International marketing and culture

By Huib Wursten and Tom Fadrhonc

Summary:
International marketers struggle to find the best way to tailor pieces of the marketing mix to each country or region. Customising to each market is effective yet prohibitively costly, and standardising one approach across the world is efficient and mostly ineffective. An approach based on cultural differences offers the solution, i.e. efficiency and effective impact.

Extensive research of cultural differences among nations has revealed 5 dimensions explaining cultural differences and their implications for marketing. Packaging the dimensions into six regional culture clusters, this article introduces a new approach to segment the globe so marketing efforts are effective, relevant, focussed, and yet efficient.

Globalization of markets; the debate
Since the early 1960s participants in the discussion about the effects of globalisation have assumed that economic development would lead to converging needs and tastes of consumers, which would facilitate standardisation of marketing and advertising. Economies of scale in production would lead to low price/high quality ratios, which consumers would prefer over the products/brands they were used to.

Itim trained Marieke de Mooij did extensive research on this subject (2). She notes: “Without empirical evidence, numerous statements about this effect of globalisation were published in renowned journals (3). It was particularly Harvard professor Ted Levitt’s (1983) article (4) “The globalisation of markets” which has been widely quoted.” Without evidence statements were made like “The world’s needs and desires have irrevocably homogenised. Everywhere everything gets more and more like everything else as the world’s preference structure is relentlessly homogenised. Ancient differences in national tastes or modes of doing business disappear”.

Only a few scholars thought differently. Craig et al., 1992, stated: “rather than converging in terms of macro-environmental characteristics as hypothesised, industrialised countries are becoming more divergent.” (5)

Since then an abundance of articles and publications appeared to complicate the issue further. The aim of this article is to address 3 key questions for global marketers:

Are markets converging or diverging; and

1. What to centralise / decentralise, what are the essential rules for global marketing and advertising campaigns?
2. How to group countries and regions for efficiency and impact.

Are markets converging or diverging?
The purest way is of course to tailor everything to the local consumer, product, packaging, communication etc. However pure, it is unrealistic. Besides, brands cannot control messages to reach only the intended targets. So what should be universally the same and what
should be localised? For cost considerations we clearly want to standardise as much as possible, but for reasons of relevance, impact, credibility, effectiveness in the market, i.e. revenues, we want to adapt to local markets. The issue is not if there are differences, but if focussing on the differences is paying off, is producing greater market share, revenues, margins etc.

What we know and what we still need to know
We know there are global brands, e.g. Coke, Apple, Nike, Google and that up to a certain level consumer desires become homogenised as a result of globalisation. Over time and with increasing income they wish the same luxury and convenience. This is true up to a certain level of income. We also know there is no global consumer with identical values. In fact, the latest research is showing evidence of convergence of economic systems, but no evidence of convergence of peoples’ value systems. On the contrary, there is evidence that with increasing incomes, people’s habits tend to diverge. More discretionary income will give people more freedom to express themselves and they will do that according to their own, specific cultural value patterns. In other words, the cultural differences become more pronounced as income increases (see: 2, 3).

Puzzles: income, price and preferences. The example of water and watches.
Bottled water is a relatively costly product compared to tap water so one would think that wealthier countries consume more. Here are five countries with relatively similar income levels. Yet, looking at consumption, we see it is not at all correlated to income.
Watches are more expensive and thus focus on wealthy countries is even more logical.

Between Finland and Portugal the first is far more prosperous based on GDP per capita. And yet, the penetration of expensive watches is twice as high in Portugal than in Finland. So what explains the difference?

The answer is culture. And to understand how powerful it is in marketing around the world, it is essential to understand each cultural dimension.
In the case of water the determining factor is UAI, Uncertainty Avoidance Index, an indicator of how comfortable a culture is in coping with uncertainty. The higher the score the more certainty that culture requires. In the case of watches the determining factor is PDI, Power Distance Index. After an explanation of the dimensions the puzzles above and answers below will make sense:
Theory of the 5 dimensions.

Cultural differences can be seen as an onion with different layers. The outside layers of the onion (symbols, heroes and rituals are more visible, but are also more superficial and as such subject to change, for instance by fashion. The core of the onion represents values, and is more fundamental in understanding worldwide diversity. This level is also difficult to grasp immediately because, in contrast to the other layers, these values are invisible. They are the piece of the iceberg below the surface. The most extensive research done on cultural values is done by Geert Hofstede, one of the 20 most influential business thinkers according to a Wall Street Journal ranking.

Hofstede distinguishes five dimensions of national culture: power distance (PDI), individualism/collectivism (IDV), masculinity/femininity (MAS), uncertainty avoidance (UAI) and long-term orientation (LTO). The dimensions are measured on a scale from 0 to 100, although some countries may have a score above 100, because they were measured after the original scale was defined. Original data were based on an extensive IBM study of 116,000 questionnaires in 72 countries and in 20 languages. The results were validated and re-validated against over 40 subsequent studies from a variety of disciplines. The scores for each country on the 5 dimensions explain variations in behaviour of people and organisations.

For each of the 5 single dimensions follows a short description and consequences for marketing and advertising.

**Uncertainty avoidance** is the extent to which people feel threatened by uncertainty and ambiguity and try to avoid these situations. In cultures of strong uncertainty avoidance, there is a need for rules and formality to structure life. Competence is a strong value resulting in belief in experts, as opposed to weak uncertainty-avoidance cultures with belief in the generalist. In weak uncertainty-avoidance cultures people tend to be more innovative and entrepreneurial.

In **masculine** cultures the dominant values are achievement and success. The dominant values in **feminine** cultures are caring for others and quality of life. In masculine cultures performance and achievement are important. Status is important to show success. Feminine cultures have a people orientation, small is beautiful and status is not so important. In masculine cultures there is large role differentiation between males and females, in feminine cultures there is small role differentiation.
Power distance is the extent to which less powerful members of a society accept that power is distributed unequally. In large power-distance cultures everybody has his/her rightful place in society, there is respect for old age, and status is important to show power. In small power-distance cultures people try to look younger and powerful people try to look less powerful.

The Long Term Orientation index is the extent to which a society has a pragmatic future-oriented perspective rather than a near term point of view. Low scoring countries are usually those under the influence of monotheistic religious systems, such as the Christian, Islamic or Jewish systems, and people in these countries believe there is an absolute truth. In high scoring countries, e.g. cultures practicing Buddhism, Shintoism or Hinduism, truth depends on time and context.

In individualistic cultures people look after themselves and their immediate family only; in collectivist cultures people belong to in-groups who look after them in exchange for loyalty. In individualist cultures, values are in the person, in collectivist cultures identity is based in the social network to which one belongs. In individualist cultures there is more explicit, verbal communication in collectivist cultures communication is more implicit.
Re. IV: Solving the dilemma.
Organising markets around culture clusters.

The indications are we are moving towards greater differentiation, towards a situation where individuals want to profile themselves and be seen for what and who they are. No one size fits all global consumers. At the same time in countries where economic wealth is growing, people aspire to have the same products as people in developed economies.

What does all this mean for a brand, a product which has the potential to be a global brand? What are the do’s and don’ts for getting there? To maximise sales requires the brand appeals to the values of the consumer, thus adapt its communication. Yet, segmenting communication, marketing and sales messages is costly. While for a young brand early in its life cycle it may be the right decision to postpone segmentation, the issue is to build a long term brand across cultures. And long term, segmenting is the right decision. But what needs to be segmented and what needs to be consistent?

The desired result is that we have a brand that is thought of the same or similarly in China and in Germany, in the US and in Argentina, that when consumers from various countries meet and they discuss the brand, they play back the same positioning and brand image. And because there are many definitions, here are the ones we use:

**Positioning:** Represents the very carefully chosen promises that the company makes about its product and that it is willing to keep and defend over time.

**Brand image:** A positive brand image is the result of kept promises, and a negative image is the result of broken or inconsistent promises over time.

And that positioning, those carefully chosen promises must be consistent across cultures. For Brand managers it means they must be held to strengthen and amplify those promises. They must do it in a way that is believable, impactful, and relevant. And that again depends on culture. For advertising and PR it means that is essential to have local copywriters and art directors create from a central brief, instead of translating a copywriter’s text from one culture into another. For PR this is even more important, as often difficult messages have to be transferred from one culture into another. And yet we cannot afford 100+ executions, one for each culture. We need economies of scale, and still be culturally relevant and end up with maybe 10 different executions.

How to organize for cost effectiveness and maximum impact across cultures?

Based on more than 20 years experience in intercultural management, itim advocates to segment markets according to Six Culture Clusters© (1). A culture cluster is a group of countries, which share specific cultural characteristics based on Hofstede’s 5-D Model. Culture clusters are fundamental social structures in our minds. They transcend all types of activities and run deeper than differences in an organization’s culture. Both in the private and public sector, among those employed in the uniformed services and in welfare departments, people from the same culture have a similar image of the way society works. The Six Culture Clusters© have an impact on issues such as negotiations, decision-making, customer behavior, entrepreneurship, motivation, and teamwork. And to communicate and motivate and convince. Segmenting according to Culture Clusters provides the following benefits:

- Economies of scale. Fewer executions than one per culture.
- Overcomes the internal marketing dilemma, centralization versus decentralization.
- More credibility with workforce.
- Trust, rapport, relevance with consumers.

In the **Contest Cluster** (i.e. the Anglo-Saxon countries); the key is well-understood self-interest. The cultures involved all share a low score for Power distance high score for Individualism, a high score for masculinity a low score for UAI and a low score for LTO.

This leads to following marketing preferences:

1. Competition is seen as positive. Showing winners is perceived as positive. It is motivational to show testimonials by successful people. Success breeds success. It is not seen as “bragging” to say: I’m the best
2. Showing people taking risks to be successful is positive. Entrepreneurial behavior is highly appreciated. Status symbols are seen as motivational
3. Statements by practitioners are more appreciated than statements by experts – The thinking is “inductive”. By analyzing practical examples one can conclude about a “best practice” Experts are less credible too “academic”. Zagat approach is more popular than the “Michelin” approach

In the **Network Cluster** (i.e. the Netherlands and Scandinavia), the approach to marketing messages and advertising should be different. The combination they share is: low PDI, High IDV, Low MAS, low to middle on UAI and low on LTO

Marketing approach:

1. Sympathy for the underdog – People are suspicious of “winners” It is quickly seen as bragging. It is preferred to show humorous situations around “underdogs”.

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2. Cooperation is preferred – Competitive behavior is uneasy. What is liked is to show successful people behaving “normal”, being modest in their statements.

3. Practical evidence is more credible than expert testimonials – testimonials by people that are like “you and me” are more appreciated than academic “evidence”

4. Status symbols are disliked: in reality there is a tendency to make people with too obvious status symbols the bait of cynical jokes

The Well-Oiled Machine Cluster (e.g. Germany and Austria), the most important issue is the combination between a low score for PDI in combination with a high score for UAI. This leads to an internalized need for structure. Even more than in the Pyramid system there is an emphasis on expertise and experts. Reliability is very important which puts an emphasis on structure and accuracy. The approach towards the customer should be precise, factual and structured. The key in these cultures is to build up credibility in the eyes of the customer, which requires the product or service to be supported by experts. Quality defects should be dealt with in an immediate, structured, professional and assuring way.

In the Pyramid cluster (e.g. Mexico, Portugal, and Russia) the “shared values” are High on Power distance, low on IDV, and high on UAI. Mas and LTO can vary.

Marketing implications:

1. Style is appreciated – in high UAI countries

The white coat as a symbol of scientific evidence is appreciated. An experienced “user” of a certain product however can be used as a credible source.

2. Keyword is systematic. Internalized need for structure is what defines this cluster. People highly appreciate systematic approaches.

3. Status is important to show success: status symbols like expensive watches, clothing, fast cars are appreciated.

- Competitive
- In general people are impressed by standards for behavior. As a result formality and stylish behavior is seen as positive.

2. Expert approach – people think deductive, the highest esteem is given to experts. That means that evidence from people with academic titles is more credible than statements from laymen or practitioners.

Scientific evidence is appreciated

3. Older people are more credible than younger people – Age is equal to wisdom

4. Indirect messages are appreciated – Prevention of losing face is a real issue.
That’s why indirect messages are seen as more civilized.

5. Hierarchy is important. Messages from important people are having high status

The Family Cluster (e.g. China, India), is in many aspects like the Pyramid cluster, The big difference is the low score in UAI. This translates to the following implications for marketing:

1. Older people are more credible than younger people – Age equals wisdom

2. Indirect messages are appreciated – Preventing to lose face is critical. That’s why indirect messages are seen as more civilized.

3. Hierarchy is important. Messages from important people have status

In the Solar Cluster (e.g. France and Belgium), the big difference with the Pyramid and Family Cultures is the high score for IDV. The implications are:

1. Style is highly appreciated – in high UAI countries people are impressed by standards for behavior. As a result formality and stylish behavior is valued.

2. Expert approach – people think deductive, the highest esteem is given to experts. That means that evidence from people with academic titles is more credible than statements from laymen or practitioners. The white coat as a symbol of scientific evidence is valued.

3. Intellectual approach is appreciated. The thinking process is deductive, “Cartesian” People like intellectual role models.

Summary:
Clustering along the Six Cultural Clusters© makes the influence of culture and of the five dimensions visible and tangible. To segment marketing according to culture clusters enables a brand to address more homogenous customer segments and focus on similar cultural values. In other words, using culture clusters enables relevant and targeted marketing, whatever the component of the mix. And doing so efficiently. Segmenting according to culture makes it possible to divide heterogeneous, multicultural markets into homogenous segments and to allocate resources effectively and efficiently across countries and regions.

References:


De Mooij, M. “The future is predictable for international marketers: converging incomes lead to diverging consumer behavior” International Marketing Review. Vol. 17 No. 2, 2000, pp. 103-113 (University Press)


