evaluate alternative sequences of behavior, interpret actions of others, and behave in individual ways. But all humans are social individuals. That is, to survive they need social contacts with other humans (in particular in early childhood). As a consequence they gather in groups.

Social learning

Much learning takes place in groups of people such as the family, peers, occupational or ethnic groups, and religious communities. Such social learning results in shared cognitions of the individuals belonging to a specific group. Cultures develop. For example, most of the basic values and norms of behavior that individuals take for granted, that is, what they think is basically good or evil, what is desirable and what to avoid, are learned in the family during childhood. Some additional values and many of the norms and patterns of behavior people follow during their lives are learned in groups of peers, that is, groups of people of the same age, sex, occupation, interests, or religion. Aspiring to membership of groups that serve as references adds to this cultural learning (see Figure 5.2).

Subcultures

Groups of people with strongly shared values and cognitions, common consumption preferences or habits may constitute **subcultures** in a society. In the U.S., for example, there are numerous subcultures owing to the many different ethnic groups, religious denominations, and regional societies that exist in the country. Each in its own way influences the conduct of business as well as consumer and buyer behavior. For example, Campbell's sells different flavors of tomato soup depending on the region of the country. Tomato soup sold in Montana is not as spicy as that sold in Texas.

FIGURE 5.2 *Layers of consumer culture*
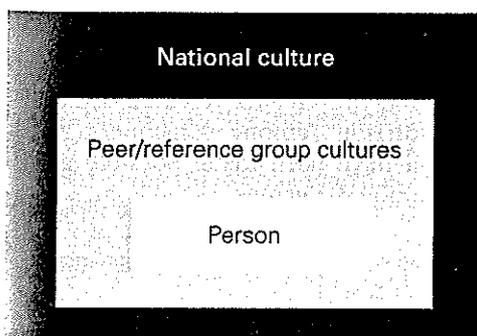
Consumer culture contains various layers: Personal culture is part of reference group cultures, which, in turn, are part of a national culture.

International subcultures

It is important for international marketers to understand their customers' personal values and accepted norms of behavior in order to market to them properly. At the same time, marketers must search for groups with shared cognitions that result in shared views of the marketer's offerings and in similar product-related behavior, to simplify their task. Such groups may even exist across country borders, either because the borders are not indicative of demarcations between ethnic groups or nations, or because international media, travel, and education have led to the development of similar consumer subcultures.

For example, in Europe some trends have crossed country borders. Green awareness, interest in health and fitness, home orientation, creative use of leisure time and female careerism can be detected in all markets of central and western Europe at different levels and in different manifestations. Future issues box 5.1 describes technological advances that contribute to the development of internationally similar consumer behavior.

As examples from sports-related, fashion, fast-food and entertainment sectors show, international marketers themselves may be able to induce the creation of new consumer subcultures, such as Diesel jeans wearers, roller bladers (Roller Blade is a brand of Head), Burton snowboarders, Red Bull drinkers, Apple users, multimedia addicts, or fans of pop stars like Kyle Minogue, Bruce Springsteen, or Elvis Presley (even 30 years after his death). Members of such international subcultures do not need to meet and to know each other to develop shared values and cognitions. The brand they feel they belong to, the personality they adore, the activity they are highly involved with or media reports about the common theme of interest are the center of communication from where consumption-related norms and patterns of behavior spread all over the world (often supported by communication on the internet). Following those consumption patterns helps

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FUTURE ISSUES BOX 5.1

Globalization of consumption patterns

Just picture this: After a busy day at your business school, you decide to unwind at one of the city's numerous cafes. While sipping your macchiato, you switch on your notebook or personal digital assistant, and the range in front of you is almost limitless: Listening to your favorite music via an MP3 player, chatting, sending emails, browsing websites, transferring payments, downloading a movie, or, if you are one of those workaholics, drafting out a paper or a business proposal for the next day.

Connecting is smooth, easy and, above all, hassle free. The cafe you have selected is equipped with a WiFi, short for wireless fidelity, network. As of April 2003 more than 500 Starbucks outlets have been equipped with a WiFi network. And WiFi will be installed in another 4,000 outlets all over the world by the end of 2005. Since March 2003 McDonald's

has also started to equip their worldwide outlets with WiFi. During the test phase at 10 McDonald's outlets in New York, free one-hour connections were provided with the purchase of an extra value meal.

WiFi fever has also caught on in Australia. Brisbane International Airport is equipped with a wireless network. The initial success with passengers wanting to overcome the boredom prior to boarding has prompted Optus, the provider, to build installations in more than 500 locations. Among those locations are other airports, seaports, cafes, convention centers, hotels, apartment buildings, and campuses.

WiFi is only possible using wireless enabled equipment, such as a notebook computer with a wireless card. By the end of 2002 about 20% of notebooks manufactured had WiFi accessibility. The phenomenally high speed of WiFi has created a close attachment or "addiction" among consumers. All sorts of multimedia have been made possible and more realistic, including 3D games.

Source: Adapted from Gunarto, W. (2003) "WiFi: A prominent 'third' place", *Jakarta Post*, 6 October

individual consumers to perceive themselves as members of a highly desirable group.

Caution must be taken, however, not to overemphasize the apparent similarities that an international subculture implies. Even within international subcultures, marketing adaptations may be necessary because national culture specificities do not entirely lose their influence. For example, advertising campaigns for international rock stars are still localized according to the media habits of concertgoers. The international success of the film *Babe*, as another example, was partly due to the translation of the soundtrack into different local accents, which gave the film additional interest.

Local cultures

In a backlash against trade liberalization and economic integration, nationalism is once again gaining popularity around the world. While the political and economic implications of this development have been discussed in Chapter 1, nationalism also brings increased support for local cultures, not necessarily national ones. In Spain, for example, this localization movement has resulted in the region of Catalonia, and speakers of Catalan, gaining such strength that Catalan was one of the four official languages, along with English, French, and Spanish, at the 1992 Olympic Games in Barcelona. The 6 million people in Spain who use Catalan regularly, out of some 40 million Spanish citizens, must effectively be treated as a subculture of the national Spanish market.

National cultures

Because of the many combinations of potential learning experiences, individual consumers show wide variations in beliefs and behavior. Despite those differences among individuals and cultures of groups constituting a society, the members of a society have some common values, norms and patterns of behavior indicating that they belong to a bigger cultural group, traditionally called a *nation*.

As described, there is a rich and complex diversity within national cultures. But a perspective on what is important within such cultures is useful to international marketers in assessing the attractiveness of potential markets as well as in building marketing mixes that will appeal to customers belonging to a national culture.

When discussing national cultures, one must be careful to avoid the two common traps of stereotyping, and equating the country with national culture.

Stereotyping A **stereotype** is a conventional, usually oversimplified, and often negative view of other cultures; for example, "the Japanese workaholics who think that they are superior to everybody else, cannot do anything individually, and are fervently macho."

Equation of country with national culture So-called "nations" such as the U.S., Iran, China, or Russia contain a variety of national or ethnic cultures owing to the heterogeneity of their populations. The fact that they live together in one big country may lead to some shared values, norms, and patterns of behavior, but it is rather overstated to talk about one national culture.

Bearing in mind those potential traps, general descriptions of what is important within a national culture may be useful to international marketers if the culture of one ethnic group dominates a country. For example, a general description of Australians might include that they typically avoid open displays of achievement. This is known as the "tall poppy syndrome" (the tallest flower in the field is the first to get cut down). Australians have combined this reluctance to achieve, or at least to seem to *overachieve*, with a strong support system for society. Further, they very much enjoy leisure time activities, travel extensively during longer vacations than average U.S. citizens take, and are very active in

outdoor sports such as tennis, sailing, or swimming. They have been described as "laid back" owing to this somewhat leisurely approach to life. The considerable Australian love of the outdoors, nature, and exercise results in adults drinking substantial amounts of milk. It is drunk for lunch, as a snack, and in times when, for example, a soft drink is more likely the product of choice in Europe. Marketers have reacted by offering milk in many flavors, including chocolate, strawberry, mango, and lime.

General descriptions of national cultures can be made more systematically in order to serve comparative purposes if they are based on an analytical framework. Perhaps the most well-known analytical framework for national cultures has been developed by the Dutch social scientist Geert Hofstede, based on research into the values and beliefs of 116,000 IBM employees from 66 countries. Table 5.1 describes the five dimensions of culture empirically identified by Hofstede: Individualism, power distance, uncertainty avoidance, competitiveness (which he calls masculinity), and time perspective (which he calls long-term orientation).

The problem with the identification of political boundaries as cultural separators is that this is arbitrary at best. Countries may contain various clearly different ethnic cultures. The population of Malaysia, for example, consists of 66% Malays, 26% Chinese, and 8% Indian. They have different religions, values and norms of behavior. Due to history and migration, there are often a number of cultural groupings within a country, resulting in countries like Australia, Canada, and China becoming multicultural marketplaces.

In addition, Asian cultures seem to have a certain tolerance for ambiguity. There are no two irreconcilable forces of either or. Many Asian cultures tend to see changing sides of the same phenomenon. For example, Confucianism deals with human relationships, Taoism with life in harmony with nature, Buddhism with people's immortal world, and Hinduism has many gods to choose from. In some countries people follow the philosophies of several cultures. Asian cultures show respect for hierarchy, age, and authority and modify reactions accordingly. In a negotiation situation, for example, Chinese may display both an "individual face" of one to one reasonableness and a "group face" of inflexibility. Asian cultures are also characterized by the "yin yang" principle. There simultaneously are elements of female and male. Country typologies based on Hofstede's criteria may be strongly misleading, therefore, and should be treated with sensitivity.

Business culture

Just as culture influences personal consumption patterns and buyer behavior, it also largely determines accepted business behavior. Not knowing the rules of the game puts any player at a disadvantage; not knowing the rules of the business game in a country market means that a foreign competitor is at a disadvantage compared to local business.

Layers of business culture

As in consumer culture, there are different layers of business culture (see Figure 5.3).

National cultures Internationally operating companies conduct their business and are managed inside national cultures, one of which traditionally dominates. In most cases this is the national culture of the headquarters' location. The national culture determines the values that influence corporate behavior. But business conduct is also influenced by industry standards of behavior, which are more specific than national cultures, and, in regional or global industries, may extend across national cultures.

TABLE 5.1 Hofstede's five dimensions of culture

1 Individualism

Individualism is the degree to which individuals are integrated into groups. Individualism is high when the ties among individuals belonging to a social group are loose. Individuals are ready to start new relationships that are not very deeply entrenched, however. Highly individualistic cultures find people responding to opportunities on a personal level. There is a strong belief that every individual is supposed to take care of herself, and an emphasis on individual achievement and initiative. In such cultures, goods and services helping to mark a consumer's difference compared to others should be well received.

When individualism is low, social relationships are characterized by strong ties. They take longer to be established, but are more enduring. Members of cohesive in-groups protect each other. There is a common belief that the unfortunate deserve sympathy. In such cultures an international marketer may want to understate market-dominating positions. In exchange for protection by the group, all group members are expected to be absolutely loyal. Company personnel focus on team and organizational achievements, but are less inclined to cooperate across organizational borders.

2 Power distance

Power distance relates to how members of a national culture view distribution of power; for example, how much less powerful members of a social group expect that power is distributed equally, how easy it is for people with different grounds to relate to each other, or how easy upward social mobility is. Power distance tends to be high for Latin, Asian, and African societies. In India, for example, there is considerable difference between people's status, and movement upward is rather difficult. In lower power distance societies upward mobility is much easier to achieve, and thus goods and services promising to support upward mobility are well received.

3 Uncertainty avoidance

Uncertainty avoidance is the extent to which members of a culture feel comfortable or uncomfortable in unstructured situations. Unstructured situations are novel, surprising, and different from usual, and therefore unclear or unpredictable to individuals. Cultures dominated by uncertainty avoidance tend to be highly regulated, having complex rules and regulations in terms of proper behavior (such as safety and security regulations), and try to avoid risk taking. Low uncertainty avoidance cultures operate in the opposite manner.

4 Competitiveness ("masculinity")

The competitiveness of a national culture is the extent to which individuals perceive social relations as a kind of competition (for all kinds of resources and rewards) as opposed to focusing on mutual benefits. Less competitive cultures, such as those existing in Scandinavia, tend to focus on solidarity. They are concerned with the social security of their members, attractive working conditions, and fairness. More competitive-oriented societies tend to emphasize personal achievement, challenging tasks, performance, and purposefulness.

Time perspective ("long-term orientation")

Time perspective is defined as the way members of a culture tend to approach decision making in consumer as well as business activities. They may have a dynamic, future-oriented mentality, including persistence, hard work, thrift, and shame. At the opposite extreme, a culture may be characterized by a static mentality focused on the past and present, emphasizing reciprocation, "face" and tradition. These values encourage keeping within well-known and well-accepted boundaries. In China, for example, saving "face" is very important. Saving face involves preserving a person's dignity and social status whatever the person does. As a result, western-quality fashion designs are very successful with affluent Chinese consumers eager to wear a symbol of their status, and Chinese managers tend to continue investing in product development even after serious questions about project viability arise.

Source: Adapted from Hofstede, G. (2001) *Culture's consequences: Comparing values, behaviours, institutions and organisations across nations*, London: Sage

Industrial cultures In national cultures, values prevail, whereas industrial cultures are mainly characterized by practices related to business conduct in the industry. For example, car manufacturers, independent of the location of their headquarters, follow certain (unwritten) rules of how to compete (or not to compete) against each other and when to announce and show new car models.

Corporate cultures Each company is a social organization or group. As such, companies develop cultures specific to their organizations that are called organizational or *corporate* cultures. Those organizational cultures are embedded in the national and industrial cultures. That is, they are based on the values dominating the national culture and, in most cases, incorporate the norms of industry behavior. In addition, an organizational culture contains rituals, heroes, and symbols that make the firm unique (Figure 5.4):

- *Rituals* are common activities such as business meetings, initiation workshops for new entrants, or jubilees that serve the purpose of spreading shared norms of behavior and conveying a feeling of belongingness.

- *Heroes* are profiles of ideal persons, alive or dead, in the history of the firm that serve the same purpose.

FIGURE 5.3   *Layers of business culture*
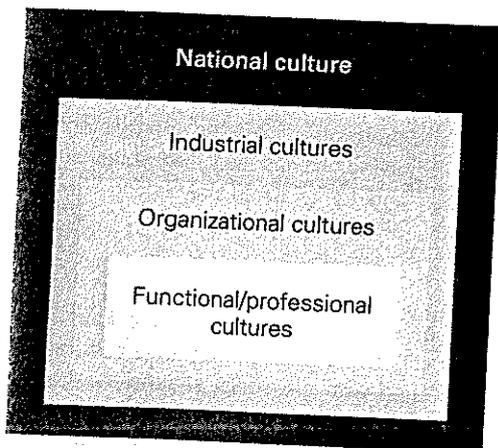
Business culture contains various layers: Embedded in the national culture are industrial cultures, organizational cultures, and functional/professional cultures.

FIGURE 5.4   *Manifestations of organizational culture*
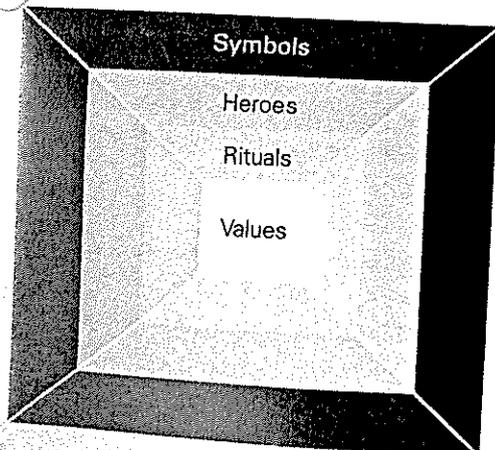
Based on values that characterize the national culture dominating the firm, a company's organizational culture contains rituals, heroes, and symbols.

Symbols may be a specific company language, its logo or possessions. Those symbols have meaning only for the people working for the company or having some kind of relationship with the firm.

The management of values shared and of norms of behavior accepted by the members of the organization becomes increasingly important with the extent of the company's internationalization. When people with increasingly diverse cultural backgrounds are hired by expanding firms, organizational culture can provide a common framework of how to do business. Employees of Atlanta-based Delta Airlines (in Georgia), for example, know about the great importance of customer service to the company's success, whether they work in Tokyo, Berlin, or Cincinnati. Organizational norms of behavior even provide some assistance with highly controversial cross-national cultural problems such as ethics. The ethics code of Delta Airlines clearly indicates, for all employees of whatever nationality, what business conduct is undesirable.

Functional cultures Inside each business organization, people fulfill different functions. Because those functions require specific training, which results in shared experiences, a common specialized language and a shared way of reasoning, membership in a functional group leads to the development of a functional or professional culture. For example, product managers of Procter & Gamble from over the world may have more norms of business behavior in common than a product manager and a finance manager in Copenhagen who also work for Procter & Gamble.

Values, norms, and patterns of behavior individually accepted by a person as guiding rules for his or her life are also important to international marketing managers when making decisions about who should perform which marketing task. For example, in western societies people with a high need to achieve usually make the most successful sales representatives. Internationally active personnel must also possess a sense of humor and adventure, sensibility to differences, a readiness to accept such differences as different and not necessarily as bad, and an ability to relate to others, all of which will contribute to success.

Cultural diversity

The cultural diversity of employees potentially offers a strategic advantage to business firms. International activities for U.S.-based Procter & Gamble, for example, have been run for a considerable time through its office in Geneva, Switzerland. The employees there come from around the world, not just from Switzerland, the U.S., or from Asia. Working in English, the only common language of all employees, in a French-speaking environment, each employee brings their own personal cultural background to corporate decisions. This width of view enriches decision making and may lead to better decisions than, for example, if the same decision had to be made by managers from one national culture. One major hurdle to overcome, however, is the potential conflicts in a culturally diverse team because of misunderstandings due to verbal and non-verbal communication blunders. Marketing decisions taken by such teams are more likely to capture the advantages of international standardization, while making necessary adjustments to local cultural issues, which, if ignored, would spell marketing disaster.

Business manners

Manners are social codes of conduct. Like personal manners, business manners and practices vary considerably from one culture to another. And like ignorance of personal manners, insufficient attention to business manners may impede the establishment of trusting business relations. For example, in China great embarrassment would result if one party to a business relationship failed to bring a gift

for the other. Small gifts, not available or made in a nearby country, would seem critical for success. But large gifts will just prove embarrassing to the host, and will not produce the expected reaction of impressing them. Gift wrapping is also especially important. And proper formalities should be observed. Giving the gift in private, and not expecting it to be opened in the presence of the giver, will avoid embarrassing both the guest and the host. Chinese consider opening gifts in front of the giver, as is customary in France, for example, as rude.

In Japan, floral arrangements have become the business gift of choice, partly as a response to Japanese executives traveling so much that they found it difficult to continue their traditional gift-giving habits. But even the type of flower chosen may lead to difficulty, such as giving white chrysanthemums in Europe, which are generally considered a bad omen because they are associated with funerals.

But knowledge concerning business manners goes beyond knowing how to handle gift giving or shaking hands, of course. It would include general training on how to behave in business contacts with partners from other cultures. Table 5.2 contains a selection of "dos" and "don'ts" for some European countries, seen from a (partly outdated) U.S. perspective.

U.S. businesspeople, in particular, find themselves at a disadvantage in other business cultures, mainly because they have little (conscious) experience concerning other cultures or training for international appointments. In many ways this lack of cultural training is somewhat ironic, for in the U.S., great cultural diversity does exist. However, one dominant business culture glosses over such cultural diversity in the main.

Business negotiations

Business negotiation in Europe and North America is defined as the process in which two or more persons, as representatives of their organizations or organizational units, come together to discuss common, complementary, and conflicting interests in order to achieve an agreement that will benefit each party. In Japanese, the most common term for negotiation is *kosho*, which implies fighting, conflict, verbal debate, and strategy.

Negotiation is something managers do constantly, usually in a familiar cultural setting and thus most often without thinking about how they are behaving. But, as the difference in the implied meaning of the term shows, culture shapes negotiation in much the same way it shapes all behavior. For example, Russians traditionally negotiate by moving the discussion upwards through the organizational hierarchy. At each level the negotiator involved wants to gain a concession of some kind. Sellers who offer major concessions early in this process are likely to lose a lot of money, or may not make the sale at all. Table 5.3 gives some examples of cultural differences in conflict handling, straightness, readiness to compromise, priority of organizational versus personal objectives, emotionality, formality, and relationship building.

Within a culture there is a shared frame of reference as to what verbal and nonverbal cues during a negotiation process mean, and what they imply in doing business. In international negotiations the lack of such a common frame of reference may result in erroneous interpretations of meaning and mistaken reactions. For example, if a sales representative from San Francisco, California, notices that the people to whom she is trying to sell something in Dallas, Texas, do not smile at all during the sales presentation, the salesperson would probably interpret that behavior as "the potential customers are not happy; they won't buy." The same nonverbal behavior in another cultural environment, however, may have a very different meaning. Not smiling during a sales presentation can mean that those listening are paying serious attention to the salesperson's ideas. If the sales representative reacts there as she is likely to do in the U.S., for example, by telling a joke, the listeners may consider themselves insulted. International business negotiations, therefore, should be carefully prepared and planned. (Chapter 13 will elaborate this issue in some more detail.)

Culture has an impact on formality and readiness to compromise in business negotiations   © Brand X Pictures/Alamy

TABLE 5.2 *Protocol dos and don'ts*

When is the right time to act friendly? Or reserved? It is tough to know which stance to take without doing your homework first. In 1990, Dorothy Manning of *International Business Protocol* suggested adhering to the following dos and don'ts when in these respective countries. Find out if those rules of behavior are still valid more than 15 years later. What has changed?

Great Britain

DO hold your fork (tines pointed down) in the left hand and your knife in the right hand throughout the meal
DO say please and thank you – often
DO arrive promptly for dinner, 10 minutes late is acceptable, but 10 minutes early is not. And if invited to a British person's home for victuals, DO bring a gift for the lady of the house, but DON'T bring white lilies; they are a bad omen
DO make appointments well in advance. The British are religious about keeping their calendars
DO offer your "mates" (friends) a cigarette when pulling one out for yourself, but DON'T smoke until after the toast to Her Majesty's health
DON'T ask personal questions. The British protect their privacy
DON'T gossip about royalty
DON'T stare in public
DON'T wear striped ties lest they are copies of British regimentals

France

DO be punctual for appointments. DO shake hands (a short, quick pump) when greeting, being introduced and leaving. Only close friends kiss cheeks
DO address all women over 21 as *madame*, whether they are married or not
DO dress more formally than in the U.S. Elegance is *de rigueur*
DON'T expect to complete any work during the French two-hour lunch
DO ask your host to recommend something from the menu
DO keep your hands visible at all times
DO eat everything on your plate
DON'T smoke before eating or between courses
DON'T chew gum
DON'T try to do serious business during *les vacances* (the vacation season from mid-July until the end of August)

Italy

DO write business correspondence in Italian for priority attention
DO make appointments between 10am and 11am, or after 3pm
DO meet for a strictly social lunch or dinner and nightclubbing with Italian associates and spouses
DO stand when an older person enters the room
DO observe the *passeggiata* – dress in your finest and stroll on the piazza between 6pm and 8pm to see and to be seen
DON'T eat too much pasta, as it is not the main course
DON'T get drunk. Drinking wine is a ritual; expect constant refills
DON'T hand out business cards freely. Italians don't use them much

Spain

DO write business correspondence in English, unless your Spanish is impeccable
DO take business lunches at 2.30pm and dinner at 9pm or 10pm. Be prepared to dine until midnight, later if chatter flows
DON'T feel offended when interrupted in conversation. Your host is not rude, but interested
DON'T expect punctuality. Your appointments will arrive 20–30 minutes late
DON'T make the American sign for 'okay' with the thumb and forefinger. In Spain, this is vulgar
DON'T pay for a male colleague's lunch if you are a woman
DON'T discuss bullfights
DO talk about American lifestyle, sports, and politics

Readiness to compromise

Readiness to compromise is perceived as a signal of democratic attitudes, of goodwill and "fair play" in the U.S. In many Latin American countries, making concessions to negotiation partners is positively valued as signaling honor, integrity, and grandeur. In Russia, however, a concession is perceived as a weakness: To give in to a demand means losing control over one's own will and giving in to the will of the other.

Goal directedness

Japanese prefer a negotiation style called *haragei*, in which all aspects of a problem are discussed again and again in order to gain a "holistic" view of the issue. North Americans, in contrast, prefer to "come to the point" immediately, because they want to negotiate in an "efficient" and "systematic" way. This strive for efficiency is interpreted as pushiness by negotiators from other cultures. It also leads to starting negotiations at levels close to what the negotiators plan to achieve, whereas in countries such as Brazil or China as well as in Arab countries negotiators love to haggle and, therefore, start negotiations with exaggerated positions.

Organizational versus individual objectives

Western European, Japanese, and U.S. negotiators feel primarily obligated to reach their companies' objectives. In contrast, Indian negotiators tend to focus on the realization of their individual goals such as power, prestige, or personal satisfaction.

Emotionality

Latin Americans and negotiators from countries around the Mediterranean tend to show their emotions during negotiations. Brazilians talk at the same time and touch their negotiation partners. Arabs raise their voices. More harmony-oriented cultures, such as many Southeast Asians, prefer to keep respect and coolness. Chinese negotiators even allow for longer periods of absolute silence and wordless reasoning during negotiations. This is very difficult to accept for negotiators from western industrialized countries who are used to a constant flow of discussion.

Formality

U.S. negotiators are most characterized by informality and equality in human relations. Titles have no place in mutual addresses, and the negotiation partner is preferably called by his or her first name. This leads to misunderstandings on the part of central European or Asian negotiators who are used to highly formal addresses with titles. They consider negotiation partners using their first names as wanting to express their personal closeness and not to be overly tough. In Japan the status of the interacting persons dictates the flow of negotiations. And in Arab cultures social interactions follow strict rules, which have to be known to foreign negotiators who want to be successful.

Personal trust

In countries where individualism dominates, such as in the U.K., the Netherlands or the U.S., personal trust does not play an important role for starting serious business negotiations. It is expected to develop during negotiations. Sometimes close personal relationships are even considered as a barrier to achieving business goals. In contrast, personal relationships play a major role in highly collectivist countries, such as Brazil, Japan, Malaysia, or Thailand. Personal trust is a precondition to serious business negotiations in countries such as China or Mexico where the legal system is not considered as an efficient or socially acceptable shelter against cheating.

Sources: Graham, J.L. and R.A. Herberger (1983) "Negotiators abroad – don't shoot from the hip", *Harvard Business Review*, 61, July–August, pp. 160–68; Herbig, P. and H.E. Kramer (1992), "Do's and don'ts of cross-cultural negotiations", *Industrial Marketing Management*, 21, pp. 23–31; Leung, K. and Wu, P.G. (1990) "Dispute processing: A cross-cultural analysis", in R.W. Brislin (ed.) *Applied Cross-Cultural Psychology*, London: Sage

Managers feel most comfortable in their own cultural environments. A particular approach that works very effectively at home, however, could turn into major problems abroad. For example, in Germany, Scandinavia, and the U.S., business negotiations may be started without having established a personal relationship beforehand. Negotiators rely on their competence and experience. The results of

Greece

DO be prompt, but DON'T expect punctuality from your hosts

DO distribute business cards freely so people will know how to spell your name

DO eat appetizers with your fingers. DO eat a great deal

DON'T be surprised or offended if the Greeks ask personal questions; it is a sign of interest

DON'T expect to meet deadlines. A project takes as long as the Greeks feel is necessary

DON'T discuss Turkey or Cyprus

DON'T risk insult by waving with an open palm. To wave hello, raise the index finger while keeping the palm closed

DON'T address people by formal or professional titles. The Greeks want to be closer than that

Source: "Protocol Dos and Don'ts", *TWA Ambassador*, October 1990, p. 69

Business relationships

Depending on the cultural background, managers tend to feel to different degrees the necessity of building and maintaining close relationships with stakeholders from the firm's operating environment, such as suppliers, intermediaries, customers, administrators or media, as well as with its personnel.

Communication context The varying importance given to relationship building in different cultural environments is partly due to the importance of the communication context in those cultures. In some cultures messages are explicit; the spoken or written words carry most of the information. In other cultures, part of the information is contained in the verbal portion of a message, but the remainder is in the context, that is, the setting, atmosphere, the status and power of communicators, gestures, and other nonverbal communication. Thus, cultures can be ranked on a continuum from "high context" at one end to "low context" at the other. Figure 5.5 ranks various national cultures from the standpoint of reliance on the communication context.

Managers from high-context cultures prefer doing business with people who are known and have a high status. To get to know new potential business partners, they use pre-negotiation or pre-transaction rituals, such as business visits by varying delegations, sightseeing tours, or dinners including heavy drinking. Managers from high-context cultures have a lack of haste: Time spent in building business relationships is not seen as diminishing efficiency. Informal, personal agreements are much more important than contractual, formal agreements.

TABLE 5.3   *Cultural differences in business negotiation behavior*

Culture has an impact on conflict handling, readiness to compromise, goal orientation, predominance of organizational or individual objectives, emotionality, formality, and importance of personal relations in business negotiations.

Conflict handling

French, German, and U.S. negotiators prefer direct confrontation when conflicts of interest exist. In other cultures, such as the Japanese or Chinese cultures where it is important to let all negotiators keep "face", potentially explosive negotiations are handled with respect and modesty. In the Middle East conflicts of interest are not subject to negotiations between business delegations. Conflicts are handled by middlemen who are fully trusted by both sides.

internationally operating manager to meet differing ethical standards in a multicultural environment. Different cultures use different terms, such as *baksheesh* in Arabic, *mordida* in Mexico, *chai* in East Africa, *dash* in Nigeria, *omaggi* in Italy, *on* in Japan, and give them different, culture-dependent meanings. For example, *mordida* in Spanish literally means "the bite" which is more of a "gift" or a "consideration." The English word "bribe" would translate as *sobornar*.

In general, U.S. criticism concerning bribery is met with the response that U.S. managers have a very simplistic view of the world, based exclusively on their culture. Other cultures view such activities as gifts, considerations among friends who need each other's support and help. Ethics box 5.1 goes into more detail concerning culture-specific views of corruption.

Some countries, such as India, are well known for "requiring" small payments if customs officials are to allow goods to enter the country. While this may indeed be a bribe and illegal, the ethics of that country seem to allow it (at least to a certain extent). The company is then left with a problem:

- Do they bribe the official?

- Do they cooperate with a local partner who pays the proper amounts to the right people in time?

- Do they wait for normal clearance and let their products sit in the customs warehouse for a considerably longer time?

Fees and commissions paid to a firm's foreign representatives or to consultant firms for their services are a particular problem – *when does the legal fee become a bribe?* One reason for employing a foreign representative or consultant is to benefit from his or her contacts with decision makers, especially in a foreign administration. If the representative uses part of the fee to bribe administrators, there is little that the firm can do. For example, Munich-based Siemens, the Japanese firms Marubeni and Tomen, the U.K.'s BICC, and Italy's Pirelli were barred from all public orders in Singapore until 2001 because of corruption accusations. The consultant Lee Peng Siong had paid bribes to Choy Hon Tim, vice-president of the state-owned utilities concern PUB, to obtain secret information concerning

FIGURE 5.6   *United Colors of Benetton*
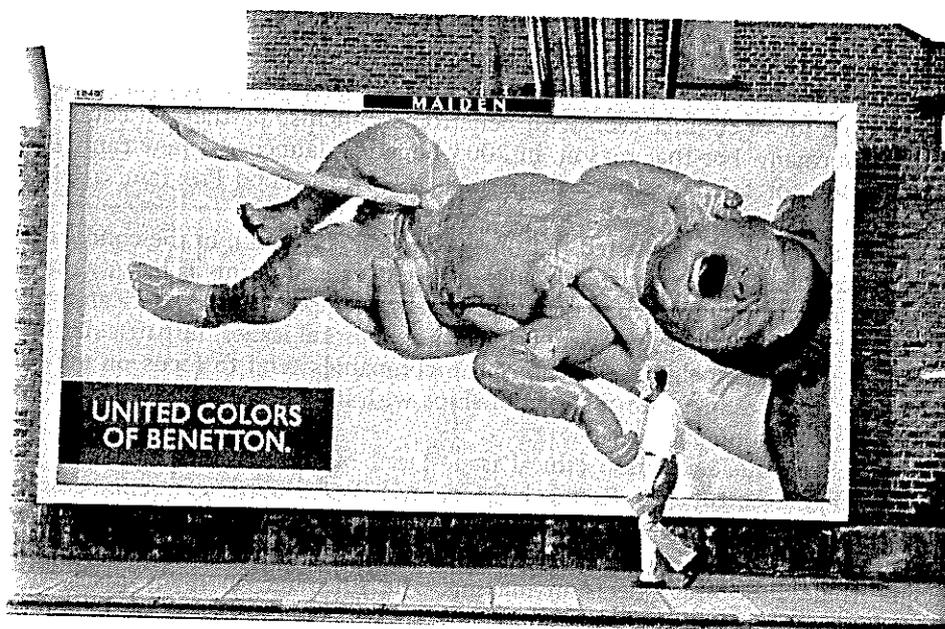
the negotiation process are laid down in detailed contracts. A personal relationship between business partners may develop over time when a one-time transactional exchange turns into repeated relational exchanges. Businesspeople acquainted with such a culture may encounter major problems when they come to China, South Korea, Japan, or Arabic countries for the first time. There, a certain level of personal trust needs to be established before meaningful business negotiations can be started. That is, personal relationship building comes before business negotiations. For that reason, negotiations between potential business partners who have not had previous contact are slow and ritualistic. By way of contrast, specifying the results of the negotiation in an extensive contract does not seem very important.

Family ties and friendship Besides the importance of the communication context, the importance a culture attributes to family ties and friendship strongly influences building and maintaining business relationships. The Chinese, for example, are well known for their strong family ties in business. For instance, when a European marketer of spices wants to buy raw materials in Malaysia, it may first get in contact with a Chinese wholesaler in Singapore. Not content with the prices asked by the wholesaler, the procurement manager may travel to the plantations where the spices are harvested. A Chinese owns or at least runs them. When the manager has negotiated a contract at an acceptable price, shipment has to be arranged. And again, the manager encounters a Chinese entrepreneur. By the time the spices have arrived in Europe, they cost more than the wholesaler in Singapore would have charged. One thing has become evident: The entire chain of production and logistics, including intermediaries, is dominated by the Chinese. But more important, they are either members of a single large family or very loyal friends. For the customer, it is often less expensive and time consuming to rely on their entire business network than to try, in vain, to establish their own supply chain.

Similar situations have been encountered by western marketers when entering the Japanese market. There, the distribution system traditionally not only contains many more layers than in western industrialized countries, but it is also rather difficult to get access to distribution partners because of their long-term and very close business relationships with local suppliers.

Internal relationships

The success of international marketing largely depends on the quality of relationships with the firm's external stakeholders. But marketing managers also need to make sure that internal relationships allow the implementation of

FIGURE 5.5 "High-context" vs "low-context" national cultures
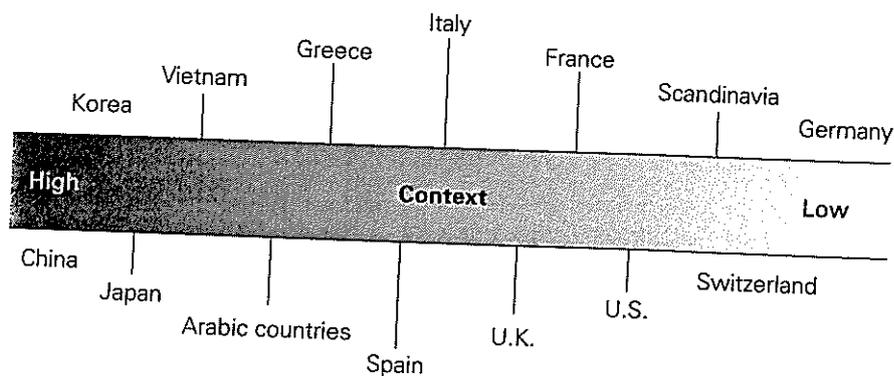
Depending on their reliance on cues from the situational setting, the characteristics of the people interacting, and all kinds of nonverbal cues for the interpretation of a verbal message, national cultures may be ranked on a continuum from "low-context" to "high-context" cultures.

strategies and actions. Companies in Europe trying to profit from the EU freedoms by expanding their business to neighboring countries must be particularly concerned about cultural differences concerning the conduct of business, because differences in management abound:

- *German managers* emphasize creativity, professional competence and coordination skills as key ingredients of organizational success. They tend to view the firm as a network of individuals who make appropriate decisions based on their professional competence and knowledge.

- *U.K. managers* favor interpersonal skills and the ability to influence others and negotiate effectively. They tend to view the firm as a network of relationships among individuals who get things done by influencing each other through communication and negotiating.

- *French managers* view the ability to organize and control as particularly critical. For them, the firm is a pyramid of differential levels of power to be acquired or dealt with. Success depends on the ability to manage power relationships effectively and to "work the system."

- *Italian managers* rely very much on hierarchical power, subordinates waiting to get orders from their leaders. But to keep the shop running, Italian managers, more than the rest, know how to informally maintain flexibility in bureaucratic structures.

When managers with such different views have to cooperate in one firm, considerable emphasis on personal relationship building may be needed to avoid major conflicts.

Business ethics

Every culture, ethnic, industry, organizational or functional, establishes a set of moral standards for business behavior, that is, a code of **business ethics**. This set of standards influences all decisions and actions in a company, including, for example:

- what and how to manufacture (or not)
- what wages are appropriate to pay
- how many hours personnel should work under what conditions
- how to compete
- what communication guidelines to follow.

The poster shown in Figure 5.6, for example, seemed totally appropriate to Luciano Benetton, the owner and manager of the Italian knitwear maker. But it stirred up a lot of conflict even with Benetton's franchise partners in countries such as Germany. For that reason, in 2003 Benetton launched a new campaign called "Food for Life," jointly realized with the World Food Program, a UNO agency.

Which actions are considered right or wrong, fair or unfair, in the conduct of business and which are particularly susceptible to ethical norms is heavily influenced by the culture in which they take place. For example, North American firms tend to emphasize ethical standards concerning internal issues, in particular fair treatment of personnel, whereas European companies tend to focus on ethical standards concerning the firm's relationships with its external stakeholders and the natural environment.

Perhaps the most common ethical issue faced by international marketers is how to handle corruption. Paying large or even small sums of money to administrators is considered unethical in many countries. Such behavior is almost always illegal, unless it is considered as what U.S. legislators term "grease" or money that "lubricates" decision making. The fine and, in many cases, not clear distinction between bribery and grease shows how difficult it can be for an

public projects. Siemens had used this consultant in a public power plant project, but they denied having paid any bribes.

Recent studies by the World Bank have found that corruption in many parts of the industrially developing world is "endemic," "systemic," and "pervasive," the norm rather than the exception. It is considered to be a leading cause for the failure of development programs in sub-Saharan Africa and other parts of the world, despite the investment of more than $1 trillion over the last 30 years. Since most aid is given as loans, the wasted funds burden the countries with unproductive debt.

Corruption is, of course, not the only ethical issue involved when a company is engaged in international marketing activities. Other ethical issues, such as child labor, working conditions on a par with slavery, intellectual property theft, environmental protection, and faked sales will be discussed throughout the book. Each chapter contains special ethics boxes discussing an issue related to the content of the particular chapter.

ETHICS BOX 5.1

What is corruption?

The word corruption comes from the Latin verb *rumpere*, meaning "to break." What is broken in the case of corruption is a moral or social norm of behavior, or, more often, administrative rules. To be broken, those administrative rules must be precisely formulated and transparent. A second element of the term corruption is that the administrator breaking the rules receives a favor in return for him/herself, the family, friends, his/her clan or party, or another social group. In addition, this favor in return must be seen as a direct "quid pro quo" for a special act of breaking a rule. This simple description of corruption shows that there are many sources of problems with "corrupt practices" in different cultural environments.

For example, in many countries legislation leaves tax allowances or granting import licenses to the decision of administrators. They are free to decide if an investment is "essential" or the import of a good is "necessary" for their country. The administrators are often the only authority to interpret the given cases. The greater the room for discretion, the greater is the opportunity to use it for personal purposes. Seen from that point of view, the easiest way to avoid corruption is to establish precise and restrictive regulations for administrative decisions. But experience has shown that often it is precisely too many regulations that are the breeding ground for corruption because of the resulting lack of transparency.

When social relationships in a society tend to be close, it may be rather difficult to establish proof of a direct "quid pro quo." There are too many exchanges going on among the people belonging to the closely knit social network. Delayed compensations, such as a substantial gift when the daughter gets married, and indirect reciprocity – that is, the establishment of balance in an "exchange" across a multi-person network – may inhibit the establishment of a provable corruption case. There does not even need to be direct contact between the people involved. Social norms ensure that the administrative decision maker gets adequate recompense in time.

And finally, social norms concerning reciprocation may be different from one culture to another. In an Indian village, for example, an attempt to establish an administration that works according to the (western) dissociation principle that personal relationships are not allowed to make any difference in administrative decision making would collide with the highly accepted social norm that family and friends come first. People expect administrators to treat their family and friends in a preferential way even if such behavior demands the breaking of administrative rules. A person refusing to act according to this dominant social norm would break that norm and be ousted. This may be one of the reasons why anticorruption reforms in some industrially developing countries demanding personal distance were broken before they had really started.

Source: Tanzi, V. (1995) "Korruption, Regierungsaktivitäten und Märkte", *Finanzierung & Entwicklung*, December, pp. 24f

Analyzing the cultural environment

Most managers, no matter where they are from, are culturally conditioned as proper personal and business behavior. But once cultural borders are crossed, tl rules change to a set of unknown ones, which are often difficult to understan Confronted with other cultures, the secure knowledge of how to behave, ho others behave, and how to market to them disappears. Therefore, an internation marketer assessing the attractiveness and viability of country markets needs establish a list of cultural factors that may influence the behavior of potential cu tomers and important stakeholders in the firm's product market(s). Based on th list, information can be gathered and used for a decision on:

⟩ which markets to consider further

⟩ how to adapt to the local culture

⟩ how to influence it.

Determining relevant factors of influence

To determine which parts of the considered country markets' cultural enviror ments have the most influence on the company's business, international marke ing managers need to analyze their product market(s). Starting from th dimensions of what to offer, to whom and how, the marketer may determin cultural factors of influence on each of the dimensions. Depending on cultur; characteristics, the benefits may be more or less relevant in different countrie; the applied technologies may have different meanings, and the target custome groups may be more or less substantive.

Self-reference criterion

When searching for important factors of influence from the cultural environmen the international marketer must be careful not to fall into the trap of the **self reference criterion**, that is, the unconscious application of one's own cultur; experience and values to a market in another culture.

Consider the following example. A U.S. marketing manager analyzing th Egyptian market would find that elaborate sales contracts play a very minor rol in that country. Applying the experience from the home market, the manage would evaluate doing business in that market as rather risky, because there is n("reliable" system of legal contracts and courts for cases of litigation. In Egypt however, giving one's word commits one to an agreement. This behavior stem; from the religious values of Islam, in which God holds people responsible fo keeping their word. An Egyptian who has never done business with U.S. sales people before and has never heard or read about their business habits would b(shocked by a request for a written contract. Such a request would be considerec an insult to a Muslim's honor. Both the U.S. and the Egyptian manager, uncon sciously applying their own cultural experiences, would arrive at erroneous inter pretations of the situation.

Application of the self-reference criterion to the analysis of cultural factors o: influence can never be entirely excluded. Every individual interprets their envi ronment based on former experiences. But, considering this as a given and th(dangers of taking erroneous decisions, the international marketer may take some precautions:

⟩ One is to let a foreign TV team produce a video about the firm's product market in its home country and show it to the managers analyzing other country markets. By recognizing what people from other cultures view as important characteristics of their product market and how they interpret them, managers can learn what to look for when assessing foreign cultural environments.

- Establishing multicultural teams for the process of country market assessment diminishes the danger of making conclusions based on one cultural view. In addition, the use of more than one language in such a team may lead team members to new insights, because the use of different terms may evoke different meanings.

- If such a multicultural team gets the opportunity to scrutinize their judgments by doing some of their work in the countries under consideration, awareness of potentially incorrect interpretations of cultural influences will become even stronger.

List of evaluation criteria

The final list of evaluation criteria for the cultural environments to be considered will be specific to the company and its product market(s). There are some general factors, however, that in most cases will be relevant for international market success:

- values and norms of behavior
- education
- language
- aesthetics
- social organization.

They will need to be considered by internationally operating companies. Education has already been discussed in Chapter 3. The potential impact of the other factors on international marketing is discussed in the following subsections.

Values and norms

An important indicator of culture is the values shared by individuals within a given social group or society. A **value** is an enduring belief that a specific mode of conduct or end state of existence is personally or socially preferable to alternative modes of conduct or end states of existence. Values influence customers' perceptions. They underlie social **norms**, that is, accepted rules, standards and models of behavior, that direct the search for information and alternatives in a buying decision process, and influence consumption as well as usage behavior. Therefore, an international marketer wanting to initiate and maintain exchange relations with specific customer groups needs to know the dominant values of its potential customers (relevant to the served product market) in each of the country markets under consideration.

Values potentially having an important impact on customer behavior are:

- based on religious beliefs
- concern work, achievement, and wealth
- related to risk taking and change
- related to consumption in general.

These values will be discussed in the following.

Religion

The dominant religious values in a society determine many other values and norms of behavior. Morality, etiquette, gender roles, and attitudes towards individual achievement and social change are all derived from religious values. Thus Confucianism in China, Shintoism in Japan, Islam in the Middle East, Africa and parts of Asia (see Map 5.1), Buddhism and Hinduism on the Indian subcontinent, and Judeo-Christianity in western Europe, North and Latin America as well as parts of east Asia have a strong influence on norms of behavior in those societies.
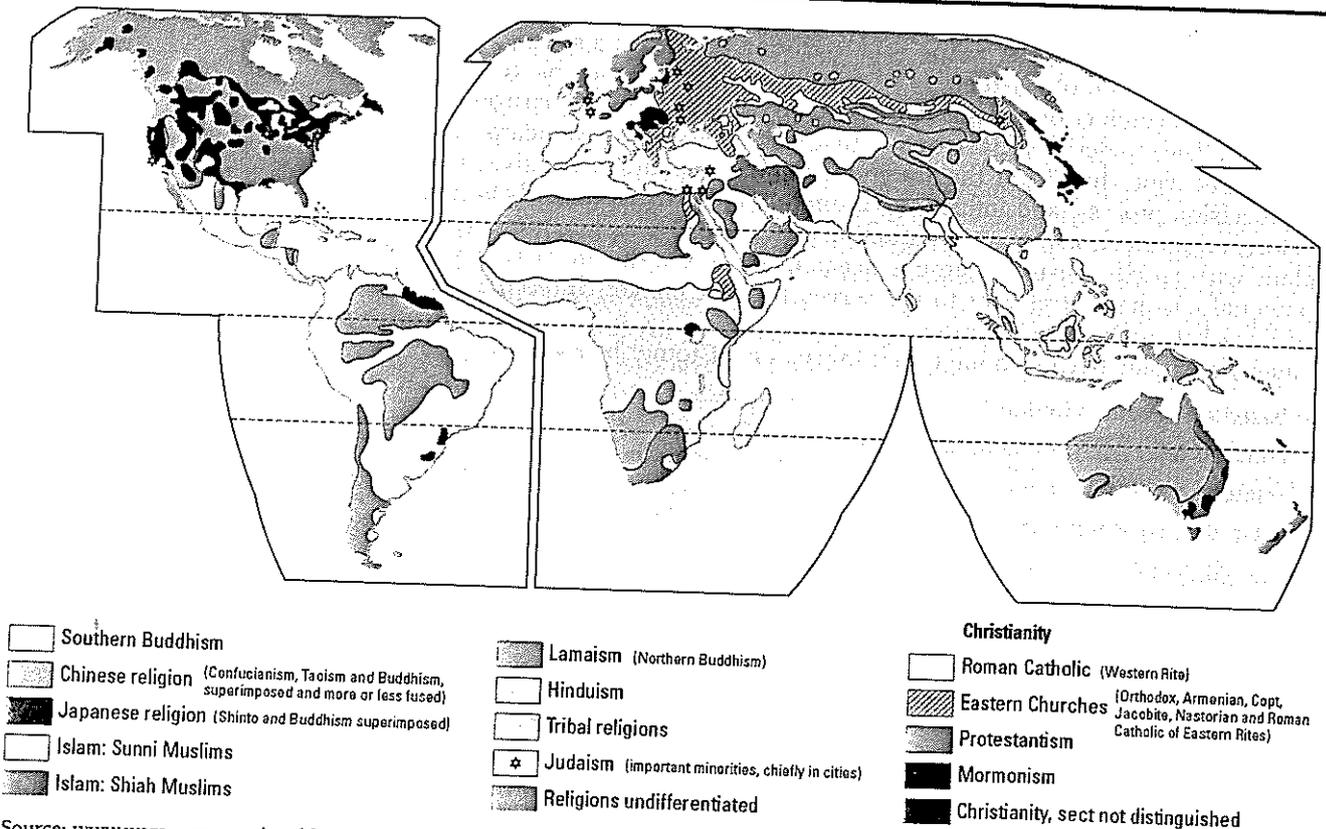
Toolbox 5.1 contains an example of how norms of acceptable behavior have to be accounted for in international marketing research.

Religion may help to boost international trade. For example, a good deal of the growth in international business of Utah, the U.S. state located in the Rocky Mountains, can be traced to the pervasive influence of the Mormon faith, formally known as the Church of Jesus Christ of Latter-day Saints. For more than a century, the Mormons have been sending their young overseas, mostly 19-year-old men dispatched for two-year stints in missions. Many of those young men go into business on their return, capitalizing on language skills and contacts developed over the years. For example, Evans & Sutherland Computer Corp. designs display systems for flight simulators. A cadre of former Mormon missionaries can speak Mandarin Chinese with the Taiwanese airforce, give presentations in German to visitors from Germany, and speak Hebrew with Israeli customers. But the Mormon faith also has its drawbacks in international business. In many Asian societies, for example, drinking at night over dinner is critical to smooth business relationships. Mormons do not drink liquor. Neither do strict Mormons drink tea or coffee, because they are stimulants.

Some conservative religious subcultures resist the quick introduction of new products. The Amish in the U.S., for example, do not use electricity or motor vehicles in their everyday life, which is dominated by agriculture. Muslims and Jews shun pork; Hindus refuse to eat beef.

But even in societies where active participation in organized religion is not high, the influence of religious values should not be underestimated in assessing the importance of this cultural element. The importance of success and achieve-

MAP 5.1 Religions of the world

Southern Buddhism

Chinese religion (Confucianism, Taoism and Buddhism, superimposed and more or less fused)

Japanese religion (Shinto and Buddhism superimposed)

Islam: Sunni Muslims

Islam: Shiah Muslims

Lamaism (Northern Buddhism)

Hinduism

Tribal religions

Judaism (important minorities, chiefly in cities)

Religions undifferentiated

Christianity

Roman Catholic (Western Rite)

Eastern Churches (Orthodox, Armenian, Copt, Jacobite, Nestorian and Roman Catholic of Eastern Rites)

Protestantism

Mormonism

Christianity, sect not distinguished

Source: www.wamware.com/world-religions/map.htm (27 April 2005)

ment goals differs among countries depending on the extent to which their dominant religions value individual economic achievement. For instance:

- societies with a dominant Protestant faith have traditionally been richer than others, partly due to the high value attributed to individual economic achievement which is considered a sign of having God's blessing

- Islamic societies (with the exception of oil-rich countries), contrariwise, have traditionally been rather poor. This is partly due to the religious belief that wealth is to be used to satisfy basic needs in moderation. Thus, material richness does not entail higher status or merit.

Many other patterns of behavior, such as gift giving at certain times of the year, are based on religious beliefs. They must be understood by international marketers in the process of evaluating the attractiveness of country markets.

Work, achievement, and wealth

Different cultures have different perspectives on work, achievement, and wealth. For example, Asian followers of Confucianism do not make a clear-cut distinction between work and play like that contained in the western ideas of "weekend" and "Sabbath." Such differences are not only reflected in the values and norms of consumers, they also have an impact on how business is conducted.

Importance of agriculture One significant factor in a society's perspective on work is the historical importance of agriculture in that society. Countries that are known to have a strong work ethic and motivation to succeed may owe these values to an economy historically based on agriculture. In such societies, hard work is less a moral issue than a prerequisite for survival. Even when its economy

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TOOLBOX 5.1   Doing focus group research with women in the Arab Gulf

In the Arab Gulf one has to be particularly careful to take into consideration the prevailing socio-cultural conditions when formulating the research objectives. Too often the attempts made by researchers to better understand what makes consumers "tick" are hindered by the embedded "kindness" of the Gulf culture. People in this region of the world are generally inclined to overstate their positive opinions and neutralize any negative opinions for fear of offending the person they are conversing with.

Conducting qualitative research with women in the Arab Gulf, however, is particularly challenging. Given the prevailing norms, it is often impossible to approach them for an interview. To organize successful focus group interviews, the focus group moderator, for example, must be female and have a personality to which the participants can relate. Most preferably the moderator is of a similar age and the same nationality as the respondents.

The recruiting practices followed in inviting female respondents to participate in focus group discussions are crucial. Unless the researcher carefully and discreetly screens the respondents before starting the research, discussions may be conducted among respondents of very similar demographic and social background. Too often, invited women express the desire to bring along another "eligible" woman (either a close friend or a relative).

Female focus groups should always be held in the casual and non-threatening settings of a private home. One-way viewing facilities or the videotaping of the discussion is highly inappropriate, particularly among local Arab women.

The discussion of sensitive personal or societal issues is very difficult in female focus groups. But this is also true for men.

Because of the large extent to which societal norms and expectations shape the provided responses, the person in charge of analyzing the transcripts should be preferably female with a good understanding of the social background and culture of the respondents.

Source: Adapted from Eid, N.C. (1999) "Market research with women in the Arab Gulf countries", *Marketing and Research Today*, pp. 52–7

becomes less dependent on the production of crops, the society may continue to value hard work. This may be true of an entire society or a prominent minority group, such as the Indians in Uganda, who are noted for their achievements in distribution and commerce.

Value of work How long people work is only one measure of the value of work in a society, but it does provide a basis of comparison. For example, compared to Japan and the U.S., but in particular compared to the newly industrialized and rapidly industrially developing countries of Southeast Asia, western European countries have lower weekly and yearly working hours. Western Europeans work about 25% less than U.S. citizens. They have a 35- to 38-hour week and enjoy 4–6 weeks' paid vacation compared to typically 2 weeks in North America. Over the years, U.S. businesspeople have learned not to schedule major business trips to Europe during July, August, or the end of the year, because their European partners or customers are likely to be on vacation during those months.

Change of values Like other cultural elements, values concerning achievement and work change over time (see Culture box 5.2). With increasing wealth, readiness to work hard and for long hours has declined in Japan. The same seems to be the case in South Korea, where an attempt by government and business firms

CULTURE BOX 5.2

Changing values in Asia?

Internationally operating firms, media, political liberalization, and increasing wealth together may be able to give rise to substantial changes of values in Asian societies. For example, Asian teens seem to have increasingly more individualistic rather than collectivistic values. They are more focused on personal growth rather than community growth, more focused on personal advancement rather than community advancement, both psychological and financial.

A study conducted in the end of 2001, interviewing 200 teens and 400 adults in each of 11 Asian markets, aimed at discovering how Asian teens and their parent generation rank personal values found that youth between the ages of 13 and 19 ranked values such as individualism, ambition, and freedom significantly higher than did adults between 40 and 65. For example, out of the total 57 values to be ranked in order of importance by the two groups, teens placed freedom at 12, while adults placed it at 23. Again, ambition found more favor with the young, ranking it at 16, while the older group placed it at 40.

The development of a hard work-intensive consumption subculture in a traditionally contempla-

tive cultural environment seems to be in sight. In India, for example, an increasing number of young people are rushing to make their way up. Today, India's middle class is about 200 million, a little more than 20% of the entire population. Fifty years ago, when India became a sovereign state, only 10 million, or 3% of the population could be regarded as middle class. The fast change in business and consumer behavior only started in the early 1990s when India somewhat liberalized its international business relations.

Asked about their models in life, the kids of the Indian success generation often mention the biggest U.S. firms in their sector of industry. They are ready to work very hard to achieve their goals: 12 to 15 hours a day. Hard work, stress, and job pressure are regarded as positive. To make money and to spend it are the most important activities of the early 2000s. One of the dominant rules is: Each one for him- or herself and against all others. Nothing is given, but everything may be achieved.

Sociologists call them the "ego generation," suffering from the give-me-more syndrome: More success, more money, more pleasure, more sensuality.

Source: Adapted from Parmar, A. (2002) "Global youth united", *Marketing News*, 28 October, 36, 1–2; Kungsawanich, U. (2001) "Sex, lies, and Generation Y", *Bangkok Post Outlook*, 11 April, pp. 1, 3; Voykowitsch, B. (1996) "Leben auf der Überholspur", *Der Standard*, Reportage, p. 3

to diminish production costs by increasing working hours has led to violent mass strikes.

Risk taking and change

A society's or a subculture's potential for change is strongly related to their members' flexibility. Flexibility, that is, the readiness to accept new, altered or different values and norms of behavior, is heavily influenced by education that takes place largely through the family and in school.

Tradition-oriented societies In tradition-oriented societies, family ties are very important. They tend to teach their children to do as their ancestors did, to be respectful of their parents' view of the world, and to accept the existing order. In such cultures, changes in values and patterns of behavior take much time. An international marketer will be better off adapting its goods and services and how they are offered to the way traditionally accepted by customers in those cultures.

Education in school School education may also have a strong impact on flexibility. Where the understanding of different reasoning patterns and value systems is emphasized, the chances that people are open to change are much better than in school systems where one view of the world – obviously the "right" one – and the mastery of subjects through knowledge of concepts prevail.

Acceptance of change The extent to which change is accepted in a culture affects the speed of product acceptance. Norms related to acceptance of change are often rooted in religious traditions, but they are influenced by the living conditions and material culture of a society. More economically advanced countries are usually characterized by greater acceptance of change than economically less developed countries. However, there are differences in the speed of adoption of new lifestyles and products within the group of most wealthy countries and their societies.

For example, baby boomers (that is, the generation now in their 50s) in Japan are a far less interesting target group than their peers in the U.S. Unlike their American counterparts, there were few rebels. Largely content to absorb their parents' values, Japan's baby boomers immersed themselves in their jobs. Growing up in a devastated postwar Japan, boomers did not always have a car. Therefore, they grew up aspiring to purchase a fancy sedan – and still do so. In contrast, the next generation grew up having a car and treating it as an appliance. They led the development of demand into minivans and sport-utility vehicles. They are the first demographic slice where more than 50% of women have a driver's license.

Change of habits A useful approach to the analysis of consumers' and organizational buyers' readiness to change their consumption, buying or user habits may be to examine the elements that influence the acceptance of an innovative product within a culture. Table 5.4 lists product characteristics that influence the diffusion of innovations and indicates whether they encourage or inhibit them. Such information can help international marketers understand the likelihood of acceptance of or resistance to their products in a country market under consideration.

The value of this approach can be seen in the example of marketing microwave ovens internationally. Microwaves sell well in all countries where the rate of women taking an active part in the official workforce is high. To many consumers in the U.S. and in western parts of Europe, the advantage of the product is easy to communicate: It saves time and does not demand that all family members eat at the same time. In countries where the buying decision makers do not usually do the cooking themselves, because they are mostly males or because they are affluent enough to afford a cook, such as in many Latin American countries,

communicating the product's relative advantage compared to conventional cooking may be rather difficult. Sales of microwave ovens are likely to be lower, even among consumers in similar income groups. The international marketer will need to find other advantages of its product that are relevant to the local culture, perhaps prestige or energy savings.

Risk taking For more affluent consumers, the financial risk of poor product performance is relatively lower than is true for low-income consumers. They may be more inclined to experiment with new offers from international marketers. But financial risk is not the only factor influencing customers' readiness to change. For example, Germany, Europe's largest country and one of the most affluent countries in the world, had only 11.6 million (up from 3 million in 1996) Visa cardholders (Visa was the market share leader together with Eurocard) in 2004, compared with 13.6 million (up from 11 million in 1996) in the less affluent U.K. and 36.8 million in Spain. Germans prefer to pay their bills with debit cards, bank transfers, and, most of all, cash. German customers tend to pay their credit card bills immediately rather than using the borrowing privileges. That means banks have to make their money almost exclusively on fees charged to merchants, instead of on interest paid by consumers. Such behavior may be associated with a deep-seated value that debts are an evil accompanied by all kinds of risks.

Perceived risk In analyzing those risks potentially inhibiting international marketing success, the concept of perceived risk, which is cross-culturally valid, appears to be useful: When faced with a choice situation, both consumers and organizational buyers perceive varying levels of risk due to two factors.

1 they may be uncertain whether the chosen object will meet their objectives

2 they may be concerned about the consequences of the object's failure to meet those goals.

Depending on their goals and the potential consequences of failure, customers may perceive the following kinds of risk:

TABLE 5.4 Product characteristics affecting product diffusion

Product characteristics can either encourage or inhibit the rate at which a product is adopted by a social group.

Relative advantage (encourages)	Degree of product superiority
Ease of testing (encourages)	Degree to which the product can be tried at low financial, personal, and social risk
Ease of communications (encourages)	Degree to which relative advantage can be quickly and easily understood
Compatibility (encourages)	Degree to which product use is consistent with current consumption patterns
Complexity (inhibits)	Degree to which the customer finds the product difficult to understand

Source: Based on Rogers, E.M. and F.F. Shoemaker (1971) *Communications of Innovations*, 2nd edn, New York: Free Press, pp. 22–3

- ● physical (harmful to health)
- ● functional (non-performance)
- ● psychological (negative effect on self-image)
- ● social (embarrassment in front of others)
- ● financial (loss of money)
- ● time (time wasted in product search)
- ● environmental risk (consumption/use of the product causes harm to the environment).

International marketers can employ the concept of perceived risk in understanding buyer and consumer behavior in different cultural environments. However, they must be aware that customers can reduce perceived risk in different ways across national cultures and subcultures. Strategy box 5.1 illustrates how international marketers may be confronted with perceived physical and environmental risk and what they can do about it.

STRATEGY BOX 5.1

Of greens and American beans

Monsanto, a U.S. chemical and biotechnology company, had difficulties persuading Europeans to buy its new, genetically engineered soybeans. The company's beans are engineered to be resistant to Roundup, a herbicide that accounts for around half of Monsanto's operating profits, and that kills normal soybeans.

U.S. consumers have barely batted an eyelid at the product's introduction. In Europe, environmentally and health conscious consumers have argued that the new soybeans have not yet been properly tested and that the plant's genes could cause unforeseen problems in future. In May 2000, as a spokesperson for European consumers, the Prince of Wales said on the BBC: "Above all, we should show greater respect for the genius of nature's designs, rigorously tested and defined over millions of years. This means being careful to use science to understand how nature works, not to change what nature is, as we do when genetic manipulation seeks to transform a process of biological evolution into something altogether different." As a result, the German subsidiaries of both Nestlé and Unilever, the two European food giants, decided not to use genetically modified soybeans in their main products. And a host of European food retailers asked for the new beans to be kept apart from ordinary ones, so that consumers can choose whether or not to eat them.

The EU banned genetically manipulated food from its markets in 1997. Imports were forbidden in 1998. In July 2003, EU agriculture ministers followed a decision of the European Parliament opening the market for genetically altered products under the condition that they are clearly marked. Monsanto has said that this would be impractical and costly. In 2005 U.S. corn exporters were complaining because they were not allowed to sell their corn, which was still not adequately marketed in EU markets.

One of the few successful biotech foods in Europe is a genetically engineered tomato invented by Zeneca, a British firm. The tomato, which went on sale in early 1996, has captured 60% of tomato paste sales in big British supermarket chains – but only after an intensive campaign to make consumers aware of its safety and benefits. Moreover, consumers have been presented with a choice between the old and new style tomato paste.

The conclusion from the two companies' experience is, first, that it pays to spend time and energy educating consumers before introducing a largely new product. And, second, that it is easier to introduce genetically engineered food when it is simple and cheap to distinguish it from unmodified products.

Source: "USA rufen WTO im Streit mit der EU um Genfood zu Hilfe", *Der Standard*, August 2003, p. 19; Roush, R. (2002) "Europe reverses position to support genetic engineering", *GENTECH Archive*, 28 January; "Of greens and American beans", *The Economist*, 4 January 1997, p. 62

Product adoption Independent of the ethnic culture, there are always some individuals who are more inclined to adopt new ways of thinking and behaving than others. For an international marketer assessing the attractiveness of various country markets, it may be of interest, therefore, who the potential innovators are in the firm's product market in a country, what purchase power they represent, and how much influence they have on the behavior of the remaining potential customers.

A useful framework for such an analysis is the product-adoption process described in Toolbox 5.2.

One major advantage of applying the product-adoption framework to cultural analysis is that it forces the marketer to consider the specific characteristics of potential buyers along with cultural influences on them. Early adopters tend to be relatively abstract in thinking and forward looking in orientation. But early adopters are also influenced by their ethnic culture, the subcultures they belong to, and the industry and company cultures. For that reason, a potential early adopter of Finmet (a new process for steel production) in China will have different characteristics from an early adopter of the same technology in Russia. Those differences might make it more or less difficult for an international marketer of metallurgical engineering such as VAI to introduce the new process technology there. The resulting assessment of market attractiveness will also be different.

TOOLBOX 5.2   Product-adoption process framework

Individual customers are differently inclined to buy new goods and services. Knowing the adopter categories in a company's local product market, and their characteristics, helps the international marketer to assess the attractiveness of the country market.

The product-adoption process framework classifies potential customers into five categories: Innovators, early adopters, early majority, late majority, and laggards (see Figure 5.7).
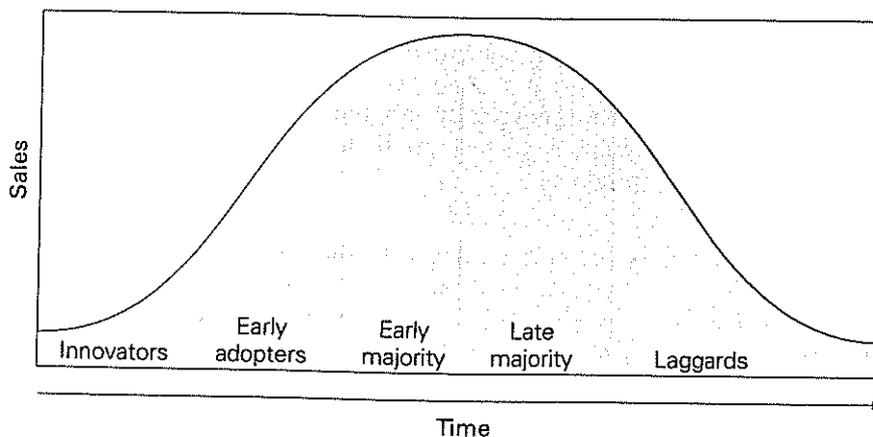
Customers may not belong to the same category for every product. Early adopters of the latest production equipment, ever eager to cooperate with suppliers in the development of such equipment, may be much more reluctant to buy the latest office equipment or marketing consulting services, for example. Therefore, the customer groups in the framework have to be researched for each product category separately.

Source: Rogers, E.M. (1995) *The Diffusion of Innovations*, 4th edn, New York: Free Press, p. 262

FIGURE 5.7 *Product-adopter categories*

Innovators | Early adopters | Early majority | Late majority | Laggards

Sales (vertical axis), Time (horizontal axis)

Individual customers are differently inclined to buy new goods and services. Knowing the adopter categories in a company's local product market, and their characteristics, helps the international marketer to assess the attractiveness of the country market.

Source: Rogers, E.M. (1995) *The Diffusion of Innovations*, 4th edn, New York: Free Press, p. 262.

Consumption

Basic values concerning the importance of material possessions (to "have" something) versus ideal possessions (to "be" something) strongly influence the consumption patterns in a country. In materialistic societies or subcultures, people express their self-image, their status, and their success in life by the goods and services they buy and consume.

Pleasure seeking Pleasure seeking is positively valued in most affluent societies and in affluent subcultures of less industrially developed countries. Buying trips may be a means of entertainment for consumers. German consumers, for example, are seeking pleasure when they buy fashion. In Europe, they are second only to Italian consumers in hedonism. A great part of their leisure time is taken up in finding clothes that fit them well and products that they enjoy. U.S. consumers, in comparison, are traditionally looking more for comfort and simplification of everyday life. Time-saving goods and services are attractive to them. Many Germans plan their buying trips ahead, whereas U.S. consumers tend to be more spontaneous. They buy when they are in the right mood. Wealthy Indian, Iranian, or Tunisian consumers take planes for buying and leisure trips to big European and U.S. cities. Business travelers to Tehran, for example, may encounter women boarding the plane wearing a *chador* (the black Persian women's dress that covers the entire body, including her face), disappearing into the toilets, and coming back to their seats wearing the latest western fashion clothing, before the plane has taken off from Tehran airport.

Importance of services The most affluent parts of society in the EU countries are less concerned with material possessions; these have become a matter of course to them. Services have increasingly taken their place. A study conducted among affluent women in France, Germany, and Italy, for example, showed that they are very interested in taking care of themselves by going to the hairdresser or a beauty parlor, playing sport, or going on a diet. Even more important to them is having time for themselves: going on vacation or away for the weekend, artistic activities, drawing or writing, meditation, yoga and psychotherapy, or simply doing nothing. There are differences between the various nationalities. French women leaders are more interested than other European women in culture, reading, writing and drawing. Italians like to shop more than other nationalities. German women consider that taking care of oneself equals doing nothing.

Health and nutrition With increasing wealth, consumers also become more concerned with health and nutrition issues. This concern creates numerous opportunities for international marketers. However, it should be borne in mind that different cultures define health differently, and these differences affect the types of products that can be marketed successfully in a given culture. For example, U.S. consumers spend around $100 billion a year, or one-third of their total food-store expenditure, on low-calorie, low-cholesterol foods. This is considerably more, both in total and as a proportion of food purchases, than is spent on such products in any other country. Greeks, Italians, and Spanish eat considerably more fruit and vegetables than other consumers in western industrialized countries, and have a significantly lower rate of heart attacks than the U.S. and northern Europe.

Savings Even consumption versus saving rates are influenced by culture. U.S. culture largely supports the "pursuit of happiness" (guaranteed to every U.S. citizen by the country's constitution), which – from a materialistic point of view emphasizing short-term orientation – means consumption. As a result, saving rates in the U.S. are three times smaller than in Japan, where longer term orientation

supports saving and self-sacrifice for the long-term good. This leads to economic consequences, as discussed in Chapter 3.

Communication

Differing values between the cultures of potential customers and the culture of the marketer are not the only source of many problems in international marketing. A second very important factor of influence on business success is the existence or non-existence of shared symbols. **Symbols** are abstract characters that represent ideas, feelings, and other contents of communication. The message transmitted by a particular symbol or a combination of symbols, however, often changes from one ethnic culture to another. For example, snakes symbolize danger in Sweden. In Korea, they represent wisdom. A Korean company that uses a snake as its corporate symbol should expect some difficulty with its public image when entering the Swedish market.

Communication may be:

- *direct*, during social interaction
- *indirect*, through the use of media.

It may use verbal, para-verbal, and nonverbal expressions. In Korea, for example, there exists the concept of *kibun*, which is very important for interpersonal communication, but is unknown in western cultures. Kibun means something like "feeling" or "mood." And Koreans know that they should interact in a way that addresses the "kibun" of their partner if they want to build a relationship or keep it going.

Language

The most important symbols of human beings are their language. Language is much more than a formal written and oral structure of symbols that permit communication. It is an essential element of culture. Understanding another language not only allows one to conduct business in that language but, perhaps more important, it also provides some insight into the social organization, the values, and the way of thinking of those who speak it. Even if a great number of businesspeople in the world speak English to the extent that they can come to a deal, therefore, an international marketer should not rely on knowledge of English alone.

There may be even some resistance to the "English takeover." The Academie Française is fighting the introduction of more and more English terms into the French language. English is not allowed to squeeze out Portuguese in Brazil, either. São Paulo's Abril media group, for example, started a commercial online service in Portuguese in 1996. In Japan, despite students studying English for eight years, many people think that personal computers are advanced enough to run good *kanji* character programs easily.

Verbal expressions Verbal expressions may be hard to translate into another language, because the cultural frames of reference are not compatible. The Spanish *mañana* or the Arabic *bukara*, for example, are traditionally translated into the English word "tomorrow." But their real meaning is something like "sometime in the future." This difference in meaning may result in an important misunderstanding when it comes to carrying out projects "in time" in countries speaking Spanish or Arabic. The Japanese *hai*, as another example, is literally translated into the English affirmative "yes." Its meaning, however, is more like "yes, I have understood" than "yes, I agree." When negotiating with Japanese business partners, this slight difference may result in major misunderstandings concerning the progress of mutual consent.

Multilingual markets From the international marketer's perspective, a complicating factor related to language is that few countries are monolingual. In most countries several dialects are used, and in some countries several languages are spoken, often reflecting entirely different cultures or subcultures. Switzerland, for instance, has four major language groups: French, German, Italian, and Romansch. And despite the fact that the people speaking those languages founded Switzerland some centuries ago, even today they represent clearly different ethnic cultures.

The dominant languages spoken in India are Hindi (about 30% of the population) and English as the country's official language. Fourteen other languages, such as Bengali and Marathi (both about 8% of the population), are recognized across regions. Besides many others, such as Nepali or Mizo, that are recognized as official local languages, there are many languages that are not officially recognized. An international marketer who wants to reach more than the well-educated population of India, therefore, may be forced to communicate in many different languages.

MAP 5.2 *Selected major language groups of the world*

The languages of the world are quite diverse. This map illustrates major language groups in the world, and shows how widely diverse a geographic area those languages cover. What it does not illustrate, however, is how concentrated those languages are. English, for example, is the first language of some 320 million people. Hindi (Indo-Aryan group), one of the major languages of northern India, is spoken by about the same number of people, but within a significantly smaller geographical area.
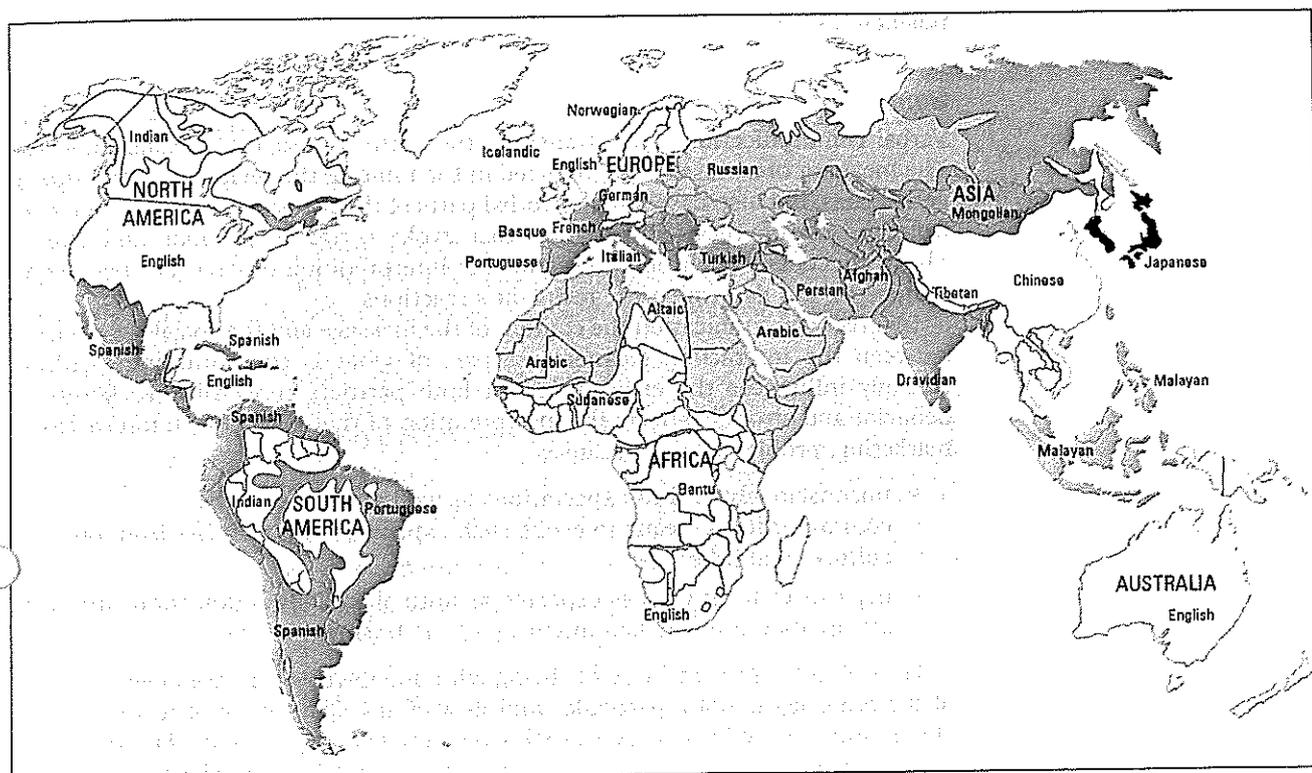
Altaic and Tungus (includes Turkish and Mongolian)	Sudanese
Sino–Tibetan (includes Chinese)	Japanese and Korean
Germanic (includes English, Dutch, German)	Indo–Aryan and Dravidian
Romanic (includes French, Spanish, Italian, Portuguese, Romanian)	Hamitic and Semitic (includes Berber, Cushitic, Arabic, Hebrew)
Slavic (includes Bulgarian, Croatian, Czech, Polish, Serbian)	Indian language families (North and South American)
Bantu	Persian
	Malayo–Polynesian

Differences in meaning Even a single language spoken in more than one country may have differences. Too often, businesspeople in countries that share a language are not prepared for communication difficulties. For example, when a U.S. participant in a business meeting suggests "tabling a motion," the mover wants to postpone discussion; but U.K. participants will think that the person wants to begin discussion. In Australia, the suggestion of a U.S. manager to have "regular meetings" would lead to some surprise. North Americans use the term to mean normal, or acceptable: for example, "regular coffee." In Australia, the word is used in a different way. The closest Australian equivalent to "regular guy," for example, would be "mate."

Para-verbal communication

Para-verbal communication, that is, how speakers intonate their sentences and modulate their voices, is also culture specific. It leads to certain interpretations of the communication content or the communication situation. For example, the typical extent of pitch modulation of an "educated speaker" in the U.K. is negatively loaded in other cultures. It is interpreted as a signal of the speaker's affectedness. In some African and Arab cultures, the volume of voice is used to regulate the sequence of speakers: the one who speaks loudest has the greatest chance of being listened to. In Europe, simultaneous loud speaking by a group of people is interpreted as an indicator of dispute. The personnel of international marketers need to be trained in the proper interpretation of such signals in order to be able to understand the meaning of communication in the cultures they want to do business in.

Nonverbal communication

Verbal communication rarely transmits the entire message of a communicator. The meaning of a message is produced in the mind of the recipient, partly due to verbal cues, but also based on nonverbal parts of the message and additional cues from the communication situation that evoke certain cognitions and affects. Those affects and cognitions serve for the interpretation of what has been communicated and determine the recipient's reactions.

In direct communication the content of the message and the social relationship between the interacting partners are part of what is communicated. Culture strongly influences the expectations of both partners concerning each other's behavior and strongly affects the interpretation of that behavior. In international marketing, problems arise because;

- unconsciously evoked expectations as well as the nonverbal communication means to evoke such expectations may differ from one culture to another

- departures from what is expected as normal in a communication situation are attributed to the bad intention of the business partner.

For example, a relaxed way of sitting with one lower leg crossed over the knee of the other leg is not a particular indicator of any specific social relation in the U.S. In European cultures such a sitting position is interpreted as a lack of respect if the communication partners do not know each other sufficiently well to be socially equal. In communication with Arabs, showing the sole of one's shoe is an insult. And Thais feel insulted when communication partners cross their legs in such a way that the upper leg points in their direction.

Various types of nonverbal behavior are illustrated in Table 5.5. Each of these silent languages influences behavior within a specific culture.

Time The language of time is highly important to international marketers. The use of time for expressing certain meanings varies widely across cultures.

Indonesians, for example, show respect by arriving "late" for a meeting. This once caused the president of a Dutch company some considerable difficulty. Expecting visiting Indonesian guests to be punctual (the Dutch way of showing respect), he was put off by the tardiness of his visitors.

Similar misunderstandings can occur over the speed with which a meeting should approach the business topic or how long negotiations should take. For example, trying to force Japanese negotiators to reach an early decision is not only difficult but rude; it ignores the need of Japanese team members to reach a consensus before reacting to a proposal.

Space The concept of language of space is illustrated by how close to one another people stand or sit. Arabs, for instance, prefer to stand quite close to the person with whom they are speaking – uncomfortably close by North American standards. When a Canadian or U.S. manager automatically steps back to a more comfortable distance, he or she inadvertently offends the Arab business partner.

Similarly, in some cultures such as the Chinese, waiting in line means standing close together and jostling towards the front. U.K. managers, who come from a culture where one is expected to wait one's turn without crowding, may be driven crazy "crowding in line" in front of a Shanghai airport checkin counter.

Signs Finally, identical nonverbal signs may have different meanings. For example, when potential business partners in Bulgaria shake their heads they mean "yes," rather than the "no" as would be assumed by communication partners from western Europe. The trouble is that Bulgarian managers who have

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TABLE 5.5 Silent languages

Nonverbal communication accounts for a large amount of information received by a potential customer or a stakeholder. International marketers must take care to learn a culture's silent languages when conducting business in another country market.

Time	Appointments
	Deadlines
	Scheduling of people and events
Space	Size of office
	Location of office
	Furnishings
	Conversation distance
Things	Material possessions
	Interest in latest technology
	Personal connections versus material symbols of status, power, and respect
Friendship	Friends versus self as social insurance for times of stress and emergency
Agreements	Rules of negotiations based on laws, moral practices, or informal customs

Source: Hall, E.T. (1960) "The silent language in overseas business", *Harvard Business Review*, May–June, pp. 87–96

experience of western business partners might know about that difference and use shaking of the head in the sense of their western counterparts. Reliance on that nonverbal communication, therefore, would be rather ambiguous.

Context relatedness

The trap of using the self-reference criterion to interpret a communication or a situation is even more dangerous when confronted with nonverbal or para-verbal communication than with verbal communication. A manager traveling to another country expects differences in spoken language and even in some observable behavior. Differences in silent language are much less obvious. Nonverbal communication is largely unconscious, but has a strong emotional impact.

Much of the difficulty has to do with the extent to which communication partners rely on the context for determining the meaning of what is said or done. Businesspeople from east Asian and Arabic countries, for example, derive much of what is meant to be said from the communication context. Confronted with businesspeople from North America or the Germanic parts of Europe, who rely more directly on the spoken words themselves, emotional misunderstandings are commonplace.

But this problem may also arise in indirect communication. In cultures relying strongly on communication context, advertising campaigns are often highly visual and mood setting. How something is presented is as important, often more important, than specifically what is said. Japanese TV commercials, for instance, can be relatively informative with the inclusion of certain product information categories, such as packaging and performance. But they clearly avoid mentioning product benefits, guarantees and safety. Japanese marketers' media communications tend to be more intuitive, subjective, and human relations oriented, while marketers from Anglo-Saxon and Germanic cultures tend to be more logical, data and procedure oriented. Stressing company reputation is a more effective way to transfer the intended "feelings" to customers in Japan than detailing specific product attributes and quality. Directly addressing why somebody should buy the product, as is common in much of western advertising, would be perceived as an insult to the customer's intelligence concerning making a sound judgment. Japanese advertisers are also reluctant to use comparative advertising, which connotes a confrontational practice to denigrate competitors unfairly.

Intercultural training

Because of all the cited differences in communication, only intensive training may help internationally active marketing people to avoid major blunders in direct as well as indirect communication with potential customers. Such training must incorporate:

- cultural self-awareness, making marketers aware that one's own thinking and behavior are culture bound
- cross-cultural awareness, making them aware of culture-specific differences in the thinking and behavior of others
- communication awareness, making them aware of the limits of mutual understanding in cross-cultural communication even after intensive training.

The training should not be limited to knowledge transfer. To make it effective there must be important segments of practical experience training. Internationally operating firms such as German-based chemical firms Bayer and Hoechst or French Merlin-Gerin, a producer of switching panels, for example, train their employees in nationally mixed seminars and workshops to let them

directly experience the cultural differences in working style, delegation of responsibilities, communication, and handling of time.

This intercultural training has shown that German managers, for example, perceive the French style of doing more than one thing at once as less serious. In contrast the French criticize their German counterparts for tending to stick to their plans even in unforeseen situations. French managers have a more paternalistic style of leadership than Germans who prefer a more team- and facts-oriented style. When French managers make presentations in a way in which brilliant formulations are as important as proper facts, German managers think that they take too long to say very little. But French managers feel they are being treated as beginners when their German colleagues go into details of facts and related background information.

Aesthetics

Colors, forms, shapes, sounds – all that is considered attractive or unattractive in a given culture – constitute the aesthetics of a culture. They affect customers' responses to product, shop, and office design as well as labeling and packaging, and they help define what communication is appropriate in a country market. Therefore, the degree of potential product and communication standardization ss country markets is strongly influenced by the local customers' aesthetic preferences.

Meanings

Aesthetic preferences and the meaning of aesthetic expressions may be very different. For example, when John Player, the English cigarette brand, was to be introduced in Hong Kong, Marlboro was the leading brand there at the time, and John Player was positioned to compete directly against it. One of John Player's distinctive brand characteristics was its black box with gold trim. At the time, black dresses were the leading fashion item in many markets, including Hong Kong. Player's advertising agency decided that the best time for the product launch would be the Chinese New Year. An extensive introductory campaign was designed and executed. Samples were distributed, coupons were provided, and an expensive advertising campaign was undertaken. The result was disastrous. Not only did the product not sell well, people took the free sample packages to stores and traded them in for their usual brand. John Player had inadvertently violated the association of the color black with bad luck and bad fortune. The timing of the launch made matters worse. At a time when people were in a happy, festive mood, they were especially sensitive to the negative connotations of the color ck. The fact that black was popular among fashion-conscious consumers did not help John Player in its appeal to the mass market. Fashions are temporary and change rapidly. Underlying aesthetic preferences are enduring and change very slowly. John Player's marketer mistook one for the other and paid the price – market failure.

In Mexico, as another example, the color of one's underwear assumes added significance as a new year begins. Wearing yellow briefs or panties on New Year's Eve is traditionally believed to bring good fortune, while wearing red unmentionables is thought to bring luck in love.

International subcultures

Owing to the existence of subcultures, there are also international product markets in which very similar aesthetic preferences exist. Music, for instance, is particularly likely to have cross-cultural appeal. Jazz musicians such as Wynton Marsalis tour the world; for a long time the rock group ABBA was one of Sweden's leading exports; and an Australian entrepreneur signed an exclusive

contract to sell the recordings of Moscow-based Melodiya throughout the Asia Pacific Rim. The design of accessories such as Gucci bags, Étienne Aigner leather goods and Poiray jewelry, as well as the design of sporting goods such as Alfred Dunhill golf equipment, also seems to be attractive to customers all around the world. In assessing the attractiveness of various potential markets, the international marketer therefore has to consider carefully how the aesthetic features of its products may be received by the targeted customers.

Social organization

Social organization provides the framework of a culture. It includes virtually every aspect of how people live together from day to day, the assignment of social tasks, and how and why people join together to meet their shared needs. Because the social organization of a society is so basic in terms of what consumers and organizational buyers are expected to do or not to do, information on social organization is extremely important to international marketers.

An example of this can be seen in the definition of what constitutes a household and how many households there are in a potential market. In the U.S., for example, a "typical" household is a nuclear family – one or two parents and their children. In Europe, the Mediterranean countries – Greece, Italy, Portugal, and Spain – have higher proportions of family households and fewer one-person households. Scandinavian countries are more likely to have more non-family households and more one-person households. In Kenya, a typical household is an extended family – a nuclear family plus grandparents, aunts, uncles, and cousins.

Other aspects of social organization that are important to marketers are the roles people play within households and organizations, and the social groups to which they belong.

Social roles

Through defining social roles, culture largely determines who influences, makes and carries out purchasing decisions, as well as who actually uses goods and services. People's roles include their privileges and their responsibilities towards other people. Each one plays many roles in society – child, parent, sibling, student, worker, boss – and each of these roles causes needs and expectations potentially important to international marketers. For example, a woman playing the role of:

- a mother may buy consumer products for her children
- a partner to her husband may have the last word in the purchase of a family car, home furniture, or household appliances
- a procurement manager in a firm may be responsible for buying production raw materials and office equipment
- a host when inviting friends to go out for dinner needs to decide what restaurant to go to.

The complexity of social organization and the stability of social roles and relationships are related to a society's level of technological and economic development. For example, in Zimbabwe, women are almost excluded from participation in meaningful economic activities as owners or creators of wealth. Men have an entrenched absence of positive attitudes towards women and their capabilities. Women's status is reflected in the fact that a mere 18% of gross national income accrues to the rural population, comprising 64% of Zimbabwe's population – the majority of whom are women. In high-density urban areas women are no better off. Most of them work in cross-border trading, micro-manufacturing and vending. But the money they earn goes to supplement their husband's or family's

income. They are unable to generate wealth for themselves. With an average take-home pay for urban dwellers of less than $50 per month compared to the basic cost of living of more than $65 per month, survival is the ultimate concern. Where social roles are strictly defined on the basis of gender and change in social roles is taking place very slowly, if at all, the international marketer needs to understand those roles in order to predict buying and consumption behavior.

In more economically advanced countries, social roles and relationships tend to be more ambiguous and dynamic. In the U.S., for example, gender roles have been rapidly evolving toward more individualized and less predictable forms. In Japan, where social norms based on Confucianism have long emphasized seniority among family members and the dominant role of the male, the level of well-being and happiness of the wife was considered second in importance to the well-being of other family members. In the workplace, female attractiveness was a highly appreciated trait. But Japanese women are increasingly dismissing the belief that women must remain at home and take care of the children. Since the 1990s the number of married women working in business organizations in metropolitan areas has exceeded that of married women working in the home.

The changing roles of women, in turn, are generating other types of change throughout society. For example, 70% of American women of working age are employed outside the home and need services such as childcare and household products that save time.

Social groups

When people join together formally or informally to reach shared goals and to meet shared needs, they create social groups. People's behavior in business situations is strongly affected by their previous experiences in such social groups: in the family, at school, and in different kinds of peer groups. In order to understand the behavior of (potential) customers and stakeholders in another country, managers of internationally operating companies should therefore acquire some knowledge about families and social relationships in their target markets.

Family From a cultural point of view, the family is the most powerful social group in any society. Within the family children learn what is important, what to believe and how to behave, including what needs are socially acceptable and how to satisfy those needs in the marketplace. As the discussion of values has shown, variations in the process and outcome of enculturation inside the family from one culture to another can have significant impacts on international marketing.

Peer groups As children grow up and go to kindergarten and school, they become members of peer groups, which have an increasing influence on their view of the world and their behavior. Such peer groups play the role of **reference groups**, that is, a number of related persons to whom an individual looks for guidance regarding behavioral norms. This guidance does not have to come from the group members themselves. They may follow the role model of a person highly attractive to them, such as a film or pop star; or they gather around the use of certain branded objects which give them the opportunity to differentiate their group from others and, simultaneously, to experience shared identity with the other users of the brand.

Individuals need not necessarily be members of their reference groups. Reference groups may also be:

> *anticipatory* (groups to which a person would like to belong)

> *dissociative* (groups the person would not like to belong to).

Reference groups are particularly important for international marketers in the case of products that are socially visible, unfamiliar to the buyer, or expensive.

Chinese expectations and Chinese marketers have developed their quality to such a level that an increasing number of Chinese customers prefer buying from local (less expensive) suppliers.

Cultural imperialism

Marketers conducting business across cultures should be clearly aware of the effect their activities have on local cultures and consider the rebounds such effects may have on their own business success. U.S.-based multinational corporations, not only in east Asia, have sometimes been accused of "cultural imperialism." For instance, in preparing the opening of Euro Disney (near Paris) in 1992, Euro Disney's first chairman proudly announced that his company would "help change Europe's chemistry." The French ridiculed the park as a "cultural Chernobyl." It took a series of adaptations such as renaming the park "Disneyland Paris" and the addition of some special attractions to make the park profitable and the most frequented "monument" of France.

Global vs local cultures

In the long run, as more country markets are opened up to international business, the rate of cultural change induced by international marketers will increase. As a result, more product markets will become global. The further developed this globalization becomes the more standardization of business activities will be possible. The processes of cultural change and standardization reinforce each other. Thus, international marketers are contributing to the sharing of ideas, values, and behavior among cultures. At the same time, and as a reaction, local subcultures are becoming stronger. They open up business opportunities for local marketers, but also for international marketers that have enough flexibility to adapt to the local specifics.

"Managing" the cultural environment

Having identified the most important factors of influence from the cultu
environment on the firm's business and having analyzed those factors, 1
international marketer is able to take decisions about how to react
the results of the analysis. On the one hand, less attractive markets will not
considered further. For example, marketers of industrial plants who canr
afford large time overruns in their projects because of capacity and capi
resource restrictions may decide to put at the end of their list of attractivene
countries where respecting time limits is not part of the cultural heritage
customers and local stakeholders. On the other hand, in the more attracti
markets, marketing management must decide to what extent adaptations to tl
given cultural specifics are needed.

Adapting to cultural differences

Marketing practices in a country are culturally dependent, and what works in on
country market does not necessarily work in another. Adaptation of the marke
ing mix is needed in many cases when the target customers belong to differen
cultural environments. Countries where women's major role is defined as home
making, for example, are more often served by distribution systems that includ
bargaining. Arguing about the price of products requires that considerable tim
be spent shopping. Where women are more likely to have a career outside th
household, time becomes more precious – a constraint on bargaining. In thos
cultures, fixed prices are more common.

Obviously, adjusting to cultural imperatives, such as language to ensure com-
munication, is a must. But adjusting to other cultural elements that are not criti-
cal for success only adds expense and detracts from economies of scale and scope.
Therefore, the international marketer must carefully analyze the cultural impera-
tives that exist in the served product and country markets and only adapt to
those. Not only the application of marketing tools may need to be changed. Even
the categories of thinking may be so essentially different from one society to
another that the entire marketing approach may need to be adapted.

Marketing's influence on culture

Increasingly, international marketing managers must be aware that culture not
only influences their decisions, but that their decisions and actions influence
culture as well.

Agent of change

International marketers act as agents of change within a culture. For example,
most of rural Indonesia, the most populated Islamic country in the world, used
to be beyond the reach of the cash economy. However, the situation has changed.
Leading the way were women's toiletries and cosmetics. At the end of the 1990s,
more than half the women in the country's four most populous rural provinces
used face powder, half used lipstick and body lotion, and one-third used sanitary
pads. Foods and beverages also have their attraction. More than half of the rural
population buy candy and around one-third purchase biscuits. Sixty percent drink
mineral water and about 40% consume bottled soft drinks.

After decades of buying poor-quality goods from state-run factories, Chinese
consumers and private industrial buyers almost always preferred foreign-made or
foreign-branded goods and services when they had a choice after the Chinese
market was opened to foreign suppliers. Capitalizing on that prejudice, an in-
creasing number of companies have adopted foreign-sounding names or trade-
marks. In the meantime, foreign goods have been adapted so much to specific

Summary

Culture, defined as the standards of beliefs, perception, evaluation, and behavior shared by the members of a social group, strongly influences the behavior of organizational buyers as well as consumers. Consumers learn the most important values governing their behavior during childhood in their families before they become members of peer groups and are attracted by reference groups from which they take additional standards of behavior. Consumers participate in subcultures and they are members of ethnic (or national) cultures.

Business people are also members of a national culture that strongly influences the basic values they share with others. In addition, they follow norms of behavior that are part of the industrial culture to which their company belongs. Each company develops an organizational culture, that is, a set of behavioral norms specific

DISCUSSION QUESTIONS

1. Use examples to illustrate how different layers of culture may influence the behavior of consumers.

2. What layers of business culture have the strongest impact on businesspeople's behavior? Support your points with some empirical evidence from the literature.

3. Find examples of international subcultures from the internet. How have they developed? How can they be used for international marketing purposes?

4. What role does the self-reference criterion play in international business ethics? Is there more than one set of ethical standards? Discuss.

5. Illustrate the difficulties in intercultural communication. What can an international marketer do about it?

6. What do differing work ethics have to do with international marketing? Give examples for the points you list.

7. Compare the role of women in your country to their role in another culture of your choice. Use the internet as an information source. How do the different roles affect women's behavior as consumers and as businesspeople?

8. Take an example of a firm you know and try to establish a list of cultural factors that this company would need to consider in assessing new country markets to be served. Explain your choice of factors.

9. Take an example of a company from your home market and a foreign country market where you find information about its cultural specifics on the internet. Based on that information, what adaptations of the company's marketing do you suggest?

10. Discuss the potential influences of marketing on culture. What are your conclusions concerning the impact of international marketing?

ADDITIONAL READINGS

Asgary, N. and M.C. Mitschow (2002) "Toward a model for international business ethics," *Journal of Business Ethics*, 36(3), 239–46.

Lin, X. and St.J. Miller (2003) "Negotiation approaches: direct and indirect effect of national culture", *International Marketing Review*, 20(3), 286–303.

Srnka, K.J. (2004) "Culture's role in marketers' ethical decision making: an integrated theoretical framework", *Academy of Marketing Science Review*, 1.

to the firm. All those values and norms, potentially combined with a functional culture, influence the behavior of potential business partners and stakeholders in international marketing.

Consumer culture and business culture both need to be thoroughly analyzed by an international marketer in order to:

- choose the most attractive markets
- determine the proper level of adaptation of marketing activities in each of those markets.

To reduce the amount of analyses to be conducted to a minimum, the international marketer must determine a list of cultural factors specific to its product market(s), which are most important for business success. Those factors may be specific values, and may relate to verbal and nonverbal communication, education, aesthetics, or the social organization of society.

They are used to evaluate the attractiveness of a country market's cultural environment. Based on that evaluation, the potential country markets may be ranked and the most attractive ones will be considered further. Later in the process of strategic international marketing, the acquired knowledge concerning the cultural environment of the company will be used to "manage" this environment. Decisions will be taken as to what extent to adapt to cultural specifics and to what extent to try to influence the cultural environment through marketing activities.

(The tools an international marketer may apply in the analysis of country markets and how the analytical process can be conducted in a rational as well as cost-efficient way will be discussed in Chapter 7.)

Useful internet links

ABBA	http://www.abbasite.com/start/
Academie Française	http://www.academie-francaise.fr/
Alfred Dunhill	http://www.dunhill.com/
Bayer	http://www.bayer.com/page52.htm
Benetton	http://www.benetton.com/
Business Behavior	http://www.worldbiz.com/
Delta Airlines	http://www.delta.com/
Étienne Aigner	http://www.etienneaigner.com/
Euro Disney	http://www.disneylandparis.com/uk/introduction.htm
Evans & Sutherland Computer Corp	http://www.es.com/
Global Corruption Report	http://www.globalcorruptionreport.org/
Global Market Information Database	http://www.euromonitor.com/gmid.asp
Gucci	http://www.gucci.com/
Hoechst	http://www.hoechst.com/
Hofstede's Five Dimensions of Culture	http://www.geert-hofstede.com/
International Business Etiquette and Manners	http://www.international-business-etiquette.com/
International Business Protocol	http://www.business-protocol.com/
Market Research Resource List	http://www.library.cornell.edu/johnson/library/faq/market_research.html
Marubeni	http://www.marubeni.com/company/index.html
McDonald's	http://www.mcdonalds.com/corp.html
Melodiya	http://www.melodiya.ua/
Merlin-Gerin	http://www.merlingerin.com/
Monsanto	http://www.monsanto.com/
Nestlé	http://www.nestle.com/
Pirelli	http://www.pirelli.com/en_42/
Poiray	http://www.poiray.com/
Procter & Gamble	http://www.pg.com/
Siemens	http://www.siemens.com/