Global Marketing

Contemporary theory, practice and cases

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Chapter 2

Assessing the Global Marketing Environment

A PESTEL Analysis of the Macro-Global Environment

Factor	Possible Factors for Study	Examples
Political	Local and national government structure, government stability, internal politics that affect business, international relations, terrorist activity.	Crisis in the Ukraine, which leads to political instability
Economic	Regional economic growth indicators, exchange rates, trade and trade policy, government intervention in the economy, taxation, consumption, employment/unemployment, inflation, balance of payments.	Economic growth of emerging market countries has multiplied in the last decade.
Social	Demographics, lifestyle, education, living standards (health and welfare), immigration/emigration.	In 2012, the Austrian government changed its national anthem to account for gender issues.
Technological	Technological infrastructure, including market opportunities in the electronics, high tech markets, development of biotechnology and information technology industries, and clean technology markets.	The email celebrated its 30th anniversary in 2014 and it has completely changed the way we communicate with each other.
Environmental / Legal	Environmental regulations, global warming, pollution, green marketing, legal systems, business legislation, consumer protection, intellectual property issues.	Huge pollution problems and intellectual property protection issues in China that pose a threat to doing business

Cultural diversity in the era of globalization

- While globalization is a strong force for the spread of ideas around the world, there still exists a **great deal of cultural diversity** among regions and individual countries and even within countries.

- **Differences in languages, also inside a country**: it is the case of Spanish and Mandarin

- Differences in **traditions, conception of ethics, interaction with the environment, eating habits**.

- **Ignoring cultural differences** between countries has been cited as one of the causes of many **business failures**.

Countries with the Largest Cultural Diversity Indices

Number of Languages	Number of Religions
India (several hundred)	India (40)
United States (150-300)	South Africa (30)
Philippines (170)	Taiwan (25)
Russia (100)	United States (20)
Mexico (62)	(Canada (15)
China (10)	United Kingdom (10)

Spanish-speaking in the US and Top Spanish Speaking Countries

Country Name	Spanish Speaking Population	% of Spanish Speakers in World
Mexico	109,955,400	24.30 %
Colombia	45,013,674	9.95 %
United States	44,321,038	9.80 %
Argentina	40,677,348	8.99 %
Spain	40,491,051	8.95 %
Peru	29,180,899	6.45 %
Venezuela	26,414,815	5.84 %
Chile	16,454,143	3.64 %
Ecuador	13,927,650	3.08 %
Guatemala	13,002,206	2.87 %

What is Culture?

- Culture is a notoriously **difficult term to define**. In 1952, the American anthropologists, Kroeber and Kluckhohn, compiled a list of 164 different definitions.

- For instance, a country's culture has been defined as **"the collective programming of the mind that distinguishes the members of one group or people from another".**

- A broad view of culture is that it encompasses all **value systems of a nation**.

- Many cultural elements can be **depicted as an "iceberg"**:

  - some are above the surface, (**"surface culture"**), the tangible aspects, those that can be seen, heard and touched.

  - however, most elements of culture are below the surface (**"deep culture"**), such as values, orientation toward time and space and non-verbal communication, many of which have hidden meanings, understandable only to cultural insiders.

Elements of culture

- National character
- Values
- Time orientation
- Space orientation
- Architecture
- Perception
- Thinking
- Language
- Colors
- Non verbal communication
- Behavior
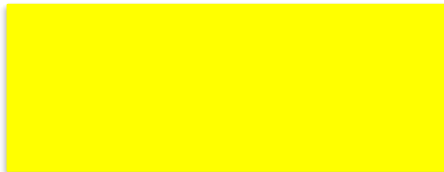- Social groupings and relationships

Culture and colors

Red:
Australian Aboriginals: Land, earth
Celtic: Death, afterlife
China: Good luck, celebration
India: Purity
South Africa: Color of mourning
Russia: Bolsheviks and Communism
North America: Danger, Love, Passsion, Excitement
Middle East: Luck good Fortune

Blue:
China: Immortality
Iran: Color of heaven and spirituality, mourning
North America: Trust, Soothing
Scandinavia: Cleanliness
Ukraine: Good Health
South Africa: Happiness
Israel: Holiness

Green:
China: Green hats imply a man's wife is cheating on him, exorcism
India: Islam
Ireland: Symbol of the entire country, religious (Catholics)
Islam: Perfect faith
Japan: Life
Europe / US: Environmental Awareness
Malaysia: Danger

Yellow:
China: Nourishing, royalty
Egypt: Mourning
India: Merchants
Japan: Courage
Italy: Summer
Mexico: Mourning
South Africa: Wealth

Black:
Australian Aboriginals: Color of the people
China: Color for young boys
Thailand: Bad luck, unhappiness, evil
US/Europe: Mourning, Death
Nigeria: Ominous

White:
China: Death, mourning
India: unhappiness
Japan: White carnation symbolizes death
US/Europe: Marriage, Peace, Holiness
India: Unhappiness
Middle East: Status, Peace

Source: adapted from http://webdesign.about.com/od/colorcharts/l/bl_colorculture.htm [accessed 2 July, 2014]
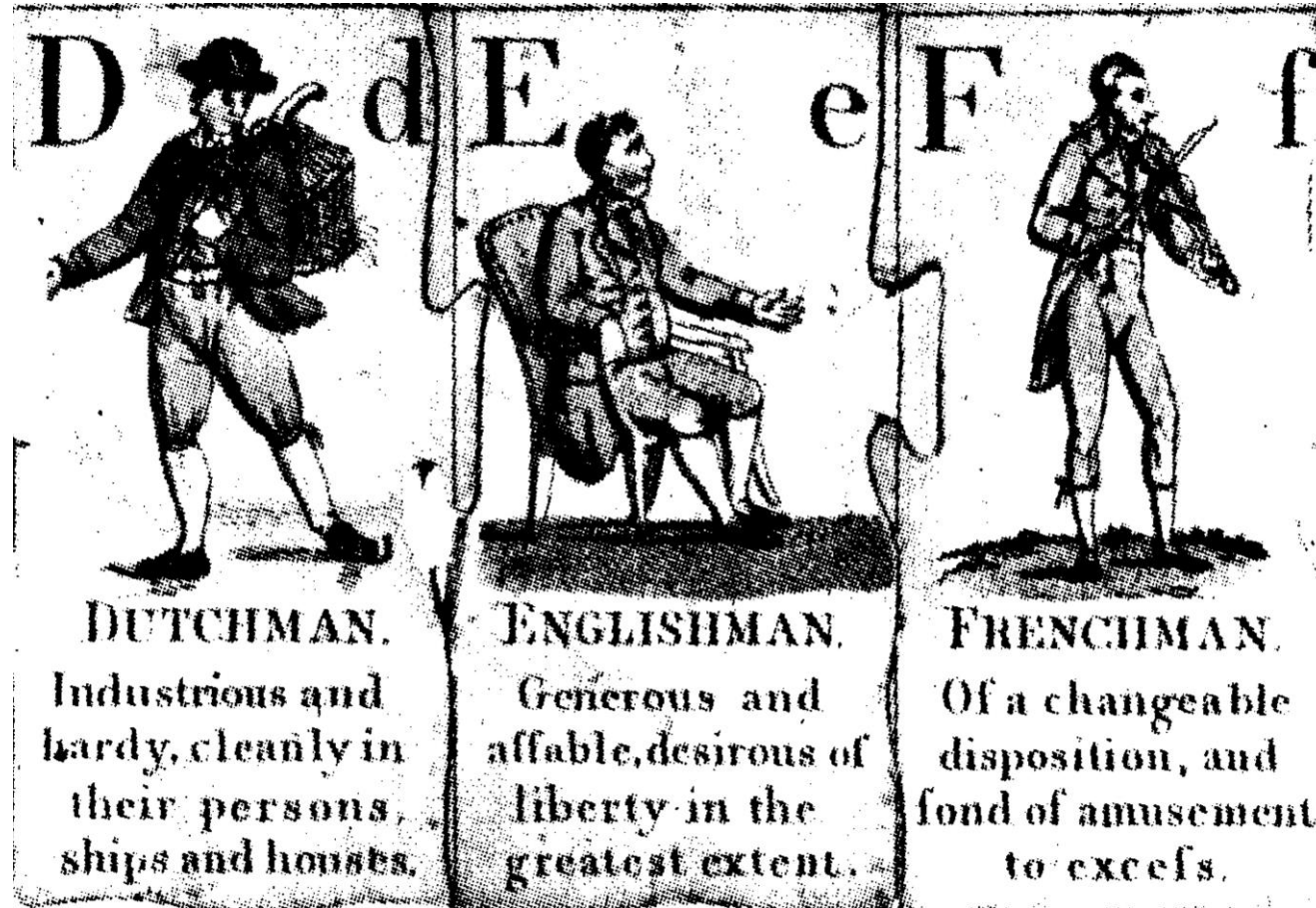
Culture and architecture

Culture embedded in Architecture (China and Germany)

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The concept of national character

- 'National character' assumes that **each country has its own character**
- People from a given nation share **common behavioral patterns** that are distinct from other nations
- Perceptions of national character are often based on **indirect experience**
- Can be **inaccurate** and are clouded by **racism, ethnocentrism and discrimination**
- National character studies **do not explain or predict individual consumer behavior**

- The most important **frameworks used to study national characters** are:
  - **Hofstede**
  - **Schwartz**
  - **Trompenaar**
  - **GLOBE**

Early conception of national culture

Source: Darton, W. (1790). Inhabitants of the World.

The role of subcultures

- Subcultures develop around a **shared characteristic that is different from the predominant national culture**.

- This shared quality among the members of a subculture can be anything from a different **ethnic background, religion, language or a demographic factor**, such as age and gender, to a **shared interest**.

- What is often referred to as a company's "**corporate culture**," is also a subculture that exists predominantly in the business world.

- Subcultures often **transcend national borders and cultures**, especially in today's interconnected world.

Hofstede's Dimensions

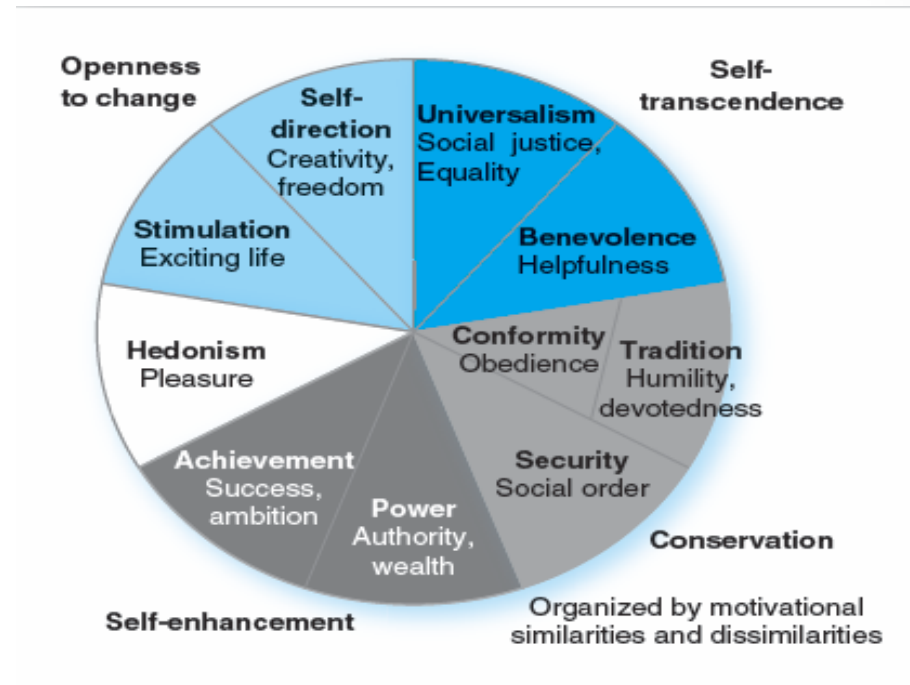| Cultural Orientations	Contrasts Across Cultures
Concepts of the Self and Others Individualism vs. Collectivism	The relationship between an individual and the group. Efforts and achievement are best accomplished by the individual or solved by the group.
Interaction *with* others or *for* others Masculinity vs. Femininity	Assertiveness and personal achievement are favored (masculinity) versus caring for others, adopting nurturing roles and emphasizing quality of life (femininity).
Dealing with Uncertainty Uncertainty Avoidance	Tendency to avoid risks (high uncertainty avoidance), to prefer stable situations, uncertainty reducing rules and risk free procedures, which are seen as a necessity for efficiency. Or, conversely, a risk prone attitude (low uncertainty avoidance) where people as individuals are seen as the engine of change, which is perceived as a requirement of efficiency.
Equality or Inequality in Interpersonal Interactions Power Distance	Hierarchy is strong, power is centralized at the top (high power distance); power is more equally distributed and superior and subordinates have a sense of equality as human beings (low power distance).
Virtue Regardless of Truth Long-Term versus Short-Term Orientation _____ Facilitation of Human Needs Indulgence versus Restraint	Values associated with Long term Orientation are thrift and perseverance; those associated with Short Term are respect for tradition, fulfilling social obligations and protecting one's "face". _____ Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms

Source: Adapted from Usunier, J. (2000), *Marketing Across Cultures*. Harlow: Pearson Education http://www.geert_hofstede.com/.

Hofstede's Dimensions and Countries

Collectivist, Feminine	Collectivist, Masculine
Korea, Thailand,Chile, Costa Rica, Bulgaria, Russia, Portugal, Spain	China, Japan, Mexico, Venezuela, Egypt, Jordan, Syria, Greece
Individualist, Feminine	**Individualist, Masculine**
France, Netherlands, Scandinavian countries	Hungary, Poland, Slovenia, United States, UK, Australia, Germany, Austria
Small PD, Weak UA	**Large PD, Weak UA**
US, UK, Australia, Denmark, Sweden, Norway	China, India
Small PD, Strong UA	**Large PD, Strong UA**
Germany, Austria, Hungary, Israel	Egypt, Jordan, Syria, South Korea, Japan, Latin America

PD = Power Distance**, UA =** Uncertainty Avoidance

The Schwartz Value Survey

- Four dimensions:
  1. Openness to change
  2. Self transcendence
  3. Conservation
  4. Self enhancement

One advantage of the Schwartz Value Survey is that **it can measure individual value differences**.

Researchers have utilized Schwartz **to study consumer behavior, particularly for segmentation and advertising**.

Trompenaar's dimensions

- Each culture has its own **way of thinking**, its own **values and beliefs**, and **different preferences** placed on a variety of different factors.

- Trompenaars and Hampden-Turner concluded that what distinguishes people from one culture compared with another is where these preferences fall in one of the following **seven dimensions**:
  - Universalism versus particularism.
  - Individualism versus communitarianism.
  - Specific versus diffuse.
  - Neutral versus emotional.
  - Achievement versus ascription.
  - Sequential time versus synchronous time.
  - Internal direction versus outer direction.

The GLOBE Model
Global Leadership and Organizational Behavior Effectiveness

- The Globe research group has clustered countries on the basis of shared similarities among **social and psychological variables such as attitudes, values and work goals**.

- Sixty-one nations have been grouped into **10 clusters** on the basis of nine cultural dimensions, five of which have similar definitions to those of Hofstede.

- Like Hofstede, respondents included middle managers. However, unlike Hofstede, these managers were selected from 825 organizations (rather than focusing on one organization) in the 61 countries sampled.

- The Globe and Hofstede clusters are similar, however, there are **differences in scale ratings between the two frameworks**. Power Distance was rated higher in the Globe survey, while Uncertainty Avoidance and Long-Term (future) orientation was rated lower in Hofstede's sample than by Globe.

Anglo	Arab	Confucian Asia	Germanic Europe	Eastern Europe
England	Quatar	Taiwan	Austria	Hungary
Australia	Marocco	Singapore	Switzerland	Russia
South Africa	Turkey	Hongkong	Germany	Kazakhstan
(White Sample)	Egypt	South Korea	The Netherlands	Albania
Canada	Kuweit	China		Poland
New Zealand		Japan		Greece
Ireland				Slovenia
USA				Georgia

Some Societal Clusters of Countries
Source: Adapted from Gupta, V. et al. (2002). Cultural Clusters: Methodology and Findings. Journal of World Business, 37, 11-15.

GLOBE cultural dimensions

Uncertainty Avoidance	The extent to which members of an organization or society strive to avoid uncertainty by reliance on social norms, rituals, and bureaucratic practices to alleviate the unpredictability of future events.
Power Distance	The degree to which members of an organization or society expect and agree that power should be unequally shared.
Societal Collectivism	The degree to which organizational and societal institutional practices encourage and regard collective distribution of resources and collective action.
In-Group Collectivism	The degree to which individuals express pride, loyalty and cohesiveness in their organizations or families.
Gender Egalitarianism	The extent to which an organization or a society minimizes gender role differences and gender discrimination.
Assertiveness	The degree to which individuals in organizations or societies are assertive, confrontational, and aggressive in social relationships.
Future Orientation	The degree to which individuals in organizations or societies engage in future-oriented behaviors such as planning, investing in the future, and delaying gratification. (Includes the future oriented component of the dimension "Confucian Dynamism" of Hofstede and Bond (1988).
Performance Orientation	The extent to which an organization or society encourages and rewards group members for performance improvement and excellence.
Humane Orientation	The degree to which individuals in organizations or societies encourage and reward individuals for being fair, altruistic, friendly, generous, caring and kind to others. (Similar to the dimension "Kind Heartedness" by Hofstede and Bond (1988).

Culture and cultural distance

Most known measure of cultural distance: **Kogut/Singh index**, based on Hofstede's dimensions.

Different concepts of culture and distance:

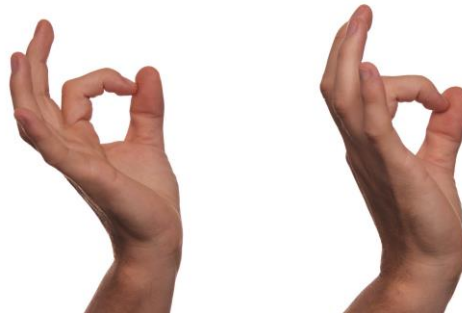| Culture Concept	Explanation	Examples
Cultural distance	Difference has a negative effect that poses a barrier to international business activities	Entering new markets and designing new products for very distant countries implies larger difficulties in doing business and higher adaptation costs.
Cultural diversity	Difference has a positive effect that enhances relationships and operations	Product development efforts often benefit from cross-cultural teams where different ideas, values, and backgrounds benefit creativity.
Cultural friction	Friction arises from situation-specific contact between organizations and does not yield positive or negative consequences per se.	Organizations may choose different forms of market entry modes, where joint ventures or mergers are likely to create higher friction that export-based forms of entry. However, higher friction may not automatically be detrimental but could also result in new businesses and strategies.
Cultural positions	Organizations may have different positions on cultural dimensions (low-high) and these positions determine their relationship	Managing headquarters-subsidiary relationships may be influenced on how partners' positions on their cultural dimensions are. For instance, if both score high on uncertainty avoidance, a stricter regulation and control system may be appreciated and executed.

Culture and communication

- **An important component of culture** and means to overcome cultural distance **is the way people communicate with each other**.

- In addition to verbal communication, there is a **variety of means by which people can transfer meaning**.

Verbal versus Non-Verbal Communication

- The spoken word, or **verbal communication**, is often believed to be the dominant form, yet it has been estimated that between 50 and 90 percent of communication is non-verbal.

- However, **body language can be misunderstood and gestures have different meanings in different cultures**. It is sometimes difficult to understand each other even with a common language.

A circle means OK in the United States, but in Japan it signifies money, in Germany it is obscene, and impolite in Russia

The middle finger implies an insult in most Western countries.

The two fingers are often used to symbolize „victory" or success. However, they are also considered as insult or American dominance.

Source: www.pixabay.com (free photos)

Time Orientation

- Hall's work has also been significant in his treatment of time. Both **high and low-context cultures can be distinguished by their relation to time**.

- Low context cultures are generally **monochronic** ("doing one thing at a time"); time is important and regulates how things are done.

  - For example, it is more important to stick to the agenda of a meeting, and use Gant charts to plan and control projects.

- On the other hand, **polychronic** ("doing a number of things at the same time") cultures are much less time oriented and therefore, less organized.

  - Interrupting a speaker at a meeting is taken as a sign of interest, rather than rudeness.

  - Arriving 10-15 minutes late for a meeting in a monchronic culture requires a slight apology, while the same sort of apology in a polychromic culture would be the thing to do only if one arrives an hour after the scheduled time.

- In certain cultures, **orientation to time may not be a dichotomy**.

  - For example, the Japanese tend to use both styles. In technology and dealings with foreigners they tend to be mono-chronic, while poly-chronic for personal relations

Monochronic and polychronic cultures

	If late in a monochronic culture	If late in a polychromic culture
Whisper some excuse time	5-10 minutes	45-60 minute
Make an apology	10-15 minutes	60+ minutes
Prepare good excuse	15+ minutes	Over one hour

Factor	Monochronic Action	Polychronic Action
Actions	Do one thing at a time	Do many things at once
Focus	Concentrate on the objective or task	Are easily distracted
Attention to time	Plan when things must be achieved	What will be achieved is more important than when
Priority	The task comes first	Relationship comes first
Respect for property	Seldom borrow or lend things	Borrow and lend things often and easily

Source: Adapted from Hall, E.T. (1959). The Silent Language. New York. Doubleday.

Space and distance

- Another **aspect of non-verbal communication** is its relation to space.

- Hall recognized three types of space, **fixed**-feature and **semi-fixed**, **the way in which people organize things**, such as homes and offices.

- Another form of space relates to **distances between people**, or personal space. According to Hall , the distance required between people depends not only on the culture, but **also on the situation**.

  - Situational distances depend upon whether people meeting each other are acquaintances or strangers, whether the meeting is formal or informal.

  - Generally, distances are greater between strangers during formal meetings.

  - Body contact: in high-contact cultures such as those of Latin America and the Middle East, people maintain close distances between each other, as opposed to those of low-contact cultures, in which the opposite is true.

- These cultural distinctions largely explain why Western social networks such as Facebook and Twitter were not successful in Japan. Example of Mixi, the country's largest social network, versus Facebook.

Global customers: China

- Many Western companies view **China as the world's largest market**. Companies often tend to think of China in terms of a simplistic, arithmetic calculation. However, many marketers have **overestimated** the market in China.

- China has long been **known as the 'factory of the world' with low-cost manufacturing and increasing export rates of cheap products**. But policymakers in Beijing want to break China's dependence on foreign technology, moving **from a model of 'made in China' to one of 'innovated in China'**.

- China in **not a unified consumer market**. Today is actually a collection of many different consumer archetypes, groups of consumers with different preferences and behaviors.

- Challenges with **distribution and logistics**.

- Chinese consumers rely on **advertising for different information**:

  - The Chinese middle class that is quickly acquiring the needs and wants of its counterparts around the world, is also more receptive to traditional product branding messages.

  - The majority of the Chinese consumers expect to learn more basic information about a product from its ads and labels. Adaptation of product packaging and marketing campaigns is veryimportant as ever in China.

  - Chinese people are reluctant to pioneer.

Global customers: India

- **Population of over one billion**. Some population experts predict that India will overtake China, which had a one-child policy until recently, as the world's largest country by the middle of the century.

- **Income within the country is polarized**. India has hundreds of millions of poor people. Many of these people (about 60 percent of the population) live close to or **below the US$2 a day poverty line**.

- India also has pockets of prosperity in cities such as Bangalore, the Indian Silicon Valley, where the **software industry** is localized. The low salaries vis-à-vis the United States and the availability of real-time communication links, many U.S. companies have sourced or opened offices in India for software development and export.

- Based on this feverish economic growth, many compare India to the other emerging economic giant in Asia, China. However, there are some signs (rising inflation, dismal infrastructure, corruption, etc.) that India will have a **harder time keeping pace with its rival**, China.

- Nevertheless, given India's **enormous market size** and its current relatively small, but **growing middle class**, marketers should consider its potential and the opportunities presented in this underserved market.

- The 4 billion people that live on less than $2 a day (**Bottom of the Pyramid**) represent tomorrow's 4 billion consumers if only they are offered products and services that fit the poor's special needs and purchasing patterns

Discussion questions

1. Think about different ways in which culture can be represented. What are the implications for managers?

2. Based on the information in Box 3-4. "The Chuppies Are Here," develop a market entry plan for a hypothetical wine label from Spain that is looking to enter the Chinese market.

3. Consumers in some countries, like Japan, are reluctant to accept "foreign" retailing institutions and imported products. Explain this behavior by using the models of culture contained in this chapter.

4. Do you agree with the statement "People do not buy products, they buy relationships"? Why or why not?