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Marketing Across Cultures

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Local consumers and the globalization of consumption

The business world is going through a process of dramatic change and increased volatility.

According to *Euromonitor*, the five most important global trends in consumer markets are:¹

1. A dramatic shift in global power from the West to the East, with China expected to be the world's largest economy by 2020, with over 20 per cent of the world's GDP (purchasing power parity).
2. Increasing concerns about social and environmental issues, focusing on the depletion of national resources and rapid growth in emerging economies.
3. Rising prosperity and growth of the global middle class, with consumer spending projected to increase by 32 per cent in emerging economies and 15 per cent in advanced economies (from 2010 to 2020).
4. Increased urbanization and aging of the population: one in every ten people will be over 65 and 70 per cent will live in urban areas by 2050.
5. Increased communication with 3.8 billion Internet users by 2020.

Each of these trends offers both opportunities and challenges for marketers from a wide range of organizations. As will be discussed in Chapter 8, international marketing used to focus primarily on how large firms from developed nations transferred their domestic know-how to other markets. However, the global trends listed above indicate the need to attend to a wider range of markets, with greater degrees of cultural and economic diversity. The traditional evolution of international expansion from national to international market entry (driven by the need for economies of scale), to local market expansion (driven by the need for economies of scope) and then, global rationalization (driven by the

need for scale efficiencies), is entering a new phase, which will require a much greater understanding of local or regional markets.²

The growth of the middle class, especially in liberalizing emerging economies (e.g., China, India, Brazil, Indonesia and Turkey), and of the social network phenomenon, might be seen as an opportunity to target consumers who are increasingly sharing a common set of values, needs, habits and preferences. However, consumption habits and personal preferences across nations will always diverge. In Germany most homes do not have cupboards, because it is thought only poorer people have cupboards and not wardrobes. This way of thinking extends to Alsace, but stops in France and the Latin countries, where the convenience of both cupboards and wardrobes is recognized, and there is no implied socio-economic or class-related meaning. Nevertheless, iconic global brands, such as BMW, Godiva and Coca-Cola are thriving. As are iconic 'foreign' brands that can exploit their global capabilities, such as IKEA with its strong Swedish brand image.

We argue that it is the companies that are becoming increasingly global, rather than the consumers, who are still largely local. Consumption patterns may look like they are converging, but convergence is at the macroscopic level. Consumption patterns resemble Russian dolls, building up from home to city, from community to region, and from nation to globe.³ It has become more important than ever to look closely at the unique elements of meaning local consumers invest in their products, services and consumption experiences.

In this chapter we discuss the three crucial assumptions behind globalization. The first aspect is demand,

with the convergence of consumer behaviour and marketing environments at the macro level. The second aspect is supply and competition, with the shift away from domestic industries operating in national markets to global industries operating in world markets. The third aspect is the potential for cost reduction through the globalization of products and marketing offerings.

The first half of this chapter explores the justifications for globalization. First, we examine how traditional models of international trade have been strong drivers for globalization (Section 6.1). These traditional models ignore local consumers' tastes for local design and manufacture, and focus on utilitarian needs for generic products to justify worldwide similarity. As emerging markets become a key focus for growth, more attention needs to be paid to customers purchasing patterns, as well as competitive offerings. Second, we discuss the assumptions around the global convergence of consumption patterns (Section 6.2). Convergence happens at the macro level for generic product categories, but it is less evident at a micro level when we examine specific products and consumer behaviours. Third, we examine the emergence of a global consumer culture, based on 'modern cultural' values that may lead to a world standard package (Section 6.3).

The second half of this chapter explores the justifications for localization. We first examine products that are culture bound, and how goods and services and consumption experiences are infused with uniquely local meanings (Section 6.4). We then discuss consumer resistance to global products and consumption patterns which may threaten local interests (Section 6.5). Finally, we explore the kaleidoscopic patterns of local consumption in a globalizing world: that is, how consumers mix globalized products and local items in a grand *bricolage* (Section 6.6).

6.1

Free trade doctrine and the denial of cultural variety in consumers' tastes

Ricardo's hypothesis

Traditional international trade doctrine laid the foundations for the denial of culture in international

marketing. One of the seminal manuscripts on international trade is the seventh chapter of David Ricardo's *On the Principles of Political Economy and Taxation in 1817*,⁴ which explains why countries and traders may benefit from developing international trade. Ricardo considers the case of two countries, England and Portugal, and two types of goods, wine and sheets. He posits *the law of comparative or relative advantage*, arguing that a country would benefit from international trade even when it is at a competitive disadvantage for both products. By trading internationally, each country finds a better exchange ratio for the goods than they can in their domestic market. By concentrating efforts and resources on products where they have a relative advantage, both countries increase their national and global welfare.

Though visionary, many implicit assumptions in Ricardo's theory are not clearly spelled out: (1) gains from trading internationally must offset transportation, customs duties and trading costs; (2) there are constant returns to scale; (3) products should be identical, or at least perceived as such by both consumers and merchants; (4) information must be easily available and efficient enough so that merchants in the two countries may be aware of the potential gains to be derived from international trade; and (5) there must be no other financial or government restriction or market barrier that limits international trade for these products.

The implicit assumption that products and consumers' tastes, habits and preferences are perfectly identical in two countries or the world is a difficult one. England produced almost no wine at the time and it is doubtful that British wine had the same physical characteristics, the same alcoholic content or the same taste as the Portuguese wine. English and the Portuguese tastes in bed linen were probably distinct enough (in terms of their fabrics and embroidery) to enable them to recognize clearly which were 'their' sheets. Furthermore, British beer was the drink of choice in pubs, whereas *vinho verde* ('green wine', or 'young wine') or *porto* ('port wine') were the favourite drinks of the Portuguese, often consumed while they listen to *fado* (guitar music). Ricardo, however, did not think of products as cultural artefacts. Only quantity and price matter. Exchange is purely economic: goods and services are commoditized, generic, indefinitely marketable and without cultural meaning.

Ricardo's theory came at the time of England's Corn Laws. He demonstrated that Britain should reduce its customs duties, thereby opening up its domestic market to foreign agricultural commodities – especially those from the colonies that were more cost competitive – and specialize in certain manufactured goods to be exported worldwide. It did not sufficiently acknowledge the human consequences, including rapid rural depopulation, social inequality, consumer frustration, stress, materialism, lack of self-sufficiency in food supplies, and threats to health and the environment.⁵

International trade theorists assume the inevitability of global change despite local consequences like job losses. However, the recent global economic downturn has seen this issue re-emerge, as many nations have increased protectionism to speed up recovery. Ernst & Young reported that 78 per cent of small- to medium-sized companies in Germany favoured protectionist measures to shelter them from the global recession.⁶ Further, 'Buy domestic' campaigns have re-emerged, especially in countries affected by job losses and company bankruptcies.

Locally, people strongly defend their country and their cultural identity, which is largely thought of as embracing protectionism in international trade. This is illustrated in France by the *Lois Méline* introduced at the end of the nineteenth century out of a desire to protect French food supplies and French farmers, even though this meant higher costs for the consumer.

Website link 6.1

Search for changes in national policies and positions. Start before the global economic crisis, such as the summary of a US Democratic Party committee hearing considering the Bush administration's claim that outsourcing is good for the US economy: <http://dpc.senate.gov/hearings/hearing13/daly.pdf>.

Then, look at more recent information, such as President Obama's 2012 State of the Union address, which vows not to go back to an economy weakened by, among other things, outsourcing and bad debt: <http://www.whitehouse.gov/blog/2012/01/25/president-obama-state-union>.

In practice it is difficult to distinguish between protecting national/cultural interests (self-identity is enhanced by consumption) and protecting the interests of industries, which may deprive consumers of cheaper products, or even of the opportunity to buy particular products. Hence, there is a natural tendency to ignore culture or to consider it as an anecdotal variable, defending local, narrow interests rather than promoting global welfare. Historically, international business and international marketing perceived culture, in the 'modern' world, as an anecdote at best and a useless constraint at worst.⁷ However, this argument relies on a macro-perspective rather than a multifaceted micro-examination of the 'modern' world.

The dismal treatment of diversity in global marketing

Traditionally, the global product philosophy lacked any consideration of meanings invested by local consumers. Instead, it conceived price as a universal concern, where low-cost arguments make sense. As advocated by Levitt,⁷ and many other authors in the area of international marketing, we expected to see the emergence of global markets for standardized consumer products on a previously unimagined scale. In this world view, traditional differences in national tastes would disappear and local consumer preferences and national product standards would become 'vestiges of the past'. Consumers worldwide would look for good-quality/low-cost products, and global competitors would seek to standardize their offerings everywhere. Farewell diversity: we will not mourn your passing! However, homogenization has not happened, as this world view contains a number of flawed assumptions that are discussed in this and other chapters.

The first assumption concerns the strong ideology of 'standard' or utilitarian needs dominating consumption: people strive for a large quantity of fair-quality, low-cost products. Levitt rightly argued that low cost and high quality are not incompatible. However, this refers only to the quantitative definition of product quality, based on reliability, performance and durability. Here, quality is meant only in the sense of the word contained in the first of nine definitions given by *Collins English Dictionary* (p. 1325):⁸

‘a distinguishing characteristic, property or attribute’, this does not necessarily mean superior quality to other products. Quality in the sense of ‘having or showing excellence or superiority’ is only the ninth and last meaning in the dictionary.

The second assumption deals with the continuum between traditional and modern societies. In Western societies, ‘traditional’ and ‘modern’ are thought of as contradictions; however, this is too simplistic. Many Eastern collectivist societies, such as Japan, place a high value both on tradition and on modernization. They are modern in the technological sense, but their cultural assumptions are not Western, in the sense of having Western Europe or American values. The cultural assumption that ‘modern’ is more legitimate is highly questionable. It can lead people to imitate behaviour that is not necessarily appropriate to their own culture.

In the Western view, ‘traditional’ is of low value, as it is associated with the past, which is mostly seen as an impediment to effective action. This naive view of world diversity believes that we are all converging towards a ‘modern’ lifestyle marked by standard products and consumption patterns worldwide. There are, however, many non-utilitarian reasons for consumer behaviour; cultural diversity at the international level is a reality. Moreover, there are opportunities for companies that reject the ‘consumption fordism’ of globalization, to create differentiation and gain a competitive advantage. Over the past decade, even iconic global brands such as Coca-Cola repositioned their strategy to ‘think locally and act locally’. Daft (p. 12), stated that:

Ours is a local business – we will think locally and act locally. We became one of the best marketers in the world because we understood that no one drinks ‘globally’. Local people get thirsty, go to their local retailer, and buy locally made Coke. To think locally and act locally, we must push decision making and accountability to the local level . . . Understanding the local culture and acting on that understanding is paramount to success.⁹

More recently, firms worldwide are searching for growth opportunities in emerging markets (e.g., China, India, Brazil, Turkey, Mexico, the Philippines and Vietnam), which differ dramatically in terms of their cultural and economic environments. The growing middle class in these emerging economies will not simply be ‘recipients’ of excess production

from developed nations. Many of these emerging countries already have large domestic companies (with strong local knowledge and linkages) that are competitors for global companies. Further, opportunities exist beyond the middle classes, with the sheer number of people in rural China and India and low-income urban areas in Brazil and Mexico offering market potential, despite a small income of perhaps \$1–\$2 per day.² In this case marketers have a dual role to provide the needed products and services, as well as increase locals’ ability to afford them. They need to overcome many challenges, including the design of product modifications and pricing strategies that appeal to locals, building innovative distribution systems, and creating meaningful promotional strategies. For instance, Project Shakti (Hindustan Unilever Ltd.) targeted and trained one woman in each village as a ‘Shakti entrepreneur’, providing a limited range of consumable products and a computer (which could also be rented to local children to help them learn English and computer skills) to simplify ordering.²

6.2

The global convergence of consumption patterns

The marketing environment

Some elements of our environment appear to be converging, at least at the macro level.

- The political environment worldwide has clearly moved towards a democratic system, despite continued political instability in many parts of the world and important exceptions.
- It is more and more difficult, given the powerful means of worldwide communication, through satellite television and the Internet, to block the access of citizens to information on what is happening in their own country and in the world. Very few countries restrict or attempt to control access to the Internet (e.g., China and Saudi Arabia).
- The general economic environment is converging to a certain extent, but there are major limitations in a number of areas that are important for marketing. While economic systems are converging

towards a market economy, the degree of poverty of a significant group of developing countries has been increasing over the years, whereas other emerging economies are experiencing rapid growth in discretionary income.

- Legal integration also has limits since legal traditions continue to differ greatly. Even in the European Union (EU), where integration is promoted, laws pertaining to marketing are regulated both at EU level and at the level of member states, which sometimes results in discrepancies and duplication.
- Marketing infrastructures are also converging, with standards of the marketing profession growing in consistency worldwide. Multinational companies have heavily influenced the widespread adoption of similar practices, even where they are adapted to local environments.
- Supply and competition are now largely globalized, with the progressive shift from domestic industries, operating in protected national markets, to global industries. For example, Li & Fung Ltd., a company based in Hong Kong, can source cotton from the US, send it to Pakistan to be dyed and knitted and then to Cambodia to be sewn.¹⁰
- Even marketing knowledge can be argued as converging, with American cultural premises that seem to have been adopted worldwide. However, a multitude of differences, both local and cultural, reflect differences in how marketing knowledge has been understood, sometimes misunderstood, and often transformed. Hence, management expectations about both consumers' responses and the performance of marketing tasks are not always supported, even in an environment to which they are apparently suited, due to a lack of awareness and understanding of the local marketing environment.

General convergence at the macro-level

There is also some evidence of macro-level convergence in consumption patterns. For example, there is significant demographic convergence in the European Union: (1) the age distribution – the population is growing older; (2) the size of households is decreasing; and (3) the proportion of immigrants is increasing, with higher concentrations in large cities.¹¹

Convergence is also seen in the socio-cultural environment in terms of growing equality between men and women and increasing percentages of working women, while all over the EU, health and environmental concerns are on the rise. In Hofstede's terms,¹² there is a trend towards more *femininity*. Convergence in European consumer behaviour can be observed at a broad level. Services account for a larger part of the household budget and are the fastest-growing area of international trade.¹³ Demand is growing for health-care, environmentally friendly products and services, as well as fun and convenience products. However, Europe (EU and the rest of Europe) only accounts for a little over 10 per cent of the world's population, whereas Asia accounts for over 60 per cent.

Most of the empirical studies on globalization are synchronic in design; they study cross-national similarity in consumption patterns at a precise point in time. The most logical way to study the convergence process is, however, to examine how consumption changes over several time periods. A good illustration of long-term convergence in consumption figures is that of wine, traditionally a southern European drink, and beer, traditionally a northern European drink. Wine consumption has decreased and beer consumption has increased in the south (in France, Greece, Italy, Portugal and Spain), whereas the opposite pattern has evolved in the north (in Austria, Belgium, Denmark, Germany, Luxembourg and the UK), leading to macro-level convergence.¹⁴ Also evident is a tendency towards drinks with lower alcohol content, stricter drink-driving laws and higher-quality products. Similarly, there is evidence of increasing macro-level similarity in cross-national consumption patterns in broad commodity categories, when a utility-maximizing framework is used.¹⁴

Numerous detailed examples are cited in support of the globalization of consumption behaviour. Beef consumption in Japan, traditionally a fish-eating country, has developed considerably, while there has been a rise in fish consumption in traditionally meat-eating countries.

Rather than discuss macro-level globalization, it makes more sense from an international marketing perspective to try to understand the nature of this phenomenon. With decreasing barriers to international trade over the last century (mostly in the past 50 years), consumers in most countries have access to a larger variety of goods. In this sense,