Global Marketing
Management

EIGHTH EDITION

Warren J. Keegan

PEARSON

Global Marketing Management

Warren Keegan is to global marketing what Philip Kotler is to marketing. As a student, then as a teacher, Keegan was my hero, and there is still no one who comes anywhere near him for depth, excitement, clarity, and vision. This eighth edition is a book that stands head and shoulders above all others. It pushes the state of the art to even new frontiers. For anyone interested in global marketing, whether student, teacher, or practitioner, this book is a must.

—PROFESSOR MALCOLM H. B. MCDONALD

Emeritus Professor at Cranfield School of Management and Visiting
Professor at Henley, Warwick, Aston, and Bradford Business Schools

Companies doing business in the Asia Pacific region, both local and global, need marketing today more than ever. In this new business environment, marketing will be the key to success and prosperity, and Keegan's eighth edition is the key to global marketing. His book stands out as a clear leader. If you want to be a world-class global marketer, this book shows the way.

—HERMAWAN KARTAJAYA

Hermawan Kartajaya, founder of MarkPlus, Inc. Jakarta, Indonesia is the President of World Marketing Association. In 2003, he was named by the United Kingdom Chartered Institute of Marketing as one of the "50 Gurus Who Have Shaped the Future of Marketing".

cultural values for use in marketing activities such as segmentation, positioning, and designing advertising content. In Africa and Latin America, where embeddedness and hierarchy encourage compliance with social norms and traditions, Aspen Pharmacare's generic brands, for example, are positioned more as tried and trusted products than as less expensive alternatives or new and improved products. Similarly, an effective advertising strategy in the UK is likely to apply in countries with similar cultural orientations, such as Australia and New Zealand, but less likely to apply where countries have opposing cultural orientations, such as Bolivia or the Philippines. (See Figure 4-3.)

Schwartz provides cultural orientation scores for many countries and seven world regions. Cultural correlations are provided with an encyclopedic array of socioeconomic variables that interest marketers, such as GNI per capita; life expectancy; educational attainment; measures of political institutions including democratization, rule of law, and shareholder rights; and population characteristics such as ethnic diversity, average family size, and gender equality.[46]

Leung and Bond's Social Axioms

So far, we have discussed standardized cultural classifications based on values. Culture is not limited to values. To broaden our understanding of culture, we need to explore new cultural constructs.[47] Social axioms are a new cultural construct that is the focus of a recent large-scale programmatic approach to cultural analysis in international business.[48] Research has already linked social axioms to more than 50 sociodemographic, psychographic, and organizational variables that are frequently used in market segmentation and has shown that social axioms add explanatory power over and above values in predicting human behavior.[49]

Social axioms are conceptualized as generalized expectancies that people hold about life and how it works. Learned during social interactions in daily life, social axioms express general beliefs about the relations of two concepts or entities. Statements such as "hard work is always rewarded," "every problem has a solution," and "power and status make people arrogant" are social axioms. Social axioms vary across individuals and cultures due to differences in life experiences, exposure to ecological factors, institutional influences, and other environmental influences and individual differences.

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[46] See Amir N. Licht, Chanan Goldschmidt, and Shalom H. Schwartz, "Culture, Law, and Corporate Governance," *International Review of Law and Economics* 25, no. 2 (2005); Licht, Goldschmidt, and Schwartz, "Culture Rules: The Foundations of the Rule of Law and Other Norms of Governance," *Journal of Comparative Economics* 35, no. 2 (2005); Schwartz, "A Theory of Cultural Value Orientations: Explication and Applications."

[47] For example, Eric J. Arnould and Jakki J. Mohr, "Dynamic Transformations for Base-of-the-Pyramid Market Clusters," *Journal of the Academy of Marketing Science* 33, no. 3 (2005); Peter B. Smith, "Nations, Cultures, and Individuals: New Perspectives and Old Dilemmas," *Journal of Cross-Cultural Psychology* 35, no. 1 (2004).

[48] Kwok Leung, Rabi S. Bhagat, Nancy R. Buchan, Miriam Erez, and Cristina B. Gibson, "Culture and International Business: Recent Advances and Their Implications for Future Research," *Journal of International Business Studies* 36, no. 4 (2005): 357–378.

[49] Michael Harris Bond et al., "Culture-Level Dimensions of Social Axioms and Their Correlates across 41 Cultures," *Journal of Cross-Cultural Psychology* 35, no. 5 (2004): 551; Kwok Leung et al., "Developing and Evaluating the Social Axioms Survey in Eleven Countries: Its Relationship with the Five-Factor Model of Personality," *Journal of Cross-Cultural Psychology*, 20(10), 1-25; Michael Harris Bond and Kwok Leung, "Cultural Mapping of Beliefs about the World and Their Application to a Social Psychology involving Culture: Futurescaping," in *Understanding Culture: Theory, Research, and Application*, Robert S. Wyer, Jr., Chi-yue Chiu, and Ying-yi Hong, eds. (New York: Psychology Press, 2009); Kwok Leung et al., "Social Axioms and Values: A Cross-Cultural Examination," *European Journal of Personality* 21, no. 2 (2007); Michael Harris Bond et al., "Combining Social Axioms with Values in Predicting Social Behaviors," *European Journal of Personality* 18, no. 3 (2004).

TABLE 4-4 Leung and Bond's Cultural Dimensions of Social Axioms[50]	
Culture Dimension	**Description**
Dynamic externality	The degree to which societies are characterized by proaction in the face of external constraints. There is an outward-oriented, simplistic grappling with external forces that are construed to include fate and a supreme being. Characterized by engaged social systems in which individuals are mobilized psychologically to confront environmental difficulties and respond to expectations to succeed.
Societal cynicism	The degree to which societies are characterized by cognitive apprehension or assessment of the world confronting people. When societal cynicism is high, the world is believed to produce malignant outcomes. Individuals believe that the world is a dangerous place in which they are surrounded by powerful others who subject them to the depredations of willful and selfish individuals, groups, and institutions.

Leung and Bond have orchestrated the study of social axioms in 41 cultures. Cultural- and individual-level dimensions have been identified. The two cultural-level dimensions, *dynamic externality* and *societal cynicism*, are defined in Table 4-4. Five country clusters emerge within the 41 culture mapping (see Figure 4-6). The five individual-level dimensions, *reward for application*, *social complexity*, *fate control*, *religiosity*, and *social cynicism*, can be used to explore diversity within societies.[51] Social axioms are linked to important antecedents of market orientation and performance, including organizational citizenship behaviors, organizational commitment, conscientiousness in completion of tasks, and preferences for incentives, rewards, types of organizational structure, and styles of interdepartmental conflict resolution.[52]

Ethnographic and Other Nonsurvey Approaches

Global marketers use ethnographic and other nonsurvey data collection approaches when they suspect that their culture constructs or the nature or impact of their marketing efforts may differ across societies or be changing over time.[53] With a variety of research methods such as focus groups, depth interviews, and observation research, ethnographers collect qualitative data with the goal of understanding cultures and cultural change. Ethnographic data typically consists of words and images, which help explain how participants in a study understand their lives and social relations. This data usually is not intended to be used in predictive statistical models. Instead, value gleaned from ethnographic and other nonsurvey approaches provides rich portraits of people and their societies.

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[50] Adapted from Michael Harris Bond et al., "Culture-Level Dimensions of Social Axioms and Their Correlates across 41 Cultures," *Journal of Cross-Cultural Psychology* 35, no. 5 (2004): 548–585.

[51] Kwok Leung et al., "Social Axioms: The Search for Universal Dimensions of General Beliefs about How the World Functions," *Journal of Cross-Cultural Psychology* 33, no. 3 (2002); Leung et al., "Developing and Evaluating the Social Axioms Survey in Eleven Countries."

[52] Catherine T. Kwantes and Charlotte M. Karam, "Social Axioms and Organizational Behavior," in *Psychological Aspects of Social Axioms*, Kwok Leung and Michael Harris Bond, eds. (New York: Springer, 2009); Tobias Gress, "On the Nomological Relations of Culture and Market Orientation: The Case of the German and South African Automotive Industries," (University of Cape Town, 2009).

[53] See Eric J. Arnold and Amber Epp, "Deep Engagement with Consumer Experience: Listening and Learning with Qualitative Data," in *The Handbook of Marketing Research: Uses, Misuses, and Future Advances*, Rajiv Grover and Marco Vriens, eds. (Thousand Oaks, CA: Sage, 2006).

Side Bar: The Use of Ethnography in International Banking

More than 100 years old and tracing its roots to the former British colonies of India and South Africa, Standard Chartered Bank set out in the early 1990s to develop its franchise in Asia, the Middle East, and Africa in light of slow growth, demographic aging, and economic uncertainty in their traditional markets. Success depended on understanding and responding to cultural diversity, especially in the emerging markets where more than one billion people of Islamic faith reside. Banking in the Middle East must comply with Islamic Shari'ah law. In the Islamic faith tradition, the ability to discharge obligations depends not only on responsible behavior, but also the Will of God. Risk is shared by all parties to a financial arrangement and interest payments are forbidden. Fixed deposits, loans, and other traditional banking products are incompatible with Shari'ah law. Short-term insurance and life insurance also are forbidden. To operate profitably in these fast-growing markets, Western banks must understand and respond to this cultural complexity.

LIVING, WORKING, AND THRIVING IN DIFFERENT CULTURES

Living and working at the boundaries of cultures presents individuals with many interesting challenges and opportunities. *Acculturation* refers to a process of adapting to a foreign culture through continuous direct contact with it.[54] Acculturation does not require one to reject a home culture but rather to come to terms with the dominant logic of a foreign culture and its expectations for behavior. Individuals who cannot acculturate may experience *acculturative stress*,[55] which may manifest in complications such as anxiety, depression, and mood swings that diminish relationships with peers. Failing to adapt to a foreign culture can threaten the success of even the best-planned marketing strategies.

As we have seen, the reason cultural factors are a challenge to global marketers is that they are hidden from view. Because culture is learned behavior passed on from generation to generation, it is difficult for the inexperienced or untrained outsider to fathom. Becoming a global manager means learning how to let go of cultural assumptions. Failure to do so will hinder accurate understanding of the meaning and significance of the statements and behaviors of business associates from a different culture.

Understanding the Complexity of Identity

Becoming more aware of your identity can be a good place to begin adapting life and work across cultures. Identity is complex, including personal and social identities that affect your perceptions of others and the ways you choose to respond to them and events in life.[56] *Personal identity* includes all the perceptions a person holds about "who I am as an individual who can be compared to others." *Social identity* includes

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[54] Lisa Penaloza and Mary C. Gilly, "Marketer Acculturation: The Changer and the Changed," *Journal of Marketing* 63, no. 3 (1999).

[55] John W. Berry, "Acculturation: Living Successfully in Two Cultures," *International Journal of Intercultural Relations* 29, no. 6 (2005).

[56] For an excellent review of social identity theory, see Marilynn B. Brewer and Rupert J. Brown, "Intergroup Relations," in *The Handbook of Social Psychology*, Daniel T. Gilbert, Susan T. Fiske, and Gardner Lindzey, eds. (Boston: McGraw-Hill, 1998).

all the perceptions a person holds about "who we are as members of emotionally important social groups" as well as the perceptions about "who I am in my relations and responsibilities to others."

The "minimal-group paradigm" experiments of French psychologist Henri Tajfel first brought social identity into prominence.[57] Tajfel observed that individuals categorized others into "in-groups" comprised of people similar to oneself and "out-groups" comprised of dissimilar people. His experiments showed that people evaluate and behave more favorably toward in-group members, even when people are placed in meaningless groups (e.g., greens and blues) just moments before they are observed. Social categorization is automatic and effortless, occurring as quickly as 55/1000s of a second in controlled laboratory experiments and often without an individual's awareness.[58]

People maintain a "digest of selves" (e.g., mother, friend, executive, Manchester United fan, plumber), which are situationally activated. Once activated, social identity is a lens through which people observe and categorize others based on their observable characteristics such as ethnicity, gender, age, home language, apparent religion, culture, and distinctive behaviors. Social identities are most likely to be activated when a person perceives meaningful behavioral differences between two or more groups, which include group members who are more similar to one another than members of other groups.[59] Magnetic resonance imaging shows that people acculturated to Western and Asian cultural identities activate different areas of their brains in response to Western or Asian situational cues.[60]

According to Tajfel, people strive universally to be part of positively evaluated in-groups, which marketers need to understand empathetically when interacting with people in a foreign culture. It is human nature to compare things to what one knows, and marketers often find themselves comparing a foreign culture to their own. People may even invite you to compare their culture to your home culture. Seasoned global marketers never fall into the trap of defending their home culture and politely avoid comparing cultures. Engaging in social comparison is likely to make someone feel that their group is less desirable than other groups. This is a threat to positive social identity.

When positive social identity is threatened, people employ three basic strategies. If group boundaries are permeable, they may move between groups (*social mobility*). In the global marketing contexts, social mobility strategies may cause associates within the company, its agents, distributors, or other important stakeholders to resign or give their allegiance to a competitive firm that does not evoke a perceived threat to positive social identity. If social mobility is not possible, people may respond to identity threats with *social creativity* (i.e., attempt to improve the desirability of group membership by associating groups with positive characteristics) or *social conflict* (i.e., actively challenge group desirability or overturn existing or imposed order). Social creativity or social conflict strategies may threaten harmonious relations within the company, distribution channel partners, or customers.

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[57] Henri Tajfel, *Differentiation between Social Groups: Studies in the Social Psychology of Intergroup Relations* (London: Academic Press, 1978), 63. Tajfel considered relational identity to be an aspect of social identity in his theory.

[58] Susan T. Fiske, "Stereotyping, Prejudice, and Discrimination," in *The Handbook of Social Psychology*, Daniel T. Gilbert, Susan T. Fiske, and Gardner Lindzey, eds. (New York: McGraw-Hill, 1998).

[59] Henri Tajfel and John C. Turner, "The Social Identity Theory of Intergroup Behavior," in *Psychology of Intergroup Relations*, S. Worschel and W. G. Austin, eds. (Chicago: Nelson, 1986); Henri Tajfel, "Social Identity and Intergroup Behavior," *Social Science Information* 13, no. 2 (1974).

[60] Sik Hung Ng and Shihui Han, "The Bicultural Self and the Bicultural Brain," in *Understanding Culture: Theory, Research, and Application*, Robert S. Wyer, Chi-yue Chiu, and Ying-yi Hong, eds. (New York: Psychology Press, 2009).

Astute global marketers consciously monitor others and themselves for signs of conscious or subconscious cultural defense. They are especially careful to respond to social creativity and social conflict strategies in a thoughtful way that is most likely to foster productive relations. Consulting trusted others, who are familiar with a foreign culture, can help a marketer respond appropriately.

To transcend ethnocentricity and cultural myopia, managers must make the effort to learn and internalize cultural differences. There are several guidelines that will improve the ability to learn about other cultures:

1. The beginning of wisdom is to accept that we will never fully understand ourselves or others. People are far too complex to be understood. As Carl Jung, the Swiss psychiatrist, observed, "There are no misunderstandings in nature…misunderstandings are found only in the realm of what we call understanding."[61]
2. Our perceptual systems are extremely limited. We "see" almost nothing. Our nervous systems are organized on the principle of negative feedback. That is, the only time our control system is brought into play is when input signals deviate from what we have learned to expect.
3. We spend most of our energy managing perceptual inputs.
4. When we do not understand the beliefs and values of a particular cultural system and society, things that we observe and experience may seem bizarre.
5. If we want to be effective in another culture, we must attempt to understand that culture's beliefs, motives, and values. This requires an open attitude that allows us to transcend perceptual limitations based on our own culture.

The Self-Reference Criterion and Perception

As we have shown, a person's perception of market needs is framed by his or her own cultural experience. A framework for systematically reducing perceptual blockage and distortion was developed by James Lee.[62] Lee termed the unconscious reference to one's own cultural values the *self-reference criterion,* or SRC. To address this problem and eliminate or reduce cultural myopia, he proposed a systematic four-step framework.

1. Define the problem or goal in terms of home-country cultural traits, habits, and norms.
2. Define the problem or goal in terms of the host culture, traits, habits, and norms. Make no value judgments.
3. Isolate the SRC influence and examine it carefully to see how it complicates the problem.
4. Redefine the problem without the SRC influence and solve for the host-country market situation.

The lesson that SRC teaches is that a vital, critical skill of the global marketer is unbiased perception, the ability to see what is so in a culture. Although this skill is as valuable at home as it is abroad, it is critical to the global marketer because of the widespread tendency toward ethnocentrism and use of the self-reference criterion. The SRC can be a powerfully negative force in global business, and forgetting to check for it can lead to misunderstanding and failure. While planning Euro Disney, chairman Michael Eisner and other company executives were blindsided by a lethal combination

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[61] Carl G. Jung, *Critique of Psychoanalysis*, Bollingen Series XX (Princeton, NJ: Princeton University Press, 1975), 228.
[62] James A. Lee, "Cultural Analysis in Overseas Operations," *Harvard Business Review* (March–April 1966): 106–114.

of their own prior success and ethnocentrism. Avoiding the SRC requires a person to suspend assumptions based on prior experience and success and be prepared to acquire new knowledge about human behavior and motivation.

Environmental Sensitivity

Environmental sensitivity is the extent to which products must be adapted to the culture-specific needs of different national markets. A useful approach is to view products on a continuum of environmental sensitivity. At one end of the continuum are environmentally insensitive products that do not require significant adaptation to the environments of various world markets. At the other end of the continuum are products that are highly sensitive to different environmental factors. A company with environmentally insensitive products will spend relatively less time determining the specific and unique conditions of local markets because the product is basically universal. The greater a product's environmental sensitivity, the greater the need for managers to address country-specific economic, regulatory, technological, social, and cultural environmental conditions.

Independent of social class and income, culture is a significant influence on consumption behavior and durable goods ownership. Consumer products are more sensitive to cultural difference than industrial products. Hunger is a basic

Side Bar: A Matter of Culture: "Sincerely"

While it may be true that "brevity is the soul of wit," when it comes to signing a business letter, the French go far beyond the simple "Sincerely" that often suffices for anyone writing in English. Following are the top 10 ways to close a business letter in French.

1. *Nous vous prions d'agréer, Monsieur, l'expression de nos sentiments dévoués.*
    Literally: "We beg you to receive, sir, the expression of our devoted sentiments."
2. *Agréez, Monsieur, l'assurance de mes meilleures sentiments.*
    "Accept, sir, the assurance of my best sentiments."
3. *Je vous prie d'agréer, Monsieur le Directeur, mes meilleures salutations.*
    "I beg you to accept, Mr. Director, my best greetings."
4. *Je vous prie d'agréer, Madame la Directrice, mes meilleures salutations.*
    "I beg you to accept, Ms. Director, my best greetings."
5. *Veuillez, croire, Messieurs, à l'assurance de ma haute considération.*
    "Please believe, Gentlemen, the assurance of my highest consideration."
6. *Recevez, Messieurs, mes sincères salutations.*
    "Receive, Gentlemen, my sincere greetings."
7. *Je vous prie d'agréer, Monsieur, l'expression de mes sentiments les meilleurs.*
    "I beg you to accept, Sir, the expression of my best sentiments."
8. *Je vous prie d'agréer, Mademoiselle, mes respectueuses salutations.*
    "I beg you to accept, Miss, my respectful greetings."
9. *Veuillez agréer, Monsieur, l'expression de mes sentiments distingués.*
    "Please accept, Sir, the expression of my distinguished sentiments."
10. *Je vous prie d'agréer, Messieurs, avec mes remerciements anticipés, l'expression de mes sentiments distingués.*
    "I beg you to accept, Gentlemen, with my anticipated thanks, the expression of my distinguished sentiments."