

## Cultural aspects of marketing

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### Overview

According to Hatch (1989), culture is:

**the way of life of people. It consists of conventional patterns of thought and behavior, including values, beliefs, rules of conduct, political organization, economic activity, and the like, which are passed on from one generation to the next by learning – and not by biological inheritance. (1989: pp. 178–179)**

Also, culture is 'governed by its own principles and not by the raw intellect, and the differences among people do not reflect differences in levels of intelligence' (ibid.) As such, there are many cultures in the world. In a way, there can be many cultures in a nation (Swanson, 1989). It is widely recognized that theories in management and marketing are culture bound (Hofstede, 1993; Tse et al., 1988). Marketing in one culture can be very different from marketing in a number of other cultures. A marketing campaign created in developed countries may or may not be transferable to developing countries. International marketers may need to

modify the marketing activities generated in one culture and to consider cultural factors when launching marketing activities in another culture. It becomes important to understand various issues related to launching marketing activities in a different culture.

The heart of the matter in marketing is to form a market and strike a business deal, which will bring benefits to all parties involved in the transaction. 'The marketing concept', the fundamental concept in marketing, refers to a philosophical conviction that customer satisfaction is the key to achieving organizational goals. Whether the customer is an individual or an organization, and whether the customer is nearby or in a foreign country, the challenge to the marketer is the same. Thus, the mission of marketing is to facilitate exchange and form a win-win relationship with other parties. This is no easy task when the marketer and the other parties share the same culture. It becomes even more difficult to accomplish when the marketer and the other parties do not share the same culture. What makes things even worse is that within the same nation or ethnicity, people are culturally differentiated. One good example is the Hispanic market in the United States. There is cultural difference between Hispanics and non-Hispanics. There are also cultural variances among all segments of the Hispanic market. For example, while Mexicans and most Central and South Americans are soccer fans, Cubans and Caribbean Hispanics enjoy baseball. Using only one sport in advertisements would result in only partial success in the Hispanic market. An AT&T advertisement was a failure when portraying a wife asking her husband to call a friend to say that they would be late. Although AT&T employed Puerto Rican actors, AT&T failed to notice that in Latin America, it is a norm to be half an hour late and no one phones to warn their friends about this. Also, no Latin American wives dare order their husbands around (Herbig, 1998: p. 117).

People in different cultures do not just speak different languages. With different values and norms, they have different needs and different attitudes towards advertisements and brands. Customers would not be satisfied if marketers failed to notice the cultural differences both within the same culture and between different cultures.

This chapter will specifically examine three related issues on marketing in a different culture. First, can a marketing success in one culture be reproduced in another culture? If not, why not? If so, what are the conditions of success? Second, should a marketing success in one culture be reproduced in another culture? This is a more basic question than the first one. It examines the ethical foundation of marketing activities. Last, but not least, will cultures eventually converge? This is even more fundamental than the first two questions. When there is only one culture in the whole world, there is no need to study the cultural aspects of marketing.

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### **Culture can pose marketing problems**

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First, can a marketing success be reproduced in another culture? Marketing people are supposed to be very sensitive to the changing needs of customers. Marketers know that they have to study customers' needs carefully, and deliver products which

can meet those needs. When customers have different needs, marketers have to come up with different product offerings. Since customers in different cultures have minds which are programmed quite differently, it becomes important to differentiate their needs and to try to meet those needs differentially. However, other cultural moderating factors are not so obvious. Even world-class marketers may not be sensitive enough to detect the differences in different cultures all the time.

Procter & Gamble (P&G) is an American giant, a company widely known to practice the marketing concept. Procter & Gamble meets basic consumer needs with a strong research commitment to create products that are demonstrably better than the competition when compared in blind tests. They use brand and category management systems and value market research highly, believing that it can enable the company to identify a new trend early on and take the lead in it.

Based on new liquid detergent technology and after extensive blind tests and market tests, P&G launched a new clothing detergent brand named Vizir in the early 1980s in Germany and Europe. Vizir was positioned as a complete main wash product, having superior performance in removing tough, greasy stains even in low temperature washing (Bartlett, 1983).

Vizir got off a good start all over Europe, and quickly became number one in the heavy-duty detergent category. However, in 1983, business began to weaken and the Vizir brand eventually lost about 15 per cent of its sales volume that year. In 1984, there was an additional 15 per cent sales decline. What P&G had failed to take into account was that European washing machines were at that time equipped to accept powder detergents but not liquids. When liquid detergent was added to a powder dispenser, as much as 20 per cent of the liquid was lost to a collecting point at the bottom of the machine. Thus, the product was not meeting customers' performance expectation.

Procter & Gamble changed the packaging to explain better to consumers how to use Vizir, but research showed that this would not work. Subsequently, P&G managed to convince washing machine manufacturers in Europe to design liquid dispensers, but this had little impact on a market where, on average, a washing machine was replaced only once every 15 years. The next P&G attempt was to develop a retrofit system – a plastic device that fitted into existing powder dispensers and kept the liquid from leaking, while dispensing it at the same time. Procter & Gamble would mail the device to consumers, free of charge, immediately after housewives told them the model number of their washing machines. However, most European machines were bolted to the wall, and the housewives were unable to see the model number; they did not know and they could not tell.

Finally, one technician in a French P&G product development laboratory invented a unique solution – a 'dosing ball' that P&G called a Vizirette. The consumer could fill the porous Vizirette 'dosing ball', place it in the washdrum on top of the clothes, and start the machine. The Vizirette would gradually dispense the detergent, with no waste. Vizir and Vizirette were subsequently introduced as a system (The Editors of *Advertising Age*, 1989).

Customers in different cultures may have different needs. This, in turn, determines whether a marketing success can or cannot be reproduced in another culture. Marketers, at all times, should be sensitive to the changing needs of their

customers. This is especially important for international marketers when they launch marketing activities in a different culture. They should understand that when customers' needs change, marketing activities should change accordingly to meet these different needs.

Furthermore, as the world becomes more globalized, there will be more international business negotiations. However, the cultural differences remain and intercultural negotiations exhibit extra sources of tension on negotiators. America has been the engine for world economic growth. China is the most important emerging economy. Let us review the negotiation challenge between American and Chinese business executives. For the Chinese, greater levels of tension led to an increased likelihood of agreement, but also led to lower levels of interpersonal attraction and in turn lower trust for their American counterparts. For the Americans, greater levels of tension decreased the likelihood of an agreement, did not affect interpersonal attraction, but did have a direct negative effect on trust (Lee et al., 2006). We can see that culture not only affects marketing activities like product design and promotion, but also pre-marketing activities like negotiations.

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### Marketing efforts can overcome cultural problems

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Procter & Gamble entered the Japanese market first in 1972–73. The consumer mind-set in Japan was quite unique. The primary buyer of packaged goods was the housewife. In Japan at least half the adult women were employed, but almost no Japanese mothers worked outside the home. Child-rearing was the first priority for a Japanese woman. The average family home was 50 square metres. Lack of storage necessitated several shopping trips per week and affected the structure of the distribution outlets, the market information the housewife commanded, and the relationship between shopkeeper and housewife. Thus, the market structure was quite indirect and long. Specialty and small retail stores constituted the bulk of retail outlets, commanding 72.3 per cent in 1982. There was also a close interpersonal relationship between the neighbourhood shopkeeper and the housewife. The typical Japanese customer for branded packaged goods was highly uncompromising, demanding superior quality and defining value more in terms of product performance, quality and reliability, rather than price. This attitude was even more pronounced in the area of personal hygiene. Thus, in Japan virtually all companies manufactured products to a standard of zero defects.

Procter & Gamble entered Japan through a joint venture with Nippon Sunhome. They picked Cheer laundry detergent powder as a wedge to open the Japanese market for other major brands to follow. Procter & Gamble followed their 'successful' formula in the USA to position and advertise 'Cheer' as an all-temperature laundry detergent powder in 1973, featuring price promotions to support the advertising campaign, and went directly to the major retail chains to promote and distribute it. Cheer gained a substantial market share and managed to capture up to 12.6 per cent in the laundry detergents market in 1979. However, Cheer did not bring in profits. Also, when the featured pricing stopped in 1979 Cheer kept losing

market share to different competitive brands (Kao's Wonderful, New Beads, Zab Total and Lion's Top Powder). Upon closer examination, it became clear that the three-temperature washing concept was not relevant to Japanese laundry habits. Women typically washed clothes in tap-water and occasionally the recycled family bath-water in the winter. The aggressive pricing practice only forced all players in the industry to incur substantial losses together. For example, P&G's all-temperature Cheer had been selling at 555 yens for two boxes against a suggested retail price of 800 to 850 yens for one box. Kao's New Beads large box had been selling at 400 yens against a previous retail price of 700 to 750 yens. This aggressive pricing practice antagonized all the competitors. In addition, the distribution policy through the major retail chains alienated the wholesalers and the small retailers, who were the gatekeepers of mass distribution in Japan.

Practically all other P&G brands either failed in the test market or were preempted by competition due to a competitor's national launch of a copycat brand prior to the conclusion of P&G's 24-month test market period. The only exception was Pampers, which was launched in 1981 and immediately captured 85 per cent of the disposable diaper market. However, even Pampers was not completely successful. Unicharm, a relatively unknown company in Japan, introduced Moony in 1982, which was sold at a 40 per cent price premium to Pampers and managed to capture 40 per cent of the market share in 1983. In the meantime, Pampers dropped from its 1981 high of 90 per cent to its 1985 low of 6 per cent. It was quite clear that P&G could afford no more illusions. They had underestimated the sophistication level of Japanese consumers. They had also underestimated the competitive strength of the Japanese companies. The operation in Japan was a total disaster (Yoshino and Stoneham, 1990a).

It became clear to P&G in 1983 that what was best in the USA might not be good enough in Japan. This was at least true in the consumer packaged goods industry. Procter & Gamble could join other well-respected packaged goods companies such as General Foods, General Mills and Colgate, who had all failed in Japan and retreated. However, P&G was convinced that Japan was a leading-edge country in the consumer goods industry, and the world leader had to be successful there. There was no other choice. If P&G could not compete with the Japanese companies in Japan, they would eventually have to compete with them in the USA. This conviction led to P&G's subsequent success in Japan, which managed to show that marketing efforts could overcome cultural problems (Yoshino and Stoneham, 1990b).

The changing mentality at P&G started with the changing belief in research and development. By that time P&G believed that while American and European trends were helpful, the worldwide centre of innovation should be focused on Japan and Japanese competition. Thus, the R&D team in Japan was trying to develop products that would meet the needs of Japanese consumers. While there were only 60 people in the P&G R&D group in Osaka, in comparison with Kao's 2000 in Japan, P&G could depend on the unreserved support from the R&D group in Cincinnati. The race in R&D in the diaper product industry was instructive. Procter & Gamble, Kao and Unicharm took turns to leapfrog one another in product upgrades, rendering the latest generation of diapers obsolete within six

months. Eventually P&G's R&D groups in Osaka and Cincinnati jointly developed the world's thinnest and most absorbent diaper, which became a clear winner over both Unicharm's Moony and Kao's Merries.

The biggest marketing challenge for P&G was to determine what advertising would work. It became clear to P&G that there was a virtual absence of side-by-side comparisons in Japanese advertising because of the indirectness of communication and the importance of harmony in Japanese culture. The tone of advertising was always friendly and never aggressive. Commercials often used background music and well-known celebrities. The author (Lee) reviewed the P&G commercials used in Japan in the late 1970s and those of the early 1990s. The improvement was obvious. For example, previously Pampers commercials featured an unhappy baby in an unhappy situation, while later commercials featured happy babies in happy situations. To promote Cheer originally, P&G had merely applied the American copy to Japan, although Japanese housewives had no problems with water temperature. Later commercials focused on the primary product benefits of dirt and odour removal.

There were commensurate changes in the distribution, manufacturing and organization areas. The whole package of changes showed that P&G was willing to take the other culture seriously, and make a commitment to investing resources to meet customers' needs. While noticing cultural differences is important, it is even more important to develop culture-specific marketing activities to meet local customers' needs. Where there is a will, there is a way, and marketing efforts can overcome cultural problems.

Procter & Gamble invested US\$10 million in China in 1998 and set up an R&D centre in Beijing. The centre, located next to Tsinghua University, had a twofold mission. It enabled P&G to adapt products to local conditions and it also enabled P&G to take advantage of local ideas in improving products around the world (Walsh, 2001). One can see in China the shadow of the earlier hard won successful experience in Japan.

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### **Marketing power should respect culture**

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The examination of the ethical foundation of marketing in a different culture is equally if not more important. Should a marketing success be reproduced in another culture? Although marketing power is formidable, there should also be a limit. The limitation need not come from customers' resistance, which in fact is important in the marketplace to differentiate the capable from the less capable marketers. Such limitation is part of the reality in marketing interaction. However, there is another kind of limitation. It comes from company efforts to restrain the marketing power when it is necessary for the company to do so. When customers are able to choose what would be best for themselves, consumer sovereignty can be assumed, and companies are free to exercise their marketing power to overcome the resistance and eventually manage to meet the customers' needs and conclude the deals. On the other hand, when customers are not able to choose

what would be best for themselves, consumer sovereignty does not exist and it becomes the responsibility of the company to restrain the marketing power for the sake of the public. One notable example is the case of infant formula selling in the Third World (Lee, 1987).

Infant formula was developed by leading food giants in developed countries. The product was initially sold in developed countries as a substitute for breast milk. The case for infant formula is that it is available when breast milk is not (a less than 10 per cent chance), and when properly used it is an excellent alternative among all existing alternatives. In the developed and rich countries like the USA, mothers can usually afford to buy infant formula and know how to use it in hygienic conditions. Their education level is high and consumer sovereignty can be assumed. It would be enough to promote breast milk as the best choice while providing mothers a choice of settling with the 'second best' – the infant formula.

However, while infant formula is not defective in itself, it is demanding. When risk conditions are present, it can be harmful to users. This became a serious issue in 1970 when the infant formula manufacturers adopted aggressive marketing efforts in developing nations (Post, 1986). The problem became obvious when infant formula manufacturers promoted heavily in a much less developed and poor country like Zambia. There are two real dangers. First, through poverty, compounded by ignorance, mothers tend drastically to dilute the infant formula in order to make it last. As a result, infants starve and die. Second, poor hygiene causes serious troubles. Nestlé and other companies in the industry repeatedly claimed that they had no desire or intention to see unqualified consumers using their formula products. However, in 1978 at the US Senate hearings, when representatives from these companies were asked whether they had conducted any post-marketing research studies to determine who actually used their products, all representatives answered that their companies did no such research and did not know who actually used the products.

It becomes clear that the companies should be responsible for their marketing efforts. In order to guarantee that the users of infant formula products have proper information on their safe use and can make intelligent consumer choices, the companies may want to withdraw the marketing efforts or even the products from those countries. Mass marketing would certainly not be appropriate in view of the consumers' culture in such countries. If the product supply is meant to be helpful, it may be wise to do the promotion through the medical and health care system. Professionals there can exercise their judgement and make recommendations to mothers. Nestlé's infant formula should not be regarded as an isolated case. Rather it should be seen as an illustrative case for all kinds of First-World products being sold in the Third World. There should be a similar level of sensitivity in reviewing the situation. It is important for marketing power to respect culture.

Another example illustrating that marketing power should respect culture is the sustainable development of ecotourism. If managed properly, ecotourism can benefit both tourists and the local community. Tourists can learn more about the local cultures and environment. Through education programmes, tourists can also understand the importance of preserving the local culture and environment. Their spending provides extra sources of funding for environmental protection projects. The

local community can enjoy increased income and better quality of life. However, when the marketing activities and development is out of control, the local community, the environment, and the customers will all suffer. The case of Zhangjiajie is a good example of this.

Zhangjiajie National Forest Park is the first national park in mainland China. Also, it is the main component of the Wulinyuan Scenic Area, a UNESCO world natural heritage site. The government noticed its potential as a world-class ecotourism site in 1982 and began to promote and develop the destination heavily. Due to its rich cultural resources and beautiful scenery, Zhangjiajie became very popular in a few years. The annual average arrivals increased from around 88,000 visitors in the early 1980s to more than 720,000 visitors in the early 1990s. However, as the marketing campaigns and site development were not managed properly, tourism development impacted on the quality of the park. Tourism activities reduced the biodiversity in the area. As some tourists damaged the trees and threw rubbish in the park, air and water became heavily polluted. The environment suffered seriously. In 1998, experts from the UNESCO committee visited Zhangjiajie and warned that the Zhangjiajie area had been largely transformed. If Zhangjiajie continued to be mismanaged, it would be placed on the UNESCO World Heritage in Danger List. Furthermore, in order to develop the area, some local residents had been relocated. At the same time, more immigrants migrated to the area for better jobs. The local cultural traditions cannot be easily retained under these circumstances. Tourists' experiences were negatively influenced by the environmental and socio-cultural changes. In the visitor survey by Zhong, Deng and Xiang (2008), over 85 per cent of respondents reported that they did not feel a strong ethnic ambience during their stay in the park. Local residents' friendliness towards tourists also faded over time. The area became very commercialized and disappointed tourists (Deng et al., 2003; Zhong et al., 2008).

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### **Marketing campaigns can utilize cultural features**

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The above discussion may leave readers with the impression that marketing is the conqueror and culture is always trying to defend itself. This need not be the case. As a matter of fact, marketing campaigns can make use of the unique cultural features of the customers and the company to make a lasting impact. When a marketing programme is deeply rooted in a particular culture, the marketing programme can easily enjoy sustainable competitive advantages. In some situations, a company may 'discover' such a 'different' and perfectly compatible culture at home. The turnaround of Harley-Davidson in the American motorcycle industry is one of the most celebrated examples.

Before 1960 the motorcycle market in the USA had been mainly served by the American Harley-Davidson; BSA, Triumph and Norton of the US; and Moto-Guzzi of Italy. Harley-Davidson was the market leader in 1959. However, in that year Honda and Yamaha entered the American market. The Japanese motorcycle industry had expanded rapidly after the Second World War to meet the need for



cheap transportation in Japan, and in 1959 the major Japanese producers, Honda, Yamaha, Suzuki and Kawasaki, together produced some 450,000 motorcycles, which was 10 times more than retail sales in the USA. Honda was already the world's largest motorcycle producer. These Japanese producers approached the American market in a systematic way. They started by penetrating the low end, lightweight market niche. They all placed an emphasis on market share and sales volume. To realize their growth goals, the Japanese producers constantly updated or redesigned products to meet the needs of American customers; set prices at levels designed to achieve market share goals; reduced prices further when necessary; appointed full-time dealers to set up an effective distribution and maintenance network; and launched well-planned and heavy advertising campaigns. Because of scale economy and long-term strategic planning, by 1966 Honda, Yamaha and Suzuki together had 85 per cent of the US market. By 1974 Harley-Davidson was virtually the only non-Japanese company left in the market, keeping a mere 6 per cent market share (Buzzell and Purkayastha, 1978).

The only option left for Harley-Davidson was to adopt niche marketing in a matured market. Harley-Davidson just concentrated on the super-heavyweight motorcycle market. However, because of the aggressive Japanese marketing efforts, their market share in that niche had fallen from 75 per cent in 1973 to less than 25 per cent in 1980. At that time the parent company AMF was losing interest in Harley-Davidson. Early in 1981 Vaughn Beals and 12 other Harley executives wanted to take over the company through a leveraged buyout arrangement. They thought that they could do a better job and rescue the company. Subsequently, Harley-Davidson made several strategic moves that eventually led to the celebrated turnaround. In April 1983, President Reagan approved a recommendation by the International Trade Commission (ITC), raising the tariff on 'heavy-weight' motorcycles (with engine displacements over 700 cc) from 4.4 per cent to 49.4 per cent for four years. The ITC's recommendation was to protect the domestic industry, and essentially the Harley-Davidson operation. Harley-Davidson made tremendous efforts to renovate the production process. They learned just-in-time manufacturing systems from the Japanese companies and adopted measures to encourage employee involvement. Production cost and product reliability were significantly improved. However, the major change and the secret of their success was on the marketing side.

Harley-Davidson formed the Harley Owners' Group in 1983. The acronym HOG is the affectionate name given by Harley riders to their motorcycles. Since motorcycles are often an impulse purchase, one of Harley's biggest challenges is to hold its new customers after they have bought a bike. The Harley Owners' Group gives the new rider instant companionship through organized rides, rallies and charity runs. In 1991, with more than 155,000 members in 700 chapters worldwide, HOG had become the motorcycle industry's largest company-sponsored enthusiast organization. Club members enjoy such features as a bi-monthly newsletter (*HOG Tales*), an automobile-club-type travel centre and reimbursement for motorcycle safety courses. The major attraction has been that at state, regional, national and international rallies, thousands of HOG members unite with company employees for a weekend of fun, entertainment, motorcycle demo rides and

camaraderie in an atmosphere that clearly defines the 'Harley-Davidson lifestyle experience'. The rallies also give Harley executives a chance to find out what is on customers' minds.

When management celebrated Harley's 85th birthday in 1988, they arranged a party which reflected their unique way of getting close to customers. Motorcyclists were invited to participate in the event. All they had to do was to contribute US\$10 to Harley-Davidson's favourite philanthropic organization, the Muscular Dystrophy Association. Starting from as far away as San Francisco and Orlando, Florida, groups of cyclists headed for Milwaukee. Each group was led by a Harley-Davidson executive, including the board chairman Vaughn Beals, and chief executive officer Rich Teerlink. Thousands of Harleys, many flying American flags, rumbled into Milwaukee on 18 June, shaking the air with the sound of their engines. Some riders had dogs, others their children. Riders wore different kinds of clothing, and they were all ages. The celebrants spent the day participating in such activities as slow races. Beals and Teerlink, among other executives, submitted themselves to the celebrity dunk tank, where they were dumped into a tank of water by on-target baseball throwers. Music resounded all the time. At the final ceremonies, 24,000 bikers watched videotapes of their ride to Milwaukee projected onto two giant screens. As riders saw their own groups, they would shout. Thousands of Harley owners rose to their feet and burst into an unrivalled demonstration of product loyalty.

In 1989 Harley-Davidson had managed to capture close to 60 per cent of the super-heavyweight motorcycle market in the USA (Rose, 1990). The momentum has continued since and Harley-Davidson has become an exemplar of the 'marketing community' concept. The charity events and public-spirited programmes such as company reimbursement for Harley owners who took rider education classes, helped a great deal in promoting the company image. The HOG and cross-country motorcycle treks come from the roots of American culture. Only Harley-Davidson can utilize these cultural features and promote nationalism in a natural way. Honda tried to form a similar group to HOG, which quite expectedly soon faded away (*Fortune*, 1989). The case of Harley-Davidson demonstrates that utilizing cultural features can make a marketing campaign more effective.

Brand community has become a powerful concept to advocate brand loyalty (McAlexander et al., 2002; Muniz and O'Guinn, 2001; Thompson and Sinha, 2008). Harley-Davidson and HOG became an exemplar of understanding the concept of brand community (Bagozzi and Utpal, 2006; McAlexander, et al., 2002). A brand community rooted in culture is a brand built on a rock.

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### Culture and the globalization of markets

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It would not be appropriate to discuss the cultural aspects of marketing without mentioning Levitt's widely cited article on the globalization of markets (1983). In this powerful article, Levitt asserted that well-managed companies had moved from an emphasis on customizing items to offering globally standardized products

that are advanced, functional, reliable and low priced. Will cultures eventually converge? If so, it will no longer be necessary to examine the cultural aspects of marketing. Levitt's thesis was derived from his observation of a powerful force – technology – which was driving the world towards a converging commonality. High-tech products were standardized. High-touch products like Coca-Cola, Levi jeans and Revlon cosmetics would be the same. According to Levitt, 'everywhere everything gets more and more like everything else as the world's preference structure is relentlessly homogenized' (1983: 93). Levitt predicted that the global corporation will know everything about one great thing. The corporation will know about the absolute need to be competitive on a worldwide basis as well as nationally and seek constantly to drive down prices by standardizing what it sells and how it operates. Its mission is modernity and its mode, price competition, even when the corporation sells top-of-the-line, high-end products. What all markets have in common is an overwhelming desire for dependable, world-standard modernity in all things, at aggressively low prices. Later, in 1988, in one of the editorials he wrote for the *Harvard Business Review*, Levitt created a concept called 'the pluralization of consumption' to supplement his theory of global homogenization. According to his prediction, the whole world is made up of one market segment, which consists of people with plural preferences – the new world of the heteroconsumer.

While we enjoy reading all Levitt's writings and accept the points he made in most of his articles, we must challenge this contention by Levitt. If world-class marketers like P&G encountered clear cultural problems in Europe and Japan, it is quite obvious that the market is not homogenized even among the most developed countries. The case of Nestlé's infant formula is even more convincing. The economic gap between the North (those who have) and the South (those who have not) is highly conspicuous. It is not possible to assume that people in the Third World should be approached in the same way as people in the First World. If this is still not enough, the case of Harley-Davidson shows us clearly that even in the most developed marketplace in the world, the USA, culture and its consequences play a key role in marketing. Harley-Davidson depends on cultural features to guard its market niche. No Japanese company can reproduce the same cultural impact on American consumers. The foundation of Hofstede's (1984) seminal studies on culture is the nation. As long as national boundaries exist, and as long as there are reasons for nations to reinforce the differences between nations, the impact of culture will be here to stay.

Coca-Cola is probably the best known brand name in the world. If there is a universal standard product in the world, Coca-Cola is very likely to be one of the best, if not the best, contender. However, when the Coca-Cola company began to sell their products aggressively in China, it was clear that the reception there was atypical. Contrary to expectation, Sprite (the number two brand from the Coca-Cola company) was selling much better than Coca-Cola (the flagship in China). Also, it was quite clear that the universal advertising copy was not at all well received in China. This led to a special advertising production for China. The company gave local managers in mainland China control over advertisement operation. In the new advertising commercial that was launched in 1992, one could see the favourite

Chinese images such as family ties, wedding ceremonies, Chinese New Year and the great earth. These cultural themes were clearly unique to China and the Chinese. A pop singer from Taiwan, who was well received on the mainland, was commissioned to compose and sing the theme song for that advertising commercial. In addition to localized advertisement operation, Coca-Cola changed its usual distribution strategies when they operated in China. When Coca-Cola first started its operation in China, its direct-to-retail distribution strategy, which was successful in developed countries like the United States, only accounted for a minority of the company's unit sales. In mainland China, around 75 per cent of Coke products went through independent wholesalers. These independent wholesalers might be large state-owned enterprises, private companies, or most often, family business. To handle distribution and sales to these wholesalers, Coca-Cola operated at least one sales centre, which also served as warehouses, in most Chinese cities with a population above one million. Coca-Cola also provided training and management assistance to these independent wholesalers through a programme called 'Partnership 101'. This unique distribution strategy allowed Coca-Cola to reach more customers through its giant distribution network, with about 215,000 active retail outlets in 2001. Coca-Cola's 'think local, act local' approach made Coca-Cola the most recognized soft drink brand in mainland China for six consecutive years from 1995 to 2001 (Clifford and Harris, 1996; Weisert, 2001). This is clear evidence that consumers are not homogenized. The impact of culture is here to stay.

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### **Balance between localization and standardization strategy**

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The above discussion may leave readers with the impression that marketing in different cultures should adopt the local culture or fail. However, the choice between standardization and localization is not an either-or decision. Instead, marketers should balance the two approaches so that they can maximize the benefit from their marketing campaigns. While localization allows marketers to develop marketing campaigns relevant to the local customers' needs, standardization allows marketers to enjoy economies of scale and deliver a consistent branding message (Ferle et al., 2008).

Operating in more than 100 countries, McDonald's is probably the most iconic fast-food chain in the world. For years, McDonald's has used the famous Golden Arches as its logo with red and yellow as the major colour tone. It operates everywhere with the same principle of providing customers with efficient fast food in a clean environment. However, since the 1990s, McDonald's marketing message has fallen flat. In 2002, the world's largest restaurant chain's stock price dropped to a seven-year low due to decreasing earnings (ElBoghdady, 2002). It was clear that its attempts in creating an emotional connection with its customers were not working and its advertisements were notorious for lacking focus and being out of touch with the culture (Arndorfer, 2005). Even though advertisements were made by local agents, they were given small budgets and worked on similar projects, focusing on

price reduction and product attributes (Fowler, 2005). Standardization did not help McDonald's stand out from its rivals. Moreover, selling the Big Mac, the brand-famous product, is not possible in many countries like India where no pork or beef are allowed in the diet. In Israel, the chain has to sell 100 per cent Kosher beef, processed in accordance with Jewish rites. They cannot sell any dairy product nor operate on the Sabbath nor on any religious holidays. A total standardization is impossible.

In 2003, McDonald's executives were convinced that the traditional one-size-fits-all approach could not cater to the different needs of customers in different cultures. They understood that no one message could tell the whole brand story. However, they also saw a totally localized approach as being too risky and creating confusion. In order to address both local relevance and message consistency, they adopted a new approach – 'brand journalism' which recognized the multidimensional nature of a brand. In the 'brand journalism' approach, McDonald's marketers reach its customers in different cultures with different relevant concepts under the same theme. In other words, creative themes are developed on a global basis. However, local marketers may tailor the theme in locally relevant ways (Cardona, 2004). Accordingly, they launched a series of marketing campaigns all around the world under a unified theme called 'I'm lovin' it'. The theme connected McDonald's with its customers in a highly relevant and culturally significant way. Local marketers were allowed to use locally relevant advertising channels, tailor-make advertising context and develop new products to suit the needs of local customers. At the same time, through its promotions, media planning, new product developments, merchandising and internal marketing, a single brand message was sent to employees and customers in over 100 countries expressing the 'Forever Young' positioning. It provided message consistency while capturing the spirit, music and flavour of each local country (PR Newswire, 2003). This approach allowed McDonald's to sell one facet of the brand in a culturally relevant way and resulted in 86 per cent advertising awareness in its top 10 markets. Sales increased. At the same time, customers and employees were excited about the 'new' brand (Cardona, 2004).

In different cultures, advertisements under the McDonald's 'I'm lovin' it' theme told different real stories about what their customers like, and how McDonald's relates to them. McDonald's experiences in Asia demonstrate how successful the new strategy is. Like other countries, McDonald's Asian advertisements were made under the 'I'm lovin' it' theme. The 2009 Hong Kong Chinese New Year prosperity campaign was not an exception. However, it was tailored to suit local customers' needs. In terms of product, they developed the Mala Grilled Pork Burger, the Mala Grilled Chicken Burger and Mala McNuggets. As local customers preferred pork and chicken to beef, these Sichuan style products were relevant to local tastes. In terms of the advertisement, it featured Hong Kong slang, pandas and Chinese traditional lanterns. It also employed SoftHard, a local band popular among the youth, as actors. Furthermore, customers could purchase SoftHard Rangers, a set of 12 Chinese animal zodiac dolls. More importantly, the whole marketing campaigns sent consistent brand messages to its customers under the 'I'm lovin' it' theme. The marketing success was reflected in its 10.2 per cent monthly sales increase in the Asia Pacific,

Middle East and Africa region (PR Newswire, 2009). McDonald's demonstrated how marketers can balance standardization and localization and become successful.

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### Learning from different cultures

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When operating in a global environment, it becomes important to understand and learn from different cultures. Executives from a 'strong' business culture should always be sensitive to the opportunity to learn from executives from a seemingly 'weak' business culture. One good example comes from the experience of Sino-US business. After 1993, many more American multinational companies took business in China seriously. There was a renewed interest in studying the Chinese business negotiating style (e.g. Fang, 1997), trying to re-examine what was known in the early days (e.g. Pye, 1982). While this whole research area is still quite unclear, American executives have already discovered that they have at least one important lesson to learn from Chinese executives in negotiating more effectively (Intercultural Training Resources, Inc., 1995). American executives usually arrange negotiation items one by one and prioritize the issues. They would try to negotiate and settle first the most important issue, and then move on to the next one. If there is no settlement for the first issue, they would hesitate to move on. At the same time, once the first issue is settled, they would hesitate to open up the discussion again when they have already moved on and discussed the second issue (sequential approach). Chinese executives are just the opposite. If they cannot come to an agreement on the most important issue, they are willing to put that aside for the time being and move on to discuss the next issue. In addition, even if they have already reached an agreement on the first issue, they are willing to open up the discussion again on the first issue when they are discussing the second issue (holistic approach). Theoretically, the Chinese holistic approach would enhance significantly the chances for both parties to create more value from the business deal.

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### Dynamic culture and dynamic marketplace

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While it is unlikely and undesirable that cultures will converge and form one world culture in the foreseeable future, this does not mean that cultures are stagnant. The impact of culture is here to stay, but culture itself is dynamic and changing. When the culture of a particular economy is changing, more often than not there should be commensurate changes of marketing efforts in order to enable the company and the brand to ride together with the tide. The case of Hong Kong should be instructive since it has gone through significant changes in the past several decades.

Hong Kong had been a British colony for more than 90 years. Culturally, Hong Kong has always been a Chinese society. When the Communist Party was about to take power in mainland China, many Chinese industrialists in the textile industry

came to Hong Kong. They brought with them their best technicians and operators, together with money and their best equipment. In the 1950s and the 1960s Hong Kong became a rapidly growing manufacturing centre with a firm base in textiles and clothing. The typical work ethic at that time was diligent and frugal, carried over from the previous agricultural society. Because of continued growth and prosperity, Hong Kong became quite affluent in the 1970s and well into the 1980s. In the meantime, Hong Kong people began to work more shrewdly rather than harder. They no longer felt that they were poor and even if they actually were they felt that they can become rich if they do it right tomorrow. The issue of the end of colonization in 1997 was much felt in Hong Kong, beginning in late 1982, and remains a part of daily news. Hong Kong people have been forced to reflect on their own identities. Before the issue of 1997 became real, Hong Kong people had refused to think about it, and regarded themselves as Chinese. When the changes in 1997 became a reality, Hong Kong people began to see that there is a difference between the identity of a Hong Kong person and the identity of a Chinese person. Although Hong Kong people are also Chinese, they are not Chinese in the same way as those from the mainland or Taiwan. This development is gradual but real and carries implications for marketing campaigns. It may be instructive to review the development of advertising themes for a popular soft drink in Hong Kong, since the soft drink industry may best reflect the preference of the mass society. It is about the story of Vitasoy, a soya bean milk developed in Hong Kong (Lai, 1991).

The Vitasoy story began with a big idea and a little bean. Vitasoy was a milk substitute made from soya beans ground with water and sugar. It was launched as 'the poor people's milk' in the 1940s. Its major principle was to deliver adequate nutrition at low cost. The company promised that people would become taller, stronger and healthier. Vitasoy had always been sold at about two-thirds of the price level of leading soft drinks such as Coca-Cola. Vitasoy met two kinds of needs. People took Vitasoy because it was thirst quenching and at the same time good for body strength. It also appealed to people who were poor and frugal. This product position continued to function well in the 1950s and 1960s. However, in the 1970s this advertising theme became ineffective. Hong Kong people no longer thought of themselves as poor and malnourished. In 1974 Vitasoy decided to make a drastic change and reposition the product. They used Tetra Brik Aseptic packaging to present a new image and to make the product available in supermarkets, which had started to become a more important retail outlet than grocery stores. They raised the product price level to the ordinary price level for prestigious soft drinks, since price was no longer a concern among customers. The incremental margin would enable the company to put up more aggressive marketing campaigns. The advertising theme was changed to 'more than a simple soft drink'. The new theme created a 'Fun' image and at the same time preserved the 'nutritious/healthy' image, which was still helpful to differentiate Vitasoy from other soft drinks. This advertising theme went well for more than a decade, and then ran out of steam. In 1988 they adopted another new theme, 'you must have been a beautiful baby'. This theme reinforced the Hong Kong identity and also enabled Vitasoy to differentiate itself from all other soft drinks which were from different countries. Since Hong Kong people at that time had begun to have confidence in their own identity, this advertising theme was timely and effective. In the 2000s,

Hong Kong people were able to identify the dual identity of Hong Kong people in relation to China (Brewer, 1999). The new Vitasoy's advertising theme was 'One small step, one leap forward'. It featured a son gaining support from his traditional father by showing a childhood drawing of Vitasoy. This advertisement made use of the father-son relationship to portray the relationship between Hong Kong and mainland China. It became quite effective. Vitasoy has been continuously successful and the advertising themes adopted over the years have kept pace with the changing culture in Hong Kong. This is strong evidence that culture and marketing go together in a dynamic fashion. There will be no effective marketing if full attention is not paid to its cultural aspects.

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## Conclusion

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Marketing theories are culture bound. Marketing success is also culture bound. When a company has developed a successful marketing formula in one culture, it is justified to try to enjoy the benefits of scale economy and apply it in another culture. However, it is important to take heed and make sure that the conditions exist there to reproduce the same marketing success. Otherwise, the marketing failure can be very costly. The story of the P&G launch of Vizir is very instructive. On the other hand, the eventual success of P&G in Japan is reassuring. McDonald's 'I'm lovin' it' marketing campaign further demonstrates how to balance the decision between localization and standardization. Good marketing efforts, even in a different culture, will pay off.

Marketing is not just profit making. When a company launches a marketing programme in a different culture, the first question that should be asked is whether the company respects the host culture. In some special situations, as demonstrated in Nestlé's infant formula case and in the Third World and Zhangjiajie ecotourism development, it may even be appropriate to adopt various demarketing measures at the expense of 'marketing success'. When a company learns to respect culture, the efforts will pay off. When the marketing programme and the culture are joined together, sustainable competitive advantages are guaranteed. The rebirth of Harley-Davidson celebrates this truth.

Although there are merits in Levitt's vision of a convergent world culture (1983, 1988), it is unlikely that that vision will become a reality in the foreseeable future. Coca-Cola's 'think local, act local' marketing activities and the differentiated cultural effects on tension felt during negotiation demonstrated that. In view of the fact that people can learn even from a seemingly 'weak' culture, it becomes desirable to preserve cultural diversity so that marketers can learn more effectively. Thus, it will continue to be important to examine the cultural aspects of marketing, Levitt's thesis, in a way, reinforces the conviction that culture is developing and changing. It becomes important for the marketer to continue to study the cultural aspects of marketing, even when the company is operating in the same place as before. Since culture is constantly developing and changing, even the home culture can become very different in the course of time. It becomes imperative to examine the cultural aspects of marketing whether one is operating at home or abroad.



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