



4

Social and Cultural Environments

LEARNING OBJECTIVES

- 4-1** Define *culture* and identify the various expressions and manifestations of culture that can impact global marketing strategies.
- 4-2** Compare and contrast the key aspects of high- and low-context cultures.
- 4-3** Identify and briefly explain the major dimensions of Hofstede's social values typology.
- 4-4** Explain how the self-reference criterion can affect decision making at global companies, and provide a step-by-step example of a company adapting to conditions in a global market.
- 4-5** Analyze the components of diffusion theory and its applicability to global marketing.
- 4-6** Explain the marketing implications of different social and cultural environments around the globe.



CASE 4-1

Cotton, Clothing Consumption, Culture: From Small Beginnings to a Global Cultural System

Cotton has been a major part of trade across many parts of the world for centuries. It is produced on a commercial scale in 80 countries and provides a livelihood to about 100 million farmers, and another 250 million people in related industries benefit from it. The oldest-known cotton bolls, dated to approximately 3600 BCE, were discovered in a cave in Tehuacán Valley in Mexico, but evidence for the earliest use of cotton for clothing can be traced to the fifth millennium BCE in ancient India.

Cotton was introduced to Britain in the 1690s by the East India Company, and by the end of the 19th century, it was dominating the world's textile industry. The history of cotton production would be incomplete without due reference to the inventions from the 1770s that made the mass production of cotton possible: the spinning jenny, the spinning mule, and the water frame. These inventions transformed the British Midlands into a profitable manufacturing hub, and cotton products became a central symbol of national identity in Britain.

In the present day, the global importance of cotton in apparel continues to soar. The textile industry in India in particular is expected to grow and reach around \$221 billion by 2020, but the trend is visible all over the world. In Europe, for instance, evidence shows that cotton fabrics have become popular among various consumer groups. While the demands for children's cotton apparel are being met, other age groups are also increasingly being catered to in response to their growing demand for cotton clothing. Cotton permeates the entire socio-cultural context of the society in various countries all over the world.



Exhibit 4-1 The popularity of cotton in apparel continues to grow worldwide.

Source: praweenaa/123rf.com.

This rise in popularity of cotton is not without its problems. Prominent among them is uncertainty about its availability, as reported by the International Cotton Advisory Committee. Cotton inventories are reportedly hitting their lowest point in comparison to 2011–12 figures. This is a global challenge beyond the scope of an individual organization or a particular consumer group. Despite these prospects, the consumption rate of cotton remains unabated.

The growth in consumption of cotton all over the world, the instability of the production cycle, and the activities of major fashion companies such as Inditex, H&M, and Marks & Spencer all illustrate the ways that socio-cultural environments impact marketing opportunities and dynamics around the globe. This chapter focuses on the forces that shape and affect individual, group, and corporate behavior in the marketplace.

We start with a general discussion of the basic aspects of culture and society and the emergence of a twenty-first-century global consumer culture. Next, several useful conceptual frameworks for understanding culture are presented, including Hall's concept of high-and low-context cultures, Maslow's hierarchy of needs, Hofstede's cultural typology, the self-reference criterion, and diffusion theory. The chapter also cites specific examples of the impact of culture and society on the marketing of both consumer and industrial products.

Clearly, cotton's popularity is on the rise around the world. It remains to be seen, however, how the rise in consumption can be balanced with increased production. You will have the opportunity to explore the issue in the continuation of the case at the end of the chapter. The discussion questions at the end of the case will give you a chance to reflect further on "lessons learned."

4-1 Society, Culture, and Global Consumer Culture

Both differences and similarities characterize the world's cultures, meaning that the task of the global marketer is twofold. First, marketers must study and understand the cultures of the countries in which they will be doing business. Second, they must incorporate this understanding into the marketing planning process. In some instances, strategies and marketing programs will have to be adapted to the local culture; however, marketers should also take advantage of shared cultural characteristics and avoid unneeded and costly adaptations of the marketing mix.

Any systematic study of a new geographic market requires a combination of tough-mindedness and open-mindedness. While marketers should be secure in their own convictions and traditions, an open mind is required to appreciate the integrity and value of other ways of life and points of view.

- ▶ **4-1** Define *culture* and identify the various expressions and manifestations of culture that can impact global marketing strategies.

Put simply, people must overcome the prejudices that are a natural result of the human tendency toward ethnocentrism. Although “culture shock” is a normal human reaction to the new and unknown, successful global marketers strive to comprehend human experience from the local point of view. One reason cultural factors challenge global marketers is that many of these factors are hidden from view. Because culture is a learned behavior passed on from generation to generation, it can be difficult for outsiders to fathom. However, as they endeavor to understand cultural factors, outsiders gradually become insiders and develop cultural empathy. There are many different paths to the same goals in life: The global marketer understands this and revels in life’s rich diversity.

Anthropologists and sociologists have offered scores of different definitions of culture. As a starting point, **culture** can be understood as “ways of living, built up by a group of human beings, that are transmitted from one generation to another.” A culture acts out its ways of living in the context of *social institutions*, including family, educational, religious, governmental, and business institutions. Those institutions, in turn, function to reinforce cultural norms. Culture also includes both conscious and unconscious values, ideas, attitudes, and symbols that shape human behavior and that are transmitted from one generation to the next. Organizational anthropologist Geert Hofstede defines *culture* as “the collective programming of the mind that distinguishes the members of one category of people from those of another.”¹ A particular “category of people” may constitute a nation, an ethnic group, a gender group, an organization, a family, or some other unit.

Some anthropologists and sociologists divide cultural elements into two broad categories: material culture and nonmaterial culture. The former is sometimes referred to as the *physical component* or *physical culture*; it includes physical objects and artifacts created by humans such as clothing and tools. Nonmaterial culture (also known as *subjective* or *abstract culture*) includes intangibles such as religion, perceptions, attitudes, beliefs, and values. It is generally agreed that the material and nonmaterial elements of culture are interrelated and interactive. Cultural anthropologist George P. Murdock studied material and nonmaterial culture and identified dozens of “cultural universals,” including athletic sports, body adornment, cooking, courtship, dancing, decorative art, education, ethics, etiquette, family feasting, food taboos, language, marriage, mealtime, medicine, mourning, music, property rights, religious rituals, residence rules, status differentiation, and trade.²

It is against this background of traditional definitions that global marketers should understand a key worldwide sociocultural phenomenon of the early twenty-first century.³ Consumption has become the hallmark of postmodern society. As cultural information and imagery flow freely across borders via satellite TV, the Internet, and other communication channels, new global consumer cultures are emerging. Persons who identify with these cultures share meaningful sets of consumption-related symbols. Some of these cultures are associated with specific product categories; marketers speak of “coffee culture,” “credit-card culture,” “fast-food culture,” “pub culture,” “soccer/football culture,” and so on. This cosmopolitan culture, which is composed of various segments, owes its existence in large part to a wired world in which there is increasing interconnectedness of various local cultures. It can be exploited by **global consumer culture positioning (GCCP)**, a marketing tool that will be explained in more detail in Chapter 7. In particular, marketers can use advertising to communicate the notion that people everywhere consume a particular brand or to appeal to human universals.

Attitudes, Beliefs, and Values

If we accept Hofstede’s notion of culture as “the collective programming of the mind,” then it makes sense to learn about culture by studying the attitudes, beliefs, and values shared by a specific group of people. An **attitude** is a learned tendency to respond in a consistent way to a given object or entity. Attitudes are clusters of interrelated beliefs. A **belief** is an organized pattern of knowledge that an individual holds to be true about the world. Attitudes and beliefs, in turn, are closely related to values. A **value** can be defined as an enduring belief or feeling that a specific mode of conduct is personally or socially preferable to another mode of conduct.⁴ In the view of Hofstede and others, values represent the deepest level of a culture and are present in the majority of the members of that particular culture.

Some specific examples will allow us to illustrate these definitions by comparing and contrasting attitudes, beliefs, and values. The Japanese, for example, strive to achieve cooperation, consensus, self-denial, and harmony. Because these all represent feelings about modes of conduct,

they are *values*. Japan's monocultural society reflects the *belief* among the Japanese that they are unique in the world. Many Japanese, especially young people, also believe that the West is the source of important fashion trends. As a result, many Japanese share a favorable *attitude* toward American brands. Within any large, dominant cultural group, there are likely to be **subcultures**—that is, smaller groups of people with their own shared subset of attitudes, beliefs, and values. Values, attitudes, and beliefs can also be surveyed at the level of any “category of people” that is embedded within a broad culture. For example, if you are a vegetarian, then eating meat represents a mode of conduct that you and others who share your views avoid. Subcultures often represent attractive niche marketing opportunities.

Religion

Religion is an important source of a society's beliefs, attitudes, and values. The world's major religions include Buddhism, Hinduism, Islam, Judaism, and Christianity; the last includes Roman Catholicism and numerous Protestant denominations. Examples abound of religious tenets, practices, holidays, and histories directly impacting the way people of different faiths react to global marketing activities. For example, Hindus do not eat beef, which means that McDonald's does not serve hamburgers in India (see Case 1-2). In Muslim countries, Yum! Brands successfully promotes KFC in conjunction with religious observances. In the Islamic world, Ramadan is a time of fasting that begins in the ninth month of the Islamic calendar. In Indonesia, home to the world's largest Muslim population, KFC uses Ramadan-themed outdoor advertising to encourage Indonesians to come to the restaurants at buka puasa, the end of each day's fast. Business at KFC Indonesia's 500 units increases as much as 20 percent during Ramadan.

When followers of a particular religion believe they have been offended, the response can sometimes be tragic (see Exhibit 4-2). In the aftermath of the September 2001 terrorist attacks in New York and Washington, D.C., and the subsequent U.S. military actions in the Middle East and Afghanistan, some Muslims have tapped into anti-American sentiment by urging a boycott of American brands. One entrepreneur, Tunisian-born Tawfik Mathlouthi, launched a soft drink brand, Mecca-Cola, as an alternative to Coca-Cola for Muslims living in the United Kingdom and France. The brand's name is both an intentional reference to the holy city of Islam and an ironic swipe at Coca-Cola, which Mathlouthi calls “the Mecca of capitalism.” London's *Sunday Times* called Mecca-Cola “the drink now seen as politically preferable to Pepsi or Coke.”⁵ In 2003, Qibla Cola (the name comes from an Arabic word for “direction”) was launched in the United Kingdom. Founder Zahida Parveen hoped to reach a broader market than Mecca-Cola by positioning the brand “for any consumer with a conscience, irrespective of ethnicity or religion.”⁶



Exhibit 4-2 In 2014, jihadist gunmen opened fire at the Paris office of Charlie Hebdo, a satirical weekly that had published cartoon images of the Prophet Muhammed. Seventeen people were killed in the attack.

Source: Richard Milnes/Alamy.

Aesthetics

Within every culture, there is an overall sense of what is beautiful and what is not beautiful, what represents good taste as opposed to tastelessness or even obscenity, and so on. Such considerations are matters of **aesthetics**. Global marketers must understand the importance of *visual aesthetics* embodied in the color or shape of a product, label, or package. Likewise, different parts of the world perceive *aesthetic styles*—various degrees of complexity, for example—differently. Aesthetic elements that are attractive, appealing, and in good taste in one country may be perceived in an entirely different way in another country.

In some cases, a standardized color can be used in all countries; examples include Caterpillar Yellow, the trademark of the earthmoving equipment company and its licensed outdoor gear. Likewise, Cadbury has trademarked the color purple for its chocolate confectionary packaging. In surveys about color preferences, 50 percent of respondents indicate blue is their favorite—and it is favored by a wide margin over the next-preferred color. The use of blue dates back millennia; artisans in ancient Egypt, China, and Mayan civilizations all worked with the color after the advent of mining led to the extraction of minerals containing blue pigment. Because it was rare and expensive, blue came to be associated with royalty and divinity.⁷ Today, Tiffany Blue is a trademarked color that the luxury goods marketer uses on its gift bags and boxes. When Prince William and his family visit other European royalty, blue is a frequent wardrobe choice (see Exhibit 4-3).

Because color perceptions can vary among cultures, adaptation to local preferences may be required. Such perceptions should be taken into account when making decisions about product packaging and other brand-related communications. In highly competitive markets, inappropriate or unattractive product packaging may put a company or brand at a distinct disadvantage. New color schemes may also be needed because of a changing competitive environment.

There is nothing inherently “good” or “bad” about any color of the spectrum; all associations and perceptions regarding color arise from culture. Red is a popular color in most parts of the world: Besides being the color of blood, in many countries red is tied to centuries-old traditions of viticulture and winemaking. One eight-country study of color perceptions found that red is associated with perceptions such as “active,” “hot,” and “vibrant”; in most countries studied, it also conveys meanings such as “emotional” and “sharp.”⁸ As such, red has positive connotations in many societies. In contrast, in Korea, it is taboo to write a person’s name in red ink. Why? Because traditionally, red was used to record the names of the deceased. Blue, because of its associations with sky and water, has an elemental connotation with undertones of dependability, constancy,

Exhibit 4-3 Members of the British royal family make diplomatic tours during which their wardrobe choices often reflect cultural awareness. When the Duke and Duchess of Cambridge arrived in Germany in 2017, the duchess wore Prussian blue; Prince William wore a matching tie.

Source: KAY NIETFELD/AFP/Getty Images.



and eternity. White connotes purity and cleanliness in the West, but is often associated with death, mourning, and funerals in China and other parts of Asia. Attitudes are changing quickly among the younger generation, however; today, many Chinese women rent white wedding gowns and pose for photos with their friends to commemorate graduating from university.⁹

Another research team concluded that gray connotes inexpensive in China and Japan, whereas it is associated with high quality and high cost in the United States. The researchers also found that the Chinese associate brown with soft drink labels and perceive the color as connoting a beverage that tastes good; in contrast, South Korean and Japanese consumers associate yellow with soft drinks that “taste good.” For Americans, the color red has those associations.¹⁰

Music is an aesthetic component of all cultures and is accepted as a form of artistic expression and a source of entertainment. In one sense, music represents a “transculture” that is not identified with any particular nation. For example, rhythm, or movement through time, is a universal aspect of music. But music is also characterized by considerable stylistic variation with regional or country-specific associations. For example, bossa nova rhythms are associated with Argentina; samba with Brazil; salsa with Cuba; reggae with Jamaica; merengue with the Dominican Republic; and blues, driving rock rhythms, hip-hop, and rap with the United States. Sociologists have noted that national identity derives in part from a country’s indigenous or popular music; a unique music style can “represent the uniqueness of the cultural entity and of the community.”¹¹

Music provides an interesting example of the “think globally, act locally” theme of this book. Musicians in different countries draw from, absorb, adapt, and synthesize transcultural music influences, as well as country-specific ones, as they create hybrid styles such as Polish reggae or Italian hip-hop. Motti Regev describes this paradox as follows:

Producers of and listeners to these types of music feel, at one and the same time, participants in a specific contemporary, global-universal form of expression and innovators of local, national, ethnic, and other identities. A cultural form associated with American culture and with the powerful commercial interests of the international music industry is being used in order to construct a sense of local difference and authenticity.¹²

Because music plays an important role in advertising, marketers must understand which style is appropriate to use in their campaigns in a given national market. Although background music can be used effectively in broadcast commercials, the type of music appropriate for a commercial in one part of the world may not be acceptable or effective in another part. Government restrictions must also be taken into account. In China, authorities have the power to dictate which songs can be marketed and performed, as the Rolling Stones can attest. Rock music journalism must also conform to state mandates, as the publisher of *Rolling Stone* magazine learned (see Exhibit 4-4).

Dietary Preferences

Cultural influences are also quite apparent in food preparation and consumption patterns and habits. Need proof? Consider the following examples:

- Domino’s Pizza, the world’s largest pizza-delivery company, pulled out of Italy because Italians perceived its product to be “too American.” In particular, the tomato sauce was too bold and the toppings were too heavy. Domino’s had better luck in India, where it localized its recipes with offerings that include pizza keema do pyaaza, peppy paneer, and five peppers.¹³ Today, Domino’s is the largest foreign fast-food chain in India, with more than 700 stores.
- When Dunkin’ Donuts opened its first Indian outlets in 2012, morning business was slow because most Indians eat breakfast at home. Success finally came after the company introduced a new menu item: Original Tough Guy Chicken Burgers.¹⁴

These examples underscore the fact that a solid understanding of food-related cultural preferences is important for any company that seeks to market food or beverage products globally. Titoo Ahluwalia, chairman of a market research firm in Mumbai, has pointed out that local companies can also leverage superior cultural understanding to compete effectively with large foreign firms: “Indian companies have an advantage when they are drawing from tradition. When it comes to food, drink, and medicine, you have to be culturally sensitive.”¹⁵ Companies that lack such

Exhibit 4-4 The March 2006 inaugural issue of *Rolling Stone's* Chinese edition featured local rocker Cui Jian on the cover. Global superstars U2 were also profiled.

Source: Frederic J. Brown/AFP/Getty Images.



sensitivity are bound to make marketing mistakes. To avoid this kind of problem, when Subway expanded into India, the company chose two U.S.-educated Indian brothers to help open stores and supervise operations.

Although some food preferences remain deeply embedded in culture, plenty of evidence suggests that global dietary preferences are converging. Over the past half century, the fast-food culture has gained increased acceptance around the world. Heads of families in many countries are pressed for time and are disinclined to prepare home-cooked meals. Millennials, who are open to different cultures and lifestyles, are experimenting with different foods. In addition, the global tourism boom has exposed travelers to pizza, pasta, and other ethnic foods. Shorter lunch hours and tighter budgets are forcing workers to find a place to grab a quick, cheap bite before returning to work. As food-related cultural differences become less relevant, such convenience products are likely to be purchased wherever consumers' disposable incomes are high enough to afford them (see Exhibit 4-5).

As we have seen, such processes can also provoke a nationalist backlash. To counteract the exposure of its young citizens to *le Big Mac* and other American-style fast foods, the French National Council of Culinary Arts designed a course on French cuisine and "good taste" for elementary school students. The director of the council is Alexandre Lazareff. In his book *The French Culinary Exception*, Lazareff warned that France's tradition of *haute cuisine* is under attack by the globalization of taste. More generally, Lazareff spoke out against perceived challenges to France's culinary identity and way of life. His concerns are not unjustified: While McDonald's continues to open new restaurants in France (today there are more than 1,100 outlets), the number of traditional bistros and cafés has declined steadily for years. Despite McDonald's success, the French have coined a new buzzword, *le fooding*, to express the notion that the nation's passion for food goes beyond mere gastronomy:

To eat with feeling in France is to eat with your head and your spirit, with your nose, your eyes, and your ears, not simply your palate. *Le fooding* seeks to give witness to the modernity and new reality of drinking and eating in the twenty-first century.... Everything is *fooding* so long as audacity, sense, and the senses mix.¹⁶

Language and Communication

The diversity of cultures around the world is also reflected in language. A person can learn a great deal about another culture without leaving home by studying its language and literature; such study is the next-best thing to actually living in another country. Linguists have divided



Exhibit 4-5 SPAM, the iconic brand of canned ham, is a reliable, if unglamorous, pantry staple in American households. SPAM is so deeply embedded in American food culture that there is even a SPAM Museum in Austin, Minnesota, home to parent company Hormel Foods Corporation.

In South Korea, SPAM is regarded as a delicacy, often packaged in gift sets for holiday giving. It turns out that SPAM is a favorite of Chloe Kim, the American gold medalist in snowboarding at the 2018 Winter Olympics in PyeongChang, South Korea.

Source: Jodi Cobb/National Geographic Image Collection/Alamy.

the study of *spoken* or *verbal* language into four main areas: syntax (rules of sentence formation), semantics (system of meaning), phonology (system of sound patterns), and morphology (word formation). *Unspoken* or *nonverbal* communication includes gestures, touching, and other forms of body language that supplement spoken communication. (Nonverbal communication is sometimes called the silent language.) Both the spoken and unspoken aspects of language are included in the broader linguistic field of *semiotics*, which is the study of signs and their meanings.

In global marketing, language is a crucial tool for communicating with customers, suppliers, channel intermediaries, and others. The marketing literature is full of cringe-worthy anecdotes about blunders such as embarrassing pronunciations of product names and inept translations of advertising copy. As you can see from Figure 4-1, pronunciation subtleties associated with certain Chinese characters can trip up well-meaning gift giving in China. For example, it would be a bad sign to give an umbrella to a business acquaintance because it would be the equivalent of hoping that his or her business fails.

In China, Dell had to find a meaningful interpretation of “direct sales,” the phrase that describes the company’s powerful business model. A literal translation results in *zhi xiao*, which is the Chinese term for “illegal pyramid marketing schemes.” To counteract the negative connotation, Dell’s sales representatives began using the phrase *zhi xiao ding gou*, which translates as “direct orders.”¹⁷ Similarly, a team of translators was tasked with compiling a dictionary to help fans of American football in China understand the game (see Figure 4-2).

When the British/American retail-development firm BAA McArthurGlen sought approval for a U.S.-style factory outlet mall in Austria, local officials wanted to know, “Where’s the factory?” To win approval for the project, McArthurGlen was forced to call its development a “designer outlet center.” Another linguistic issue: The American making the marketing pitch incorrectly rendered the name “Nike”—a prospective anchor tenant at the proposed outlet center—when speaking to French audiences. Summoning his rudimentary language skills, the American assumed that the shoemaker’s name would be pronounced “NEEK” in French. Imagine his dismay when a sympathetic colleague took him aside and told him that the correct pronunciation was “NIK” (rhymes with “bike”). It turns out that “NEEK” is not just the “F-word” in French; it is the “F-word” in the sense of “fornicating with animals”!¹⁸

THE CULTURAL CONTEXT

Globe to Globe: Shakespeare Around the World

Why would a small troupe of actors and a handful of stage managers take it upon themselves to produce an English-language version of *Hamlet* in every country on the planet over the course of two years? "I'll tell you why . . . , " says Hamlet in Act 2, Scene 2 of Shakespeare's play. Former Globe Theatre Artistic Director Dominic Dromgoole offers this concise explanation: "*Hamlet* is of benefit to everyone."

The *Globe to Globe* world tour began in April 2014, the 450th anniversary of the Bard's birth, and wrapped up on London's South Bank in 2016, the 500th anniversary of his death. Convinced that everyone, everywhere, has a right to see Shakespeare's play, Dromgoole characterizes his goal of providing a unique cultural exchange alternatively as both "mad" and "utterly affirming."

How can a centuries-old play be relevant to today's audiences? Despite the obstacles presented by the play's early modern English vocabulary, the dialogue draws people in. At the original *Globe* Theatre in London, many members of the audience stood ("groundlings") and there was no cover over the stage. Bathed in natural light, actors looked out at audience members and addressed them directly. The same was true in the modern staging. "That's what Shakespeare is all about," says Dromgoole. "When Hamlet asks questions, you know you are being spoken to."

In addition, the architecture of the play translates well to many cultures. The opening scene with two nervous soldiers on the battlements at Elsinore castle is a good example. "People everywhere understand it," Dromgoole says. Then, of course, there is the appearance of a ghost—also universally recognized.

As another example, Dromgoole points to the scene in which a young man who is seething with rage confronts Claudius, a smooth-talking, practiced politician. Audiences lock into the scene literally and directly, even if the nuances of language are lost. As Naeem Hayat, one of the actors who portrayed Hamlet, says, "Direct communication opens up Hamlet's humanity."

In a textbook example of "markets are global, markets are local," the show changed from country to country according to the dictates of different venues. In Spain, for example, the play was presented in an opera house. In Djibouti, the performance took place in front of the Red Sea.

Hamlet's meaning also took on a local resonance that varied from one country to another. For example, when the play was staged in Phnom Penh, Cambodia, Dromgoole saw a connection between Claudius and the notorious Khmer Rouge revolutionary Pol Pot. At the United Nations in New York City, Dromgoole linked Ophelia's father Polonius to the functionaries who go about their tasks of diplomacy with modest virtue. In a Middle Eastern country, some audience members interpreted the play as an indictment of a monarchy beset by corruption. The company also performed in refugee camps harboring migrants from war-torn countries such as Syria (see Exhibit 4-6).

Sources: Dominic Dromgoole, *Hamlet, Globe to Globe: Taking Shakespeare to Every Country in the World* (London, UK: Canongate, 2017); "Alas Poor Dominic," Presentation by Dominic Dromgoole and Naeem Hayat, *Financial Times Weekend Festival*, London (September 2, 2017); Steven Greenblatt, "Their Hours upon the Stage," *The New York Times Sunday Book Review* (April 23, 2017), p. BR 1; Harriet Fitch Little, "Home and Away: The *Globe to Globe* Hamlet Project," *Financial Times* (April 22, 2016).

Exhibit 4-6 One performance took place at Calais Jungle, a camp for displaced migrants who hoped to enter the United Kingdom via the Eurotunnel.

Source: Anthony Devlin/PA Wire
URN:25420563/Associated Press.





FIGURE 4-1 In China, it is bad luck to give a book, an umbrella, or a clock as a gift. Why? The character for “book” is pronounced *shu*, which sounds like “I hope you lose (have bad luck).” “Umbrella” (*san*) sounds like “to break into pieces or fall apart.” “Clock” (*zhong*) sounds like “death” or “the end.”

Anheuser-Busch and Miller Brewing both experienced market failures in the United Kingdom because of their use of the phrase “light beer” in their marketing campaigns; this phrase was understood as meaning “reduced alcohol levels” rather than “fewer calories.” Now Miller Lite is marketed in Europe as “Miller Pilsner.”¹⁹

Phonology and morphology can also come into play. Colgate discovered that in Spanish, *colgate* is a verb form that means “go hang yourself.” IKEA is known for product names based on Scandinavian cities and children’s names. However, in Thailand, the furniture giant had to hire linguists and native speakers to help render product names in Thai. The reason? The names for products such as the Redalen bed and Jättebra (a flower pot) had sexual connotations when pronounced in Thai. The solution: The team of native speakers proposed vowel and consonant changes to certain names so they would not sound offensive.²⁰

Whirlpool spent considerable sums of money on brand advertising in Europe, only to discover that consumers in Italy, France, and Germany had trouble pronouncing the company’s name.²¹ Conversely, Renzo Rosso deliberately chose “Diesel” for a new jeans brand because, as he once noted, “It’s one of the few words pronounced the same in every language.” Rosso has built Diesel into a successful global youth brand and one of Italy’s top fashion success stories; the company’s annual sales revenues exceed \$1.2 billion.²²

Technology is providing interesting new opportunities for exploiting linguistics in the name of marketing. For example, young people throughout the world are using cell phones to send text messages; it turns out that certain number combinations have meanings in particular languages. For example, in Korean the phonetic pronunciation of the numerical sequence 8282, “Pal Yi Pal Yi,” means “hurry up,” while 7179 (“Chil Han Chil Gu”) sounds like “close friend.” Also, as many digital-savvy young teens in Korea can attest, 4 5683 968 can be interpreted as “I love you.”²³ Korean marketers are using these and other numerical sequences in their advertising.

One impact of globalization on culture is the diffusion of the English language around the globe. Today, more people speak English as a second language than there are people whose native language is English. Nearly 85 percent of the teenagers in the EU are studying English. Despite the fact that Sony is headquartered in Japan, the company makes it clear to job applicants

blitz	capture and kill
突袭:猛撞	‘擒杀’
(四分卫)一种	
防守技术	successfully capture the quarterback
gambling kickoff	成功地擒抱四分卫
赌博踢	
short kick	play action
短开球	假跑真传
punt	Hail Mary pass
凌空踢球	长传到达阵区
	touchdown
	持球触地

FIGURE 4-2 Thanks to a team of academics who compiled an encyclopedia of American football terms, Chinese sports fans should have a better understanding of NFL games. For example, the Chinese translation for *blitz* is “lightning war against the quarterback.” *Onside kick* is rendered as “gambling kickoff” or “short kick,” while *punt* is “give up and kick it back.” The authors of *The American Football Encyclopedia* also interpreted *sack* as “capture and kill” or “capture the quarterback”; *play action* is “pass after fake run.” *Hail Mary pass* translates as “miracle long pass,” and *touchdown* is “hold the ball and touch the ground.”

in any part of the world that it does not consider English to be a “foreign language.” The same is true for Finland’s Nokia. Matsushita introduced a policy that requires all managers to pass an English-language-competency test before being considered for promotion. This move came after top management at Matsushita concluded that a staid, exclusively Japanese corporate culture was eroding the company’s competitiveness in the global market. The English-language requirement is a potent symbol that this Japanese company is focusing on globalizing its operations.²⁴

The challenges presented by nonverbal communication are perhaps even more formidable. For example, Westerners doing business in the Middle East must be careful not to reveal the soles of their shoes to hosts or pass documents with the left hand. In Japan, bowing is an important form of nonverbal communication that has many nuances. People who grow up in the West tend to be verbal; those from Asia exhibit behavior that places more weight on nonverbal aspects of interpersonal communication. In the East, it is expected that people will pick up on nonverbal cues and intuitively understand meanings without being told.²⁵ Westerners must pay close attention not only to what they hear but also to what they see when conducting business in such cultures.

Deep cultural understanding that is based in language can be an important source of competitive advantage for global companies. The aggressive expansion of Spain’s Telefónica in Latin America provides a case in point. As Juan Villalonga, former chairman of Telefónica, noted, “It is not just speaking a common language. It is sharing a culture and understanding friendships in the same way.”²⁶

Several important communication issues related to culture may arise. One is *sequencing*, which concerns whether the discussion goes directly from point A to point B or seems to go off on tangents. Another is *phasing*, which pertains to whether certain important agenda items are discussed immediately or after the parties have taken some time to establish rapport. According to two experts on international negotiations, several distinctly American tactics are frequently employed during negotiations that may be effective with other Americans, but require modification when dealing with people from other cultural backgrounds. In any communication situation, speakers offer a variety of cues that can help astute observers understand the speaker’s mind-set and mental programming. Here are some examples:²⁷

Americans typically want to “go it alone.” As a result, they may be outnumbered in a negotiation situation.

Many Americans like to “lay their cards on the table.” However, in some contexts, it is important to build rapport and *not* “get to the point” immediately.

Americans tend to talk too much and to talk when they should be listening and observing. In some cultures, long silences are valued. Nonverbal communication cues can be just as important as words.

Such “unwritten rules” of communication are found in other cultures as well. In the United Kingdom, for example, sociologist Kate Fox has identified the “polite procrastination rule” governing workplace encounters and meetings. Rather than getting down to business right away, meetings often begin with small talk about mundane topics such as traffic and weather. Fox recounts interviewing a Canadian businessman on assignment in Great Britain who noted the following:

I wish someone had warned me about this earlier. I had a meeting the other day and they’d all been dithering and talking about the weather and making jokes about the M25 for what seemed like half an hour, so I suggested maybe we could get started on the contract and they all looked at me like I’d farted or something! Like, how could I be so crass?²⁸

It turns out that the English predilection for “weather-speak” is characterized by several unwritten “grammar” rules. For example, native speakers of British English intuitively comply with, and demonstrate competence with, the “reciprocity rule” (i.e., when someone comments on the weather, one must reply) and the “agreement rule” (i.e., if someone says “Oooh, it’s cold,” one must concur), among others. This observation, Fox points out, “tells us quite a lot about Englishness.”

Marketing's Impact on Culture

Universal aspects of the cultural environment represent opportunities for global marketers to standardize some or all elements of a marketing program. The astute global marketer often discovers that much of the apparent cultural diversity in the world turns out to be different ways of accomplishing the same thing. Shared preferences for convenience foods, disposable products, popular music, and movies in North America, Europe, Latin America, and Asia suggest that many consumer products have broad—even universal—appeal.

In recent times, increasing travel and improving communications have contributed to a convergence of tastes and preferences in a number of product categories. The greater opportunities for cultural exchange and the globalization of culture have been seized upon, and even significantly accelerated, by companies that have seized opportunities to find customers around the world. Nevertheless, the impact of marketing and, more generally, of global capitalism on culture can be controversial. For example, sociologist George Ritzer and others lament the “McDonaldization of culture,” which, they say, occurs when global companies break down cultural barriers while expanding into new markets with their products. As Ritzer noted:

Eating is at the heart of most cultures and for many it is something on which much time, attention and money are lavished. In attempting to alter the way people eat, McDonaldization poses a profound threat to the entire cultural complex of many societies.²⁹

Fabien Ouaki is living proof that persons outside of academe and government have also joined the battle against McDonaldization. Ouaki is the former managing director of Tati, a legendary French discount retailer with a flagship store in Paris. In the late 1990s, Ouaki opened new stores in select countries, including the United States. Ouaki, the son of the company founder, once claimed that “personal revenge” was one motivation for entering the U.S. market. “As a Frenchman, it makes me sick to see kids crying to go see ‘Titanic,’ eat at McDonald’s, or drink Coke. I want to see New Yorkers crying to have a Tati wedding dress,” he said.³¹

Similarly, the international Slow Food movement boasts tens of thousands of members worldwide. Slow Food grew out of a 1986 protest over the opening of a McDonald’s on a popular plaza in Rome; every two years, Slow Food stages a Salone del Gusto in Italy that showcases traditional food preparation. As a spokesperson said, “Slow Food is about the idea that things should not taste the same everywhere.”³² In 2016, in celebration of the 30th anniversary of the Slow Food movement, the Terra Madre Salone del Gusto gastronomy exposition was spread across various locations in Torino (see Exhibit 4-7).

"A great cook tells his story, not that of his neighbor or what he has seen on television. The future is 'glocal' cooking, both global and local."³⁰

Alain Ducasse, Louis XV restaurant, Monaco



Exhibit 4-7 According to event organizers, the challenge of Terra Madre Salone del Gusto 2016 was political, cultural, and social: To assert that good, clean and fair food is a human right. Attendees sampled artisanal meats, cheeses, breads, and much more.

Source: Marco Imazio/Alamy Stock Photo.

- **4-2** Compare and contrast the key aspects of high- and low-context cultures.

4-2 High- and Low-Context Cultures

Edward T. Hall has suggested the concept of high and low context as a way of understanding different cultural orientations.³³ In a **low-context culture**, messages are explicit and specific; words carry most of the communication power. In a **high-context culture**, less information is contained in the verbal part of a message, while much more information resides in the context of communication, including the background, associations, and basic values of the communicators. In general, high-context cultures function with much less legal paperwork than is deemed essential in low-context cultures. Japan, Saudi Arabia, and other high-context cultures place a great deal of emphasis on a person's values and position or place in society. In such cultures, the granting of a business loan is more likely to be based on "who you are" than on formal analysis of pro forma financial documents.

In a low-context culture, such as the United States, Switzerland, or Germany, deals are made with much less information about the character, background, and values of the participants. Much more reliance is placed on the words and numbers in the loan application. By contrast, Japanese companies, such as Sony, traditionally paid a great deal of attention to the university background of a new hire; preference would be given to graduates of Tokyo University. Specific elements on a résumé, by comparison, were less important.

In a high-context culture, a person's word is his or her bond. Because such a culture emphasizes obligations and trust as important values, there is less need to anticipate contingencies and provide for external legal sanctions. Shared feelings of obligation and honor take the place of impersonal legal sanctions—which helps explain the importance of long and protracted negotiations that never seem to get to the point. Part of the purpose of negotiating, for a person from a high-context culture, is to get to know the potential partner.

For example, insisting on competitive bidding can cause complications in low-context cultures. In a high-context culture, the job is given to the person who will do the best work and whom one can trust and control. In a low-context culture, one tries to make the specifications so precise that the threat of legal sanction forces a builder, for example, to do a good job. As Hall has noted, a builder in Japan is likely to say, "What has that piece of paper got to do with the situation? If we can't trust each other enough to go ahead without it, why bother?"

Although countries can be classified as high or low context in terms of their overall tendency, exceptions do arise with regard to specific subcultures. Consider the United States, a low-context culture with subcultures that operate in the high-context mode. The world of the central banker, for example, is a "gentleman's" world—that is, a high-context culture. Even during the most hectic day of trading in the foreign exchange markets, a central banker's word is sufficient for him or her to borrow millions of dollars. In a high-context culture, there is trust, a sense of fair play, and a widespread acceptance of the rules of the game as it is played. Table 4-1 summarizes some of the ways in which high- and low-context cultures differ.

TABLE 4-1 High- and Low-Context Cultures

Factors or Dimensions	High Context	Low Context
Lawyers	Less important	Very important
A person's word	Is his or her bond	Is not to be relied upon; "get it in writing"
Responsibility for organizational error	Taken by highest level	Pushed to lowest level
Space	People breathe on each other	People maintain a bubble of private space and resent intrusions
Time	Polychronic—everything in life must be dealt with in terms of its own time	Monochronic—time is money; linear—one thing at a time
Negotiations	Are lengthy—a major purpose is to allow the parties to get to know each other	Proceed quickly
Competitive bidding	Infrequent	Common
Country or regional examples	Japan, Middle East	United States, Northern Europe

4-3 Hofstede's Cultural Typology

Organizational anthropologist Geert Hofstede was introduced earlier in this chapter in a discussion of his widely quoted definition of culture. Hofstede is also well known for research studies of social values that suggest the cultures of different nations can be compared in terms of five dimensions (see Table 4-2).³⁴ Hofstede notes that three of the dimensions refer to expected social behavior, the fourth dimension is concerned with “man’s search for Truth,” and the fifth reflects the importance of time (for more information, visit www.geert-hofstede.com).

The first dimension is a reflection of the degree to which individuals in a society are integrated into groups. In **individualistic cultures**, each member of society is primarily concerned with his or her own interests and those of his or her immediate family. In contrast, in **collectivistic cultures**, all of society’s members are integrated into cohesive in-groups. High individualism is a general aspect of culture in the United States and Europe; low individualism is characteristic of Japanese and other Asian cultural patterns.

The second dimension, **power distance**, is the extent to which the less powerful members of a society accept—even expect—power to be distributed unequally. Hong Kong and France are both high-power-distance cultures; low power distance characterizes Germany, Austria, the Netherlands, and Scandinavia.

Uncertainty avoidance, the third dimension in Hofstede’s model, is the extent to which the members of a society are uncomfortable with unclear, ambiguous, or unstructured situations. Members of uncertainty-avoiding cultures may resort to aggressive, emotional, intolerant behavior; they are characterized by a belief in absolute truth. Members of uncertainty-accepting cultures (e.g., Denmark, Sweden, Ireland, and the United States) are more tolerant of persons whose opinions differ from their own.

◀ 4-3 Identify and briefly explain the major dimensions of Hofstede’s social values typology.

TABLE 4-2 Hofstede’s Five Dimensions of National Culture

1. **Individualistic**—People look after their own and family interests

Collectivistic—People expect the group to look after and protect them



2. **High power distance**—Accepts wide differences in power; great deal of respect for those in authority

Low power distance—Plays down inequalities; employees are not afraid to approach nor are they in awe of the boss



3. **High uncertainty avoidance**—Threatened with ambiguity and experience high levels of anxiety

Low uncertainty avoidance—Comfortable with risks; tolerant of different behavior and opinions



4. **Achievement**—Values such as assertiveness, acquiring money and goods, and competition prevail

Nurturing—Values such as relationships and concern for others prevail



5. **Long-term orientation**—People look to the future and value thrift and persistence

Short-term orientation—People value tradition and the past



Source: Stephen P. Robbins and Mary Coulter, *Management*, 12th ed. (Upper Saddle River, NJ: Pearson Education, 2014), 87.

Achievement, the fourth dimension, describes a society in which men are expected to be assertive, competitive, and concerned with material success and women fulfill the role of nurturer and are concerned with issues such as the welfare of children. **Nurturing**, by contrast, describes a society in which the social roles of men and women overlap, with neither gender exhibiting overly ambitious or competitive behavior. Japan and Austria rank highest in masculinity; Spain, Taiwan, the Netherlands, and the Scandinavian countries have some of the lowest ratings on this dimension.

Hofstede's research convinced him that, although these four dimensions yield interesting and useful interpretations, they do not provide sufficient insight into possible cultural bases for economic growth. Hofstede was also disturbed by the fact that *Western* social scientists had developed the surveys used in the research. Because many economists had failed to predict the explosive economic development of Japan and the "Asian tigers" (i.e., South Korea, Taiwan, Hong Kong, and Singapore), Hofstede surmised that some cultural dimensions in Asia were eluding the researchers. This methodological problem was remedied by a Chinese Value Survey (CVS) developed by Chinese social scientists in Hong Kong and Taiwan.

The CVS data supported the first three "social behavior" dimensions of culture: power distance, individualism/collectivism, and achievement/nurturing. Uncertainty avoidance, however, did not show up in the survey results. Instead, the CVS revealed a dimension, **long-term orientation (LTO)** versus **short-term orientation**, that had eluded Western researchers.³⁵ Hofstede interpreted this dimension as concerning "a society's search for virtue," rather than truth. The dimension assesses the sense of immediacy within a culture—that is, whether gratification should be immediate or deferred. Long-term values include *persistence* (perseverance), defined as a general tenacity in the pursuit of a goal. *Ordering relationships* by status reflects the presence of societal hierarchies, and *observing this order* indicates the acceptance of complementary relations. *Thrift* manifests itself in high savings rates. Finally, *a sense of shame* leads to sensitivity in social contacts.

By studying Hofstede's work, marketers can gain insights to guide them in a range of activities, including developing products, interacting with business partners, and conducting sales meetings. For example, understanding the time orientation of one's native culture compared to that of others is crucial (see Table 4-1). In Brazil, India, Japan, and Mexico, building a relationship with a potential business partner takes precedence over transacting the deal. As they say in Latin America, "*Uno no vive para trabajar . . . Uno trabaja para vivir!*" ("One doesn't live to work . . . one works to live!"). Conducting business in this region of the world should never come at the expense of enjoying life. People from cultures that emphasize the short term must adapt to the slower pace of business in some countries with a longer-term orientation.

Similarly, the Japanese notion of *gaman* ("persistence") provides insight into the willingness of Japanese corporations to pursue research and development (R&D) projects for which the odds of short-term success appear low. When Sony licensed the newly invented transistor from Bell Laboratories in the mid-1950s, for example, the limited high-frequency yield (sound output) of the device suggested to American engineers that the most appropriate application would be for a hearing aid. However, *gaman* meant that Sony engineers were not deterred by the slow progress of their efforts to increase the yield from their investment. As Sony cofounder Masaru Ibuka recalled, "To challenge the yield is a very interesting point for us. At that time no one recognized the importance of it." Sony's persistence was rewarded when company engineers eventually made the yield breakthrough that resulted in a wildly successful global product—the pocket-sized transistor radio.³⁶

The power distance dimension reflects the degree of trust among members of society. The higher the power distance index (PDI), the lower the level of trust. Organizationally, high PDI finds expression in tall, hierarchical designs; a preference for centralization; and relatively more supervisory personnel. In cultures where respect for hierarchy is high, subordinates may have to navigate through several layers of assistants to get to the boss. In such cultures, superiors may easily intimidate lower-level employees. Research has suggested that, when evaluating alternatives for entering global markets, companies in high-PDI cultures prefer sole ownership of subsidiaries because it provides them with more control. Conversely, companies in low-PDI cultures are more apt to use joint ventures.³⁷

J. Byrne Murphy learned about power distance and the differences between U.S.-style individualism and the French style when he was negotiating to build the first American-style designer outlet mall in France. As he recounts in his book *Le Deal*:

In France, there always seemed to be more glory for those who pursued solo endeavors. . . . Individualism seemed always to be loudly proclaimed, while the praise for team effort seemed to me to be distinctly muted.

I saw this national trait play itself out regularly in our weekly managers meetings. I'd always end each meeting with my exhortation to coordinate all efforts between departments to ensure that there would be no time lost, no surprises.

But there were always surprises.

Each week I'd leave the team meeting full of optimism that this time we were all in the same boat, all coordinated, all members of one disciplined crew team, all pulling our oars together, all moving rapidly forward in a straight line. And the next week I'd realize I was not only full of optimism but also of naiveté. Because I'd discover we weren't in the same boat. We weren't in any boat. A more accurate analogy was that they were running in a footrace, each in separate lanes. Marketing in Lane 1, Sales in Lane 2, Finance in Lane 3, and so on. And as each runner sprinted through the week, they didn't look left or right, or even acknowledge there were other runners. . . .

"Why," I continued to ask myself, "do they all think so differently? Why can't they coordinate their own actions before problems arise?"

Ultimately, Murphy realized that he would have to change his own behavior patterns. He resolved to explain to his managers the American concept of teamwork within the French context; after he did, the project moved forward more smoothly.³⁸

Steelcase, a U.S. company that makes office furniture, also uses data about national cultures. Its 11-nation study was used as input to the design process for global customers. Among its findings:³⁹

Short term versus long term: Enduring relationships are more valued in India and China than in the United States.

Cooperative (feminine) behaviors versus competitive (masculine) behaviors: Flexible work arrangements such as telecommuting are becoming more common in the Netherlands. By contrast, in India, professionals rarely work from home.

Collectivistic versus individualistic: Expressing the strength of a corporate institution is important in Southern Europe, so lobbies in office buildings tend to be grandiose.

4-4 The Self-Reference Criterion and Perception

As described earlier in this chapter, 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 and published in the *Harvard Business Review* in 1966. Lee termed the unconscious reference to one's own cultural values the **self-reference criterion (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 host-country cultural 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.⁴⁰

◀ 4-4 Explain how the self-reference criterion can affect decision making at global companies, and provide a step-by-step example of a company adapting to conditions in a global market.

The Walt Disney Company's decision to build a theme park in France provides an excellent vehicle for understanding SRC. While planning their entry into the French market, how might Disney executives have done things differently by using the steps of SRC? Let's start at step 1 and examine Disney's home-country norms; then we will proceed with the remaining steps to see which cultural adaptations should have been made.

- Step 1** Disney executives believe there is virtually unlimited demand for American cultural exports around the world. Evidence includes the success of McDonald's, Coca-Cola, Hollywood movies, and American rock music. Disney has a stellar track record in exporting its American management system and business style (see Exhibit 4-8). Tokyo Disneyland, a virtual carbon copy of the park in Anaheim, California, has been a runaway success. Disney policies prohibit sale or consumption of alcohol inside its theme parks.
- Step 2** Europeans in general, and the French in particular, are sensitive about American cultural imperialism. Consuming wine with the midday meal is a long-established custom. Europeans have their own real castles, and many popular Disney characters come from European folk tales.
- Step 3** The significant differences revealed by comparing the findings in steps 1 and 2 suggest strongly that the needs upon which the American and Japanese Disney theme parks were based do not exist in France. A modification of this design is needed for European success.
- Step 4** This would require the design of a theme park that is more in keeping with French and European cultural norms—that is, allowing the French to put their own identity on the park.

The lesson that the SRC teaches is that a vital, critical skill of the global marketer is unbiased perception—that is, 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 the use of the SRC. The SRC can be a powerful negative force in global business, and forgetting to check for it can lead to misunderstanding and failure. While planning Euro Disney, former Disney Chairman Michael Eisner and other company executives were blinded by a potent combination of their own prior success and ethnocentrism. Clearly, this approach was not the best one. Today, the park is known as Disneyland Paris; a second venue, Walt Disney Studios Park, was launched in 2002 to encourage multi-day visits. Although it is a top tourist destination, the venture has experienced financial losses in all but a handful of years. Avoiding the SRC requires a person to suspend assumptions based on prior experience and success and to be prepared to acquire new knowledge about human behavior and motivation.

Exhibit 4-8 Disneyland Shanghai opened its doors on June 6, 2016. The specific date—6/16/2016—was chosen for a reason: "Six" sounds like the word *liu* in Chinese, and means "smooth."

Source: Ng Han Guan/Associated Press.





ENTREPRENEURIAL LEADERSHIP, CREATIVE THINKING, AND THE GLOBAL STARTUP

Huda Kattan, Huda Beauty

Huda Kattan is one of a new breed of entrepreneurs and influencers. Born in the United States to an Iraqi immigrant family settled in Oklahoma, she was bullied for much of her childhood because of her ethnicity to the point that she began to go by the name Heidi in school. After turning 12, to boost her self-confidence and fit in better, she started using make-up. It was an introduction to a lifelong passion as well as a means of re-embracing her identity: it would lead her to begin calling herself Huda again, and years later, that would be the name of her own make-up brand: Huda Beauty.

Make-up remained her abiding interest when she settled in Dubai with her husband and a career in finance. She found that there were no bloggers who looked like her—Mediterranean or Middle Eastern—or could offer the kind of make-up inspiration she needed. She decided to start her own website that would offer beauty tips, make-up tutorials, how-to videos and skin-care regimes—a space for women to explore and share their ideas about beauty.

The blog was a huge success, spurring Huda and her sisters in 2013 to launch Huda Beauty in Dubai. She started selling more beauty products on her website and, crucially, on Instagram, where she currently has more than 35 million followers. Instagram was still an emerging trend and in its early stages in the Middle East, and Kattan's decision to explore its possibilities for her business is a good reflection of how entrepreneurs can synchronize their marketing strategy with changing cultures for better success. Kattan has admitted that Instagram was the catalyst in spurring the growth of her brand, allowing her to connect with and inspire people around the world.

As of 2018, the brand has brought in at least \$200 million each year in revenue and now sells around 140 beauty products, from eye lashes to lip gloss. Huda Beauty's products are not only sold through its online channel but also in more than 900 stores in the United States and in 600 stores around the world. The net worth of Kattan's beauty empire is around \$550 million, and she has made it to Forbes' list of America's Richest Self-Made Women, joining the ranks of Oprah Winfrey and Kylie Jenner.

As one of the pioneers among new influencers, Huda has become an inspiration to businesswomen in the Middle East as well as the rest of the world. Social media influencers like Huda have had a huge impact on the beauty market in the United Arab Emirates; many more customers now use beauty products, and per-capita spending on them in the country rose to \$228 million in 2017 from \$168 million in 2010.

Beauty brands that have a strong social media presence tend to keep their consumers engaged. This requires a digitally connected user and follower base. As social media platforms continue to be very popular as a means of expression and learning in Saudi Arabia and the United Arab Emirates, this has never been a problem there. In fact, thanks to its large expat population and high levels of disposable incomes, the United Arab Emirates is an ideal market for beauty brands and has welcomed many international retail stores, including Sephora, Kiko Milano, Anastasia Beverly Hills, and Nars.

As Huda Kattan was familiar with the traditions and culture of her country, she was able to incorporate them extensively within the representation of her brand and craft her products accordingly. She also saw that make-up is a way of making a statement—and thereby empowering—for women in the Middle East. However, as is the case for many other entrepreneurs, Huda Kattan's success is also based on global accessibility and opportunities provided by the Internet to reach out to and engage with a wider range of people from different parts of the world.

Sources: S. McClellan, "Why Huda Kattan Is One of Beauty's Most Influential Women," *Allure*, June 28, 2017, <https://www.allure.com/story/huda-kattan-profile>; Z. Mejia, "How This Self-Made Millionaire and Instagram Star Built Her Billion-Dollar Beauty Brand," *CNBC Make It*, October 29, 2018, <https://www.cnbc.com/2018/10/29/how-self-made-millionaire-huda-kattan-built-her-billion-dollar-beauty-brand.html>; C. Sorvino, "How Huda Kattan Built a Billion-Dollar Cosmetics Brand With 26 Million Followers," *Forbes*, July 11, 2018, <https://www.forbes.com/sites/chloesorvino/2018/07/11/huda-kattan-huda-beauty-billion-influencer/#615bf1da6120>; C. Wischhover, "How Entrepreneur and Beauty Sensations Huda Kattan Handles Intsa-fame", *Fashionista*, October 20, 2017, <https://fashionista.com/2015/11/huda-kattan-beauty-blogger>.

Exhibit 4-9 Huda Beauty emerged out of a desire to create a space for women to explore and share their ideas about beauty.

Source: Brian Chase/Shutterstock.



- 4-5 Analyze the components of diffusion theory and its applicability to global marketing.

4-5 Diffusion Theory⁴¹

Hundreds of studies have described the process by which an individual adopts a new idea. Sociologist Everett Rogers reviewed these studies and discovered a pattern of remarkably similar findings. Rogers then distilled the research into three concepts that are extremely useful to global marketers: the adoption process, characteristics of innovations, and adopter categories. Taken together, these concepts constitute Rogers's **diffusion of innovation** framework.

An innovation is something new. When applied to a product, “new” can mean different things. In an absolute sense, once a product has been introduced anywhere in the world, it is no longer an innovation, because it is no longer new to the world. Relatively speaking, however, a product already introduced in one market may be an innovation elsewhere because it is new and different for the targeted market. Global marketing often entails just such product introductions. Managers find themselves marketing products that may be, simultaneously, innovations in some markets and mature or even declining products in others.

The Adoption Process

One of the basic elements of Rogers's diffusion theory is the concept of an **adoption process**—the mental stages through which an individual passes from the time of his or her first knowledge of an innovation to the time of product adoption or purchase. Rogers suggests that an individual passes through five different stages in proceeding from first knowledge of a product to the final adoption or purchase of that product: awareness, interest, evaluation, trial, and adoption.

1. *Awareness:* In the first stage, the customer becomes aware for the first time of the product or innovation. Studies have shown that at this stage, impersonal sources of information such as mass-media advertising are most important. An important early communication objective in global marketing is to create awareness of a new product through general exposure to advertising messages.
2. *Interest:* During this stage, the customer is interested enough to learn more. The customer has focused his or her attention on communications relating to the product and will engage in research activities and seek out additional information.
3. *Evaluation:* In this stage the individual mentally assesses the product's benefits in relation to present and anticipated future needs and, based on this judgment, decides whether to try it.
4. *Trial:* Most customers will not purchase expensive products without the “hands-on” experience marketers call a “trial.” A good example of a product trial that does not involve purchase is the automobile test drive. For health care products and other inexpensive consumer packaged goods, a trial often involves actual purchase. Marketers frequently induce a trial by distributing free samples. For inexpensive products, an initial single purchase is defined as a trial.
5. *Adoption:* At this point, the individual either makes an initial purchase (in the case of the more expensive product) or continues to purchase—adopts and exhibits brand loyalty to—the less expensive product.

Studies show that as a person moves from evaluation through a trial to adoption, personal sources of information are more important than impersonal sources. It is during these stages that sales representatives and word of mouth become major persuasive forces affecting the decision to buy.

Characteristics of Innovations

In addition to describing the product adoption process, Rogers identified five major **characteristics of innovations**. These factors, which affect the rate at which innovations are adopted, are relative advantage, compatibility, complexity, divisibility, and communicability.

1. *Relative advantage:* How a new product compares with existing products or methods in the eyes of customers. The perceived relative advantage of a new product versus existing products is a major influence on the rate of adoption. If a product has a substantial relative advantage vis-à-vis the competition, it is likely to gain quick acceptance. When compact disc players were first introduced in the early 1980s, industry observers predicted that only audio-philes would care enough about digital sound—and have enough money—to purchase them.

In reality, the sonic advantages of CDs compared to LPs were obvious to the mass market; as prices for CD players plummeted, the 12-inch black vinyl LP was rendered virtually extinct in less than a decade. (But vinyl is making a comeback!)

2. *Compatibility:* The extent to which a product is consistent with existing values and past experiences of adopters. The history of innovations in international marketing is replete with failures caused by the lack of compatibility of new products in the target market. For example, the first consumer VCR, the Sony Betamax, ultimately failed because it could record for only 1 hour. Most buyers wanted to record movies and sports events; thus they shunned the Betamax in favor of VHS-format VCRs, which could record 4 hours of programming.
3. *Complexity:* The degree to which an innovation or new product is difficult to understand and use. Product complexity is a factor that can slow down the rate of adoption, particularly in developing country markets with low rates of literacy. In the 1990s, dozens of global companies developed new, interactive, multimedia consumer electronics products. Complexity was a key design issue; it was a standing joke that in most households, VCR clocks flashed “12:00” because users didn’t know how to set them. To achieve mass success, new products have to be as simple to use as, for example, slipping a prerecorded DVD into a DVD player.
4. *Divisibility:* The ability of a product to be tried and used on a limited basis without great expense. Wide discrepancies in income levels around the globe result in major differences in preferred purchase quantities, serving sizes, and product portions. For example, CPC International’s Hellmann’s mayonnaise was simply not selling in U.S.-size jars in Latin America, but sales took off after the company placed the mayonnaise in small plastic packets. The plastic packets were within the food budgets of local consumers, and they required no refrigeration—another plus.
5. *Communicability:* The degree to which the benefits of an innovation or the value of a product may be communicated to a potential market. A new digital cassette recorder from Philips was a market failure, in part because advertisements did not clearly communicate the fact that the product could make CD-quality recordings using new cassette technology while still playing older, analog tapes.

Adopter Categories

Adopter categories are classifications of individuals within a market on the basis of innovativeness. Hundreds of studies of the diffusion of innovation demonstrate that, at least in the Western world, adoption is a social phenomenon that is characterized by a normal distribution curve (see Figure 4-3).

Five categories have been assigned to the segments of this normal distribution. The first 2.5 percent of people to purchase a product are defined as innovators; the next 13.5 percent are early adopters; the next 34 percent are the early majority; the next 34 percent are the late majority; and the final 16 percent are laggards. Studies show that innovators tend to be venturesome, more

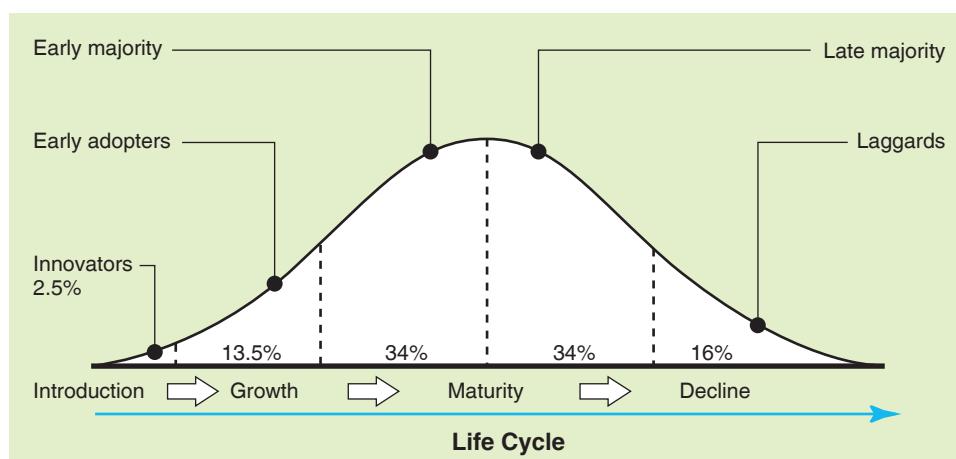


FIGURE 4-3 Adopter Categories

cosmopolitan in their social relationships, and wealthier than those who adopt products later. Early adopters are the most influential people in their communities, even more so than the innovators. Thus, the early adopters are a critical group in the adoption process, and they have great influence on the early and late majorities, who account for the bulk of the adopters of any product. Several characteristics of early adopters stand out: They tend to be younger, with higher social status, and in a more favorable financial position than later adopters. They must be responsive to mass-media information sources and must learn about innovations from these sources, because they cannot simply copy the behavior of innovators.

One of the major reasons for the normal distribution of adopter categories is the *interaction effect*—that is, the process through which individuals who have adopted an innovation influence others. Adoption of a new idea or product is the result of human interaction in a social system. If the first adopter of an innovation or new product discusses it with two other people, and each of those two adopters passes the new idea along to two other people, and so on, the resulting distribution yields a normal bell shape when plotted.⁴²

Diffusion of Innovations in Pacific Rim Countries

Based on a cross-national comparison of the United States, Japan, South Korea, and Taiwan, Takada and Jain presented evidence that different country characteristics—in particular, culture and communication patterns—affect diffusion processes for room air conditioners, washing machines, and calculators. Proceeding from the observation that Japan, South Korea, and Taiwan are high-context cultures with relatively homogeneous populations, whereas the United States is a low-context, heterogeneous culture, Takada and Jain surmised that Asia would show faster rates of diffusion than the United States (see Figure 4-4).

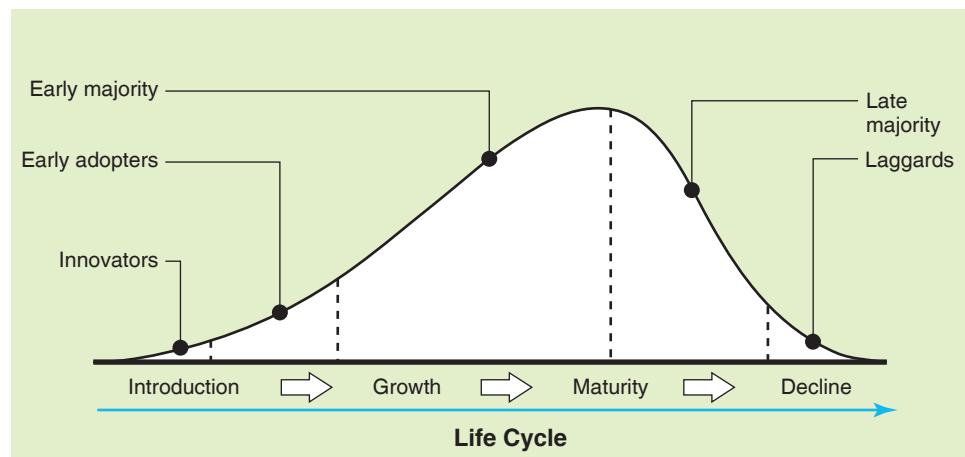
A second hypothesis supported by the research was that adoption would proceed more quickly in markets where innovations were introduced relatively late. Presumably, the lag time would give potential consumers more opportunity to assess the relative advantages, compatibility, and other product attributes. Takada and Jain's research has important marketing implications. These authors noted: "If a marketing manager plans to enter the newly industrializing countries (NICs) or other Asia markets with a product that has proved to be successful in the home market, the product's diffusion processes are likely to be much faster than in the home market."⁴³

- 4-6 Explain the marketing implications of different social and cultural environments around the globe.

4-6 Marketing Implications of Social and Cultural Environments

The various cultural factors described earlier can exert important influences on marketing of consumer and industrial products around the globe; thus, they must be recognized and incorporated into a global marketing plan. **Environmental sensitivity** reflects the extent to which products must be adapted to the culture-specific needs of different national markets. A useful approach

FIGURE 4-4 Asian Hierarchy for Diffusion of Innovation



is to view products as being located 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.

The sensitivity of products can be represented on a two-dimensional scale, as shown in Figure 4-5. The horizontal axis shows environmental sensitivity, and the vertical axis the degree for product adaptation needed. Any product exhibiting low levels of environmental sensitivity—integrated circuits, for example—belongs in the lower left of the figure. Intel has sold more than 100 million microprocessors because a chip is a chip anywhere around the world. Moving to the right on the horizontal axis, the level of sensitivity increases, as does the amount of adaptation needed. Computers exhibit moderate levels of environmental sensitivity; for example, variations in country voltage requirements require some adaptation. In addition, the computer's software documentation should be in the local language.

At the upper right of Figure 4-5 are products with high environmental sensitivity. Food sometimes falls into this category because it is sensitive to climate and culture. As we saw in the McDonald's case at the end of Chapter 1, this fast-food giant has achieved great success outside the United States by adapting its menu items to local tastes. General Electric's turbine equipment may also appear on the high-sensitivity end of the continuum; in many countries, local equipment manufacturers receive preferential treatment when bidding on national projects.

Research studies show that, independent of social class and income, culture is a significant influence on consumption behavior and durable goods ownership.⁴⁴ Consumer products are probably more sensitive to cultural differences than are industrial products. Abraham Maslow, a psychologist who studied human motivation, developed a hierarchy of needs ranging from the most basic needs to the more abstract. Hunger is a basic physiological need in Maslow's hierarchy; humans share a biological imperative to obtain a meal, but what we *want* to eat can be strongly influenced by culture. Evidence from the front lines of the marketing wars suggests that food is probably the most sensitive category of consumer products. The ongoing controversy about genetically modified organisms (GMOs) in the food supply is a case in point. American consumers are generally accepting of foods containing GMO ingredients; Europeans are much less accepting.

Thirst, like hunger, shows how needs differ from wants. Humans all have a biological imperative to secure hydration to sustain life (see Exhibit 4-10). As is the case with food and cooking,

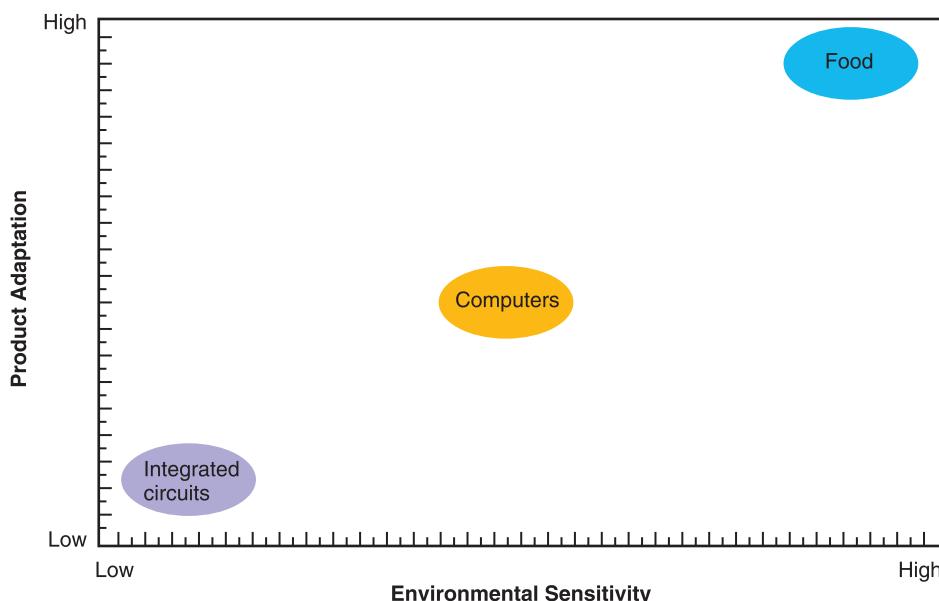


FIGURE 4-5 Environmental Sensitivity Versus Product Adaptation

Exhibit 4-10 In countries where water from the tap or well may be contaminated, bottled water is a convenient alternative. The fastest growth in the industry is occurring in developing countries; in the past five years, bottled water consumption has tripled in India and more than doubled in China. Many consumers also choose bottled water as an alternative to other beverage choices. However, the Earth Policy Institute and other groups view bottled water as an overpriced, wasteful extravagance. The International Bottled Water Association disagrees with that view. A spokesman said, "We're an on-the-go society demanding convenient packaging and consistent quality, and that's what bottled water provides."

Source: Gurinder Osan/AP Images.



however, the particular liquids people *want* to drink can be strongly influenced by culture. Coffee is a beverage category that illustrates the point. Coffee has been consumed for centuries on the European continent. By contrast, Britain has historically been a nation of tea drinkers, a legacy of the East India Company's exploits in India and China. Britons from all walks of life ascribe a variety of medicinal properties to "a nice cup of tea," and the custom of taking afternoon tea is firmly entrenched in British culture.⁴⁵ In the 1970s, tea outsold coffee by a ratio of 4 to 1.

Brits who did drink coffee tended to buy it in instant form, because the preparation of instant coffee is similar to that of tea. By the 1990s, however, Britain was experiencing an economic boom and an explosion of new nightclubs and restaurants. Trendy Londoners looking for a nonpub "third place" found it in the form of Seattle Coffee Company cafés. An instant success after the first store was opened by coffee-starved Americans in 1995, by 1998 Seattle Coffee had 65 stores around London. Starbucks bought the business from Seattle Coffee's founders for \$84 million. Today, Starbucks has overcome the challenge of high real estate prices and has more than 345 company-operated cafés in the United Kingdom.⁴⁶

Summary

Culture, a society's "programming of the mind," has both a pervasive and a changing influence on each national market environment. Global marketers must recognize the influence of culture and be prepared to either respond to it or change it. Human behavior is a function of a person's own unique personality and that person's interaction with the collective forces of the particular society and culture in which he or she has lived. In particular, *attitudes, values, and beliefs* can vary significantly from country to country. Also, differences pertaining to religion, *aesthetics*, dietary customs, and language and communication can affect local reaction to a company's brands or products as well as the ability of company personnel to function effectively in different cultures. A number of concepts and theoretical frameworks provide insights into these and other cultural issues.

Cultures can be classified as *high* or *low context*; communication and negotiation styles can, in turn, differ from country to country. Hofstede's social values typology helps marketers understand culture in terms of *power distance, individualism versus collectivism, achievement versus nurturing, uncertainty avoidance*, and *long-term versus short-term orientation*. By understanding the *self-reference criterion*, global marketers can overcome people's unconscious tendency for perceptual blockage and distortion.

Rogers's classic study on the *diffusion of innovation* helps explain how products are adopted over time by different *adopter categories*. The *adoption process* that consumers go through can be divided into a multistage *hierarchy of effects*. Rogers's findings concerning the *characteristics of innovations* can also help marketers successfully launch new products in global markets. Research has suggested that Asian adopter categories differ from those found in the Western model. An awareness of *environmental sensitivity* can help marketers determine whether consumer and industry products must be adapted to the needs of different markets.

Discussion Questions

- 4-1. Compare “material culture” and “nonmaterial culture.” Why is it important for global marketers to understand the relationship between them?
- 4-2. What is the difference between a low-context culture and a high-context culture? Name a country that is an example of each type and offer evidence for your answer.
- 4-3. How important is the self-reference criterion to global marketers in analyzing culture?
- 4-4. Briefly explain the social research of Everett Rogers on the topics of diffusion of innovation, characteristics of innovations, and adopter categories. How does the adoption process in Asia differ from the traditional Western model?

CASE 4-1 *Continued (refer to page 129)*

Cotton, Clothing Consumption, Culture: From Small Beginnings to a Global Cultural System

Cotton and Clothing across Cultures

Cotton is an integral part of clothing in societies and cultures across the world. It is crucial to cotton-producing countries as well as to those importing it. According to estimates, cotton supplies more than 70 percent of clothing used by men and boys; meanwhile, 60 percent of women's garments have cotton fibers and 40 percent of their clothing are made from 100 percent cotton. It is also used in industrial products such as zipper tapes, wall coverings, bookbinding, medical supplies, and tarpaulins.

To some extent, clothing—cotton or otherwise—can be used to differentiate one national culture from another, in terms of individualism, collectivism, power distance, and other dimensions per Hofstede's framework. In fact, it is one of the core indicators that determine levels of enculturation and acculturation. In enculturation, which involves learning about one's own culture, clothing and attire become a means of fulfilling this process. For instance, parents introduce their children to a way of dressing that they have likely adopted in relation to their specific cultural settings. By extension, cotton can play a significant role in this.

When people travel abroad or interact with another cultural system, they undergo acculturation, which is about learning other people's cultures. For example, a study on clothing acculturation among Black African women in London showed that women in a new cultural context tend to acquire the clothing consumption patterns of others. However, the study also noted the influence of other factors, such as religion, age, and weather conditions. Moreover, social factors also play a significant role in how people embrace the mode of dressing in the host cultural system. While, on one hand, the study showed that women's clothing becomes reflective of their acculturation in the host cultural system, there are times when their clothing reflects a sense

of nostalgia. This occurs when the clothes they choose to wear are in some way representative of their home culture (Africa, in this case) in their host cultural environment (the United Kingdom) during special cultural events like weddings, naming ceremonies, etc. that bring them together as an ethnic group. In addition, most of these women tend to be immigrants concentrated in the country's cosmopolitan centers, further encouraging the use of clothing that reminds them of their home countries.

Given the link between cotton and clothing, cotton's influence and impact on every facet of the socio-cultural dimensions of the global marketing system cannot be overstated.

Cotton's Supply Chain

There are three main types of cotton: conventional, organic, and genetically modified (GM). Conventional cotton is vulnerable to a large number of pests and heavily dependent on the use of agrochemicals. GM cotton, on the other hand, is produced using biotechnology and usually generates higher yields. Meanwhile, organic cotton—so defined because of its low impact on the environment—is one of the most popular of all the organic fibers. The production systems associated with organic cotton reduce the use of fertilizers and toxic and persistent pesticides; they also replenish and maintain soil fertility while building biologically diverse agriculture.

Meanwhile, the popularity of cotton all over the world shows in the numbers. In 2010–11, about 219,000 farmers in 20 countries, including China, the United States, Burkina Faso, Brazil, and India, grew organic cotton. This number can only have increased since then, reacting to major developments in virtually all dimensions of the global marketing environment. This period has witnessed population shifts, technological advancement, and economic growth, all of which have

been hugely influential in the dynamics of cotton production and consumption over the years and will surely introduce further significant changes to the system.

Global cotton production in 2017 is reported at 120.86 million bales, but it is important to note that there have been instances where production figures have dwindled but the popularity of cotton for consumption has remained strong. For instance, a report by the United States Department of Agriculture (USDA) estimates that world cotton consumption will exceed production in the year 2019–20. Although the report states that world cotton production will increase to 126.5 million bales in that year, this will represent a fall of 6.9 percent compared to previous records. On the other hand, the world cotton consumption for the same period is estimated at 125.5 million bales, an increase of 1.5 percent over the previous year.

Based on their role in satisfying the world's demand for cotton, India, China, and the United States are the largest producers, responsible for over half of the total production volume in the world. Cotton is essential to the thriving textile industry in the United States; about 7.5 million bales of cotton are used by its textile mills annually. These are used in several forms in the country: approximately 57 percent is converted into apparel, about a third is used in home furnishings, and the rest is largely used in industrial cotton-based products. Although China is the leading producer of cotton, it uses most of the cotton grown internally; the United States is the second-largest producer of cotton and ships between 40 and 60 percent of it to other nations. This is a noteworthy dynamic in terms of the global supply chain of cotton.

Drivers of Cotton Consumption

Cotton is the world's most commonly used natural fiber, and 2.5 percent of the world's arable land is used to grow it. But what makes cotton so popular around the world? One of the main reasons is its versatility. As we have seen, it is widely used not only in clothing and homeware but also for industrial purposes. In clothing, cotton is notably good for moisture control because of its absorbent properties. Cotton also finds uses in all weather conditions, and clothes made from cotton are hypo-allergic, which means that they do not

irritate the skin (this is why clothing for babies, who have especially sensitive skin, is often made out of cotton). Cotton clothing is durable too; it can withstand the pressures of washing by hand as well as by machine, and it does not require extended washing periods. Cotton clothing is also less likely to be toxic than synthetic fibers. Finally, cotton clothing is comfortable, hence its common use in underwear and undershirts.

Beyond apparel, cotton is also used to make fishnets, archival paper, and other products that are vital for businesses and organizations irrespective of size, sector, or location. Cottonseed serves as fodder for cattle and can be crushed to make oil, which is used not only in cooking but also as input for the production of several other products, such as margarine, soap, cosmetics, and pharmaceuticals. The USDA's report cited previously shows that the prices of cotton prices were competitive compared to polyester, and this trend is expected to continue for the year 2018–19.

Fair Treatment for Producers

The discourse on ethics, sustainability, and the environment now pervades a range of sectors, including manufacturing, retailing, and services. A number of issues link cotton to sustainability, including ethical consumerism in relation to cotton usage and production, the clothing industry, and the use of toxic pesticides. Among the most prominent of these are fair treatment for stakeholders involved in cotton production and sustainable practices relating to cotton as a product.

Fair trade is a major socio-cultural issue. Criticism has been leveled at some countries, including China, Burkina Faso, Pakistan, and India, with respect to allegations of forced labor in cotton production. One example is Uzbekistan, where coercion is allegedly used not only to force farmers to grow cotton but also to press over one million citizens from other professions, including doctors and teachers, into picking cotton for a few weeks every year. A related issue of great concern in the production of cotton is child labor. According to the International Labor Organization (ILO), some cotton-producing countries engage children in manual harvesting, weeding, irrigation, crop protection, hybridization, and ginning. The ILO identifies poverty, a weak legislative

Exhibit 4-11 An organic cotton label is a noteworthy badge of pride in global fashion marketing.

Source: Andrey_Popov/Shutterstock.





Exhibit 4-12 Organic cotton fashion items are favorites of environmental conscious consumers, even at a premium price.

Source: Mile 91/C & A Foundation/Alamy Stock Photo

environment, local social norms, migration, barriers to education, and cheap and compliant labor as some of the factors that contribute to child labor in the countries where it is rampant. Efforts are being led by the ILO to curb these practices in cotton-producing countries.

Like all crops, cotton needs water, and the production of cotton goods needs still more. For example, producing a pair of jeans that weighs 800 grams requires 8,000 liters of water. By and large, the average water footprint of cotton fabric is 10,000 liters per kilogram annually. This, of course, contributes to water scarcity and has larger implications for the planet. Take Indian cotton as an example: the water it takes to grow the cotton that the country exports could serve the needs of 85 percent of its people. The crop not only uses 2.5 percent of the world's cultivated land but also 16 percent of its insecticides, which surpasses the requirements of other major crops. Attention is being increasingly focused on GM cotton. According to the International Service for the Acquisition of Agri-Biotech Applications, GM cotton constitutes 64 percent of cotton grown in 2016, and it is expected that this number will continue to grow, as many of the high-street clothing companies have pledged toward more sustainability in their sourcing. In May 2017, Tesco, F&F, ASOS, Sainsbury's, Levi, and Kering signed the Sustainable Cotton Communiqué, which set a target for sourcing 100 percent sustainable cotton by 2025. Meanwhile, H&M and FatFace have committed to achieving this even earlier, by 2020. These figures indicate the advances in the responsible source network on business ethics. The clamor for companies to "go clean" on ethical production of cotton is an ongoing phenomenon sustained by the media, NGOs, and other campaigners. For instance, an article by Jane Turner in *Ethical Consumer* titled "The Ethics of Cotton Production" lays out a metric to rate companies on their compliance to sustainability. As described in this article, if any firm does not source 100 percent organic cotton or fails to be 100 percent fair trade, it will lose half a mark in the "Ethical Consumers' Pollution" and "Toxic and Controversial Technologies" categories.

Cotton Moves Upmarket

Although the idea of organic cotton started several years ago with just a few countries looking for ways to contribute to environmental

sustainability, the record of companies following this trend is improving. Organizations are now embracing the idea of being certified to traceability standards like Organic Exchange, while a good number of the cotton manufacturers also adhere to the Global Organic Textile Standard (GOTS), which relates to textile processing stages and good labor provisions. Organic fiber is now being used in several products such as fabrics, home furnishings, blankets, bathrobes, and towels. It is also becoming commonplace in care items like make-up removal pads, ear swabs, and sanitary products. Organic cotton is, of course, also used in several types and styles of clothing. It is particularly appealing to the growing segment of eco-conscious consumers who are willing to pay a premium for greener products.

Cashing in on Higher Cotton Consumption

Fashion is one of the most dynamic elements of modern socio-cultural systems, and many fashion companies all over the world seek to leverage this. For example, the top five fashion companies in the world based on their revenue in 2018 were U.S. giants L Brands and Gap, with revenues of \$12.6 billion and \$15.9 billion, respectively; and Fast Retailing Co., at \$18.2 billion; H&M, at \$22.7 billion, and Inditex, at \$28.8 billion. How do these brands thrive in the turbulent global marketing environment? The answer lies in their focus on meeting the dynamic needs of their customers all over the world. As people's taste for cotton clothing continues to grow each year, it is reasonable to expect that these companies will continue to benefit by serving their customers throughout the global market.

Meanwhile, other fashion companies are exploring the consumers' interest in cotton as well. Brands like Marks & Spencer, Tesco, Asos, and Burberry have been cited as particularly engaged in issues of sustainability and fair wages. They have recognized that consumers are not only interested in the usual product-related attributes like how to wash the apparel and whether it shrinks after washing; they are looking at the products' production procedures, like whether it meets ISO9000/14000 or OekoTex Standard 100. Studies indicate that consumers who are highly knowledgeable show a more positive attitude to organic clothing and are willing to pay as much as 50 percent more to acquire them.

Discussion Questions

- 4-5. To what extent does the consumption of cotton differentiate particular cultural contexts from others?
- 4-6. The marketing records of the fashion retailers highlighted in the case suggest that cotton clothing is a major success. What do you think should be done by these and organizations in related businesses to ensure that this success is maintained and built upon in the future?
- 4-7. The case indicates that some cotton-producing countries need to improve their ethical standards. What measures do you think could be put in place to ensure significant improvement on this front and in global sustainable cotton production?
- 4-8. Assume you have been invited to speak on the topic "Global Cotton Consumption: The Good, the Bad, and the Ugly." What key points would you cover?
- 4-9. Do you think the adoption process in Roger's product diffusion theory is applicable to cotton-related products? Justify your standpoint with examples.

Sources: J.H. Fewkes, "Living in the Material World: Cosmopolitanism and Trade in Early Twentieth Century Ladakh," *Modern Asian Studies*, 46(2) (2012), pp. 259–281; T. Roy, "Consumption of Cotton Cloth in India, 1795–1940," *Australian Economic History Review*, 52(1) (2012), pp. 61–84; L. Fayet and W. J. Vermeulen, "Supporting Smallholders to Access Sustainable Supply Chains: Lessons from the Indian Cotton Supply Chain," *Sustainable Development*, 22(5) (2014), pp. 289–310; A. Khare and G. Varshneya, "Antecedents to Organic Cotton Clothing Purchase Behaviour: Study on Indian Youth," *Journal of Fashion Marketing and Management: An International Journal*, 21(1) (2017), pp. 51–69; B. Menapace, "Cotton Prices Could Reach Five-Year High Next

Year—What Increased Costs, Environmental Impacts and More Mean for Apparel," *Promo Marketing Magazine*, April 4, 2018, <https://magazine.promomarketing.com/article/cotton-prices-trends-availability-popularity> (accessed March 4, 2019); K. Oh and L. Abraham, "Effect of Knowledge on Decision Making in the Context of Organic Cotton Clothing," *International Journal of Consumer Studies*, 40(1) (2016), pp. 66–74; History of Cotton, <http://www.historyofclothing.com/textile-history/history-of-cotton/> (accessed March 4, 2019); S. Olanubi, "Top Five Largest Fashion Retailers in the World," *Tharawat Magazine*, November 15, 2018, <https://www.tharawat-magazine.com/facts/top-5-largest-fashion-clothing-retailers-world/#gs.3b2l8f> (accessed March 28, 2019); ILO, "Child Labour in Cotton: A Briefing" (2016), http://www.ilo.org/pec/Informationresources/WCMS_IPEC_PUB_29655/lang--en/index.htm (accessed March 27, 2019); Organic Trade Association, "Organic Cotton Facts," https://ota.com/sites/default/files/indexed_files/Organic-Cotton-Facts.pdf (accessed March 28, 2019); C. Hopley, "A History of the British Cotton Industry," *British Heritage Travel*, July 29, 2006, <https://britishheritage.com/british-textiles-clothes-the-world> (accessed March 28, 2019); USDA, "USDA's 94th Annual Agricultural Outlook Forum: The Roots of Prosperity," February 22–23, 2018, <https://www.usda.gov/oce/forum/2018/commodities/Cotton.pdf> (accessed March 28, 2019); A. Gbadamosi, "Acculturation: An Exploratory Study of Clothing Consumption among Black African Women in London (UK)," *Journal of Fashion Marketing and Management: An International Journal*, 16(1), pp. 5–20; USDA, "USDA's 95th Annual Agricultural Outlook Forum: Growing Locally, Selling Locally," February 22, 2019, <https://www.usda.gov/oce/forum/2019/outlooks/Cotton.pdf> (accessed March 28, 2019); S. Laville, "Six UK Fashion Retailers Fail to Cotton On to Sustainability," *The Guardian*, January 31, 2019, <https://www.theguardian.com/fashion/2019/jan/31/six-uk-fashion-retailers-fail-to-cotton-on-to-sustainability-environment> (accessed March 28, 2019); J. Turner, "The Ethics of Cotton Production," *Ethical Consumer*, August 11, 2017, <https://www.ethicalconsumer.org/fashion-clothing/ethics-cotton-production> (accessed March 28, 2019); JVC Groups, "6 Reasons Why You Should Wear Cotton Made Clothing," December 26, 2018, <https://www.jvgroup.in/6-reasons-why-you-should-wear-cotton-clothing/> (accessed March 28, 2019); S. Howell, (n.d.) "How Much of the World's Clothing Is Made from Cotton?", <https://www.livestrong.com/article/1001371-much-worlds-clothing-made-cotton/> (accessed March 28, 2019); "Cotton: Statistics and Facts," *Statista*, <https://www.statista.com/topics/1542/cotton/> (accessed March 28, 2019).

CASE 4-2

Dubai's Evolution from a Fishing Village to the Host of Expo 2020

Located along the shoreline of the Persian Gulf and emerging from the sands of the Arabian Desert is one of the world's fastest-growing cities—Dubai, in the United Arab Emirates. The population of Dubai is around 3 million, of which 85 percent are expatriates and only 15 percent are native Emiratis. People from over 200 nationalities reside in Dubai, and a majority of the city's population is in the age group of 25 to 54 years because of this mostly young working expatriate demographic.

Although the city now brims with skyscrapers and boasts some of the world's most amazing structures, it used to be little more than a fishing village, and its people depended for their livelihood on fishing, pearl diving, boat building, and providing lodging to gold, spice, and textile traders journeying across the desert. Gold, spices, and traditional textiles are still the cultural ornaments that represent Dubai's history and are popular in their *souqs*. Traditionally, these *souqs* were open markets in narrow streets, and they have been showcased in many tourism videos (like Dubai Tourism's award-winning #BeMyGuest campaign, which we discuss later) as an ingrained part of the city's heritage with special cultural and economic significance for its people.

With the discovery of oil in the 1950s and 1960s, Dubai's development and economy received a huge boost, and various projects were initiated to establish the city as a leading trading hub. This started Dubai's transformation from a small port city into a modern, cosmopolitan city. On December 2, 1971, the Emirate of Dubai joined its

five neighboring emirates—Abu Dhabi, Sharjah, Ajman, Umm Al Quwain, and Fujairah—to form the United Arab Emirates. The seventh emirate, Ras Al Khaimah, joined the federation one year later. Since its formation, the country has been progressing at a rapid pace and its leadership has undertaken various developmental efforts to reduce its dependence on oil and diversify its economy.

Over the last four decades, Dubai has also successfully built a mix of diversified economic drivers, including information technology, real estate, construction, finance and trade, tourism and hospitality, and aviation. Such diversification has fueled the growth of the emirate and has increased its global popularity as a place to visit. The development and progress made in the commercial and financial sector of the city, along with its growth in trade, logistics, tourism, and real estate have contributed to Dubai's emergence as a business hub.

Tourism is one of the main pillars of this diversified economy. In 2018, Dubai was the world's sixth most-visited city after Hong Kong, Bangkok, London, Paris, and Singapore, with the size of its tourism sector reaching around \$30 billion. At 2.1 million, Indian travelers represented the largest group of tourists to Dubai, accounting for nearly 13 percent of the total number of tourists. This was followed by tourists from Saudi Arabia and the United Kingdom. These countries have been considered traditional markets that contribute significantly to increasing tourism in Dubai. Dubai has also started targeting newer markets, with campaigns running

in 44 additional markets since 2017. As a result, there has been an increase in the number of tourists from other countries, like Russia, Germany, and China. According to *Khaleej Times*, Chinese tourism to Dubai showed a year-over-year increase of 41.4 percent between 2016 and 2017.

The government of Dubai has also established various free zones across the city that have promoted foreign investment and business activity. This has encouraged global business tourists to visit Dubai and explore the opportunities it offers. Many people, particularly from Southeast Asia, travel to Dubai seeking business and employment opportunities, drawn by its booming economy and promises of high income and standards of living.

Dubai's growth as one of the top tourist destinations in the world is especially impressive considering that it is a small city surrounded by sand, with a climate where summer temperatures rise as high as 50° Celsius. Despite this, Dubai's popularity around the world and reputation as one of best tourist destinations continues to rise. Dubai presents a perfect meeting place between East and West, a vibrant, modern city that proudly wears its culture and traditions and offers activities and experiences for people of all ages, cultures, and interests. Dubai wants to establish an image as an open, inclusive, and tolerant city that welcomes people from every part of the globe.

Dubai's award-winning #BeMyGuest campaign also captures this inclusive spirit. With iconic Bollywood celebrity Shah Rukh Khan as its ambassador, the campaign showcases the vibrance, diversity, culture, and range of activities and opportunities that it has to offer. In the campaign, Khan introduces the city's various attractions, including its traditional markets, fine dining, luxury shopping, sports, and beaches. The campaign shows how people of different ages, nationalities, ethnicities, and interests enjoy their time in Dubai, feeling right at home and always finding something catering to their interests. Each segment highlights Dubai's welcoming spirit and offers a glimpse into its culture, infrastructure, range of activities, investment in art and entertainment, etc.

Dubai is also the region's entertainment hub, with attractions such as the world's tallest building, Burj Khalifa; the world's only seven-star hotel, Burj Al Arab; Dubai Mall, which is one of the world's biggest;

and The Palm Dubai, an artificial island. Dubai will soon also have the largest Ferris wheel, named Ain Dubai.

Dubai organizes a number of art exhibitions and events that attract artists from all over the world. Its concerts, events, movie launches, and promotions are not only popular among Indian tourists but also cater to a large proportion of the expatriate population. In fact, besides India, Dubai has become the second most popular center for Bollywood events.

Dubai is a hub for thrill seekers too. From zip lining, to para gliding, to sky diving, to water sports, to desert safaris, Dubai has a huge range of activities to offer. This range of offerings is also reflected in its amusement parks, such as IMG Worlds of Adventure, the world's largest indoor theme park, and Dubai Parks and Resorts, which includes three different parks within it: Motiongate Dubai, Legoland Dubai, and Bollywood Parks Dubai. One of the most popular tourist activities in Dubai is the desert safari, which involves camping, dune bashing, buggy rides, traditional cuisine, belly dancing, and other local activities.

Another key factor that adds to Dubai's attractiveness is its modern and glamorous retail sector and hotels. Dubai is a shopper's paradise: there are over 65 malls catering to a population of only 3 million, and they host some of the best stores in the world. One of the most popular shopping locations for tourists is the Gold Souq, which has more than 300 retailers. Gold shopping is extremely popular with shoppers around the world but especially among visitors from the wider Middle East and South Asia.

Dubai also offers some of the world's top-class hotels, including 104 five-star hotels. The UAE hospitality sector is expected to reach \$7.6 billion by 2022 at a compounded annual growth rate (CAGR) of 8.5 percent between 2017 and 2022. The city caters to niche as well as mass tourism, and it plans to increase its affordable hotel options.

Beaches and water parks in Dubai can be enjoyed throughout the year due to its warm temperatures. Its coastline stretches across thousands of miles and has been beautifully developed with beachfront projects like Jumeirah Beach Residence, LaMer, Blue Waters, and Palm Jumeirah as well as exotic hotels like Atlantis and Four Seasons. Dubai is also popular for its night life, offering some of the best bars and pubs in the world.



Exhibit 4-13 Dubai has undertaken efforts to diversify its economy to reduce dependency on oil and transform itself into one of the world's top tourist destinations.

Source: Anna Om/Shutterstock.

Dubai's strategic location adds benefits to its status as a trading and aviation hub. Dubai International Airport has taken the title of "World's Busiest Airport" from London Heathrow for the number of international passengers that visit or pass through it. Nearly two-thirds of the world's population are within an eight-hour flight to Dubai, and a third are within a four-hour flight from Dubai. This makes Dubai a major aviation hub, especially between Europe and Asia. Dubai International Airport offers connections and flights to 240 destinations and is the base of Emirates, the world's largest long-haul carrier.

Dubai's aviation sector was a key area that the government of Dubai wanted to diversify into, as it would create more jobs and also increase tourism. The growth of the sector has been spurred by the open-skies policy, huge infrastructure projects, heavy investments, and an investor-friendly business environment. It is forecasted that the aviation sector will contribute 37.5 percent of Dubai's GDP (gross domestic product) by 2020 and nearly 45 percent of GDP by 2030.

At present, Dubai is all set to host the Expo 2020, which will involve 190 participating countries and be the largest event ever hosted by an Arab country. It is expected that around 25 million people will visit the expo between October 2020 and April 2021. Since Dubai won the right to host the expo in 2013, it has been preparing a celebration of a lifetime. The main theme of Expo 2020 is "Connecting Minds, Creating the Future," and with the youth as its main focus, it aims to lay foundations for innovations, partnerships, and business opportunities for future generations around the world. Expo 2020 will present a valuable opportunity to explore potential areas of partnerships and

collaboration, and the governments of Dubai and the United Arab Emirates hope that it will demonstrate to the world that the country celebrates diversity by welcoming different cultures, traditions, identities, and collaborations. Expo 2020 will also emphasize tradition: a team of young students has developed a welcome message based on a traditional Emirati greeting, "Hayakum." One of the students remarked, "I am excited to welcome people for the Expo 2020 and to say 'Hayakum' to everyone. I would like to introduce the visitors to the Expo and tell them about my country's past, present, and future."

Experts believe that Expo 2020 will have long-term benefits for Dubai. Indeed, its economic impact was felt as early as 2013, when Dubai was awarded the right to host it, leading to an increase in its stock index and GDP. More than 275,000 jobs will be created, and demand will receive a significant boost in all key sectors, including real estate, tourism, hospitality, retail, education, technology, manufacturing, and healthcare.

Thanks to its many projects, events, and investments, Dubai's tourist appeal continues to grow and will continue to play a vital role as one of the main drivers of its economy. A key factor bolstering tourism in Dubai has been its visa initiative, which has made access very smooth for visitors. Other growth drivers for its tourism include customized marketing programs, campaigns with celebrity ambassadors, and promotion of Dubai's tourism on digital and multimedia platforms. With its ability to offer something for everyone across the global market, Dubai seems well on its way to record 20 million tourists by 2020.



Exhibit 4-14 At one of Dubai's open souqs, or traditional markets, traders sell textiles, gold, and spices.

Source: Naki Kouyoumtzis/Pearson Education Ltd.

Discussion Questions

- 4-10. What role do cultural and social factors play in building Dubai's tourism appeal? How well do you think Dubai has managed to bring the East and the West together?
- 4-11. Indian tourists account for the biggest segment of total tourism in Dubai. Discuss the role of Bollywood and other factors that attract Indian tourists to Dubai.
- 4-12. Comment on the growth of Dubai as a tourist destination and how other economic drivers have contributed to it.
- 4-13. Dubai aims to increase the number of tourists from beyond its tradition markets. What changes, if any, will be needed in its targeting and communication strategy to encourage tourists from non-traditional markets?
- 4-14. Discuss the role of Expo 2020 in further boosting Dubai's tourism. Will Dubai be able to sustain its gains in tourism after the expo?

Sources: Waheed Abbas, "Dubai's Tourism Appeal Continues to Flourish," *Khaleej Times* (August 2, 2018); "Shah Rukh Khan Is Back with 2019's 'Be My Guest' Campaign," *Khaleej Times* (February 26, 2019); "Come Explore Shahrukh Khan's Dubai, #BeMyGuest" (video), <https://www.visitdubai.com>; Afshin Molavi, "Is Dubai a Model for Economic Diversification in the Persian Gulf?" CNN (June 5, 2018); Dania Saadi, "Economic Diversification and Expo 2020 to Shield Dubai from Oil Price Rout," *The National* (June 26, 2016); Ashraf Mishrif and Harun Kapetanovic, *Dubai's Model of Economic Diversification* (Gulf Research Centre Cambridge, 2018); Nigel Green, "Expo 2020 Will Boost Dubai Economy for Decades," *Khaleej Times* (November 12, 2018); Andrew R. Goetz, *The Airport as an Attraction: The Airport City and Aerotropolis Concept* (Air Transport: A Tourism Perspective, Elsevier Inc., 2019) pp. 217–232; "Dubai Expo 2020 Highlights," <http://www.dubaicityguide.com>; Sarah Diaa, "Oil Prices to Echo in Aviation Sector Around Second Quarter of 2015," *Gulf News* (December 30, 2014); "Aviation to Contribute \$53.1b to Dubai's Economy in 2020," *Gulf News*, November 17, 2014, <https://gulfnews.com/business/aviation/aviation-to-contribute-531b-to-dubais-economy-in-2020-1.1413852>; Jennifer Aguinaldo, "Aviation to Account for 45 per cent of Dubai GDP by 2030," *MEED*, May 17, 2017, <https://www.meed.com/aviation-to-account-for-45-per-cent-of-dubai-gdp-by-2030/>; James Chen, "Gulf Tiger," July 11, 2018, Investopedia, <https://www.investopedia.com/terms/g/gulf-tiger.asp>; "How Dubai Became a Global Destination for Trade Shows," TGP, March 29, 2017, <https://tgp.ae/how-dubai-became-a-global-destination-for-trade-shows/>.

Notes

¹Geert Hofstede and Michael Harris Bond, "The Confucius Connection: From Cultural Roots to Economic Growth," *Organizational Dynamics* (Spring 1988), p. 5.

²George P. Murdock, "The Common Denominator of Culture," in *The Science of Man in the World Crisis*, Ralph Linton, ed. (New York, NY: Columbia University Press, 1945), p. 145.

³The following discussion is adapted from Dana L. Alden, Jan-Benedict Steenkamp, and Rajeev Batra, "Brand Positioning through Advertising in Asia, North America, and Europe: The Role of Global Consumer Culture," *Journal of Marketing* 63, no. 1 (January 1999), pp. 75–87.

⁴Milton Rokeach, *Beliefs, Attitudes, and Values* (San Francisco, CA: Jossey-Bass, 1968), p. 160.

⁵Bill Britt, "Upstart Cola Taps Anti-War Vibe," *Advertising Age* (February 24, 2003), p. 1. See also Digby Lidstone, "Pop Idols," *Middle East Economic Digest* (August 22, 2003), p. 4.

⁶Meg Carter, "New Colas Wage Battle for Hearts and Minds," *Financial Times* (January 8, 2004), p. 9.

⁷Natalie Angier, "True Blue Stands out in an Earthy Crowd," *The New York Times* (October 23, 2012), pp. D1, D3. See also Natalie Angier, "Blue through the Centuries: Sacred and Sought After," *The New York Times* (October 23, 2012), p. D3.

⁸Thomas J. Madden, Kelly Hewett, and Martin S. Roth, "Managing Images in Different Cultures: A Cross-National Study of Color Meanings and Preferences," *Journal of International Marketing* 8, no. 4 (2000), p. 98.

⁹Te-Ping Chen, "In China, Women Graduates Are Married to Gowns, Not Caps," *The Wall Street Journal* (July 2, 2014), pp. A1, A12.

¹⁰Laurence E. Jacobs, Charles Keown, Reginald Worthley, and Kyung-I Ghymn, "Cross-Cultural Colour Comparisons: Global Marketers Beware!" *International Marketing Review* 8, no. 3 (1991), pp. 21–30.

¹¹Martin Stokes, *Ethnicity, Identity, and Music: The Musical Construction of Place* (Oxford, UK: Berg, 1994).

¹²Motti Regev, "Rock Aesthetics and Musics of the World," *Theory, Culture & Society* 14, no. 3 (August 1997), pp. 125–142.

¹³Amy Kamzin, "Domino's Deadline to Deliver," *Financial Times* (January 18, 2013), p. 10.

¹⁴Preetika Rana, "In India, Forget Doughnuts, It's Time to Make the Tough Guy Chicken Burger," *The Wall Street Journal* (November 29–30, 2014), p. A1.

¹⁵Fara Warner, "Savvy Indian Marketers Hold Their Ground," *The Wall Street Journal Asia* (December 1, 1997), p. 8.

¹⁶Jacqueline Friedrich, "All the Rage in Paris? Le Fooding," *The Wall Street Journal* (February 9, 2001), p. W11.

¹⁷Evan Ramstad and Gary McWilliams, "Computer Savvy: For Dell, Success in China Tells Tale of Maturing Market," *The Wall Street Journal* (July 5, 2005), pp. A1, A8.

¹⁸Recounted in J. Byrne Murphy, *Le Deal* (New York, NY: St. Martins, 2008), pp. 60–61.

¹⁹Dan Bilefsky and Christopher Lawton, "In Europe, Marketing Beer as 'American' May Not Be a Plus," *The Wall Street Journal* (July 21, 2004), p. B1.

²⁰James Hookway, "IKEA's Products Make Shoppers Blush in Thailand," *The Wall Street Journal* (June 5, 2012), pp. A1, A16.

²¹Greg Steinmetz and Carl Quintanilla, "Tough Target: Whirlpool Expected Easy Going in Europe, and It Got a Big Shock," *The Wall Street Journal* (April 10, 1998), pp. A1, A6.

²²Renzo Rosso / Alice Rawsthorn, "A Hipster on Jean Therapy," *Financial Times* (August 20, 1998), p. 8.

²³Meeyoung Song, "How to Sell in Korea? Marketers Count the Ways," *The Wall Street Journal* (August 24, 2001), p. A6.

²⁴Kevin Voigt, "At Matsushita, It's a New Word Order," *Asian Wall Street Journal Weekly* (June 18–24, 2001), p. 1.

²⁵See Anthony C. Di Benedetto, Miriko Tamate, and Rajan Chandran, "Developing Strategy for the Japanese Marketplace," *Journal of Advertising Research* (January–February 1992), pp. 39–48.

²⁶Tom Burns, "Spanish Telecoms Visionary Beholds a Brave New World," *Financial Times* (May 2, 1998), p. 24.

²⁷John L. Graham and Roy A. Heberger, Jr., "Negotiators Abroad—Don't Shoot from the Hip," *Harvard Business Review* 61, no. 4 (July–August 1983), pp. 160–168.

²⁸Kate Fox, *Watching the English: The Hidden Rules of English Behavior* (Boston, MA: Nicholas Brealey Publishing, 2014), p. 287.

²⁹George Ritzer, *The McDonaldization Thesis* (London, UK: Sage Publications, 1998), p. 8.

³⁰Rosa Jackson, "Michelin Men," *Financial Times* (November 24/25, 2012), p. R8.

³¹Amy Barrett, "French Discounter Takes Cheap Chic World-Wide," *The Wall Street Journal* (May 27, 1998), p. B8.

³²Christine Muhlke, "A Slow Food Festival Reaches out to the Uncommitted," *The New York Times* (September 3, 2008), p. D12. See also Alexander Stille, "Slow Food's Pleasure Principles," *The Utne Reader* (May/June 2002), pp. 56–58.

³³Edward T. Hall, "How Cultures Collide," *Psychology Today* (July 1976), pp. 66–97.

³⁴Geert Hofstede and Michael Harris Bond, “The Confucius Connection: From Cultural Roots to Economic Growth,” *Organizational Dynamics* (Spring 1988), p. 5.

³⁴In some articles, Hofstede refers to this dimension as “Confucian dynamism” because it is highest in Japan, Hong Kong, and Taiwan.

³⁶Masaru Ibuka / James Lardner, *Fast Forward: Hollywood, the Japanese, and the VCR Wars* (New York, NY: NAL Penguin, 1987), p. 45.

³⁷Scott A. Shane, “The Effect of Cultural Differences in Perceptions of Transaction Costs on National Differences in the Preference for International Joint Ventures,” *Asia Pacific Journal of Management* 10, no. 1 (1993), pp. 57–69.

³⁸J. Byrne Murphy, *Le Deal* (New York, NY: St. Martin’s Press, 2008), p. 109.

³⁹Christina Larson, “Office Cultures: A Global Guide,” *Bloomberg Businessweek* (June 17, 2013), p. 15.

⁴⁰James A. Lee, “Cultural Analysis in Overseas Operations,” *Harvard Business Review* (March–April 1966), pp. 106–114.

⁴¹This section draws from Everett M. Rogers, *Diffusion of Innovations* (New York, NY: Free Press, 1962).

⁴²For an excellent application and discussion of adopter categories, see Malcolm Gladwell, *The Tipping Point* (New York, NY: Little, Brown, 2000), Chapter 6.

⁴³Hirokazu Takada and Dipak Jain, “Cross-National Analysis of Diffusion of Consumer Durable Goods in Pacific Rim Countries,” *Journal of Marketing* 55 (April 1991), pp. 48–53.

⁴⁴Charles M. Schaninger, Jacques C. Bourgeois, and Christian W. Buss, “French-English Canadian Subcultural Consumption Differences,” *Journal of Marketing* 49 (Spring 1985), pp. 82–92.

⁴⁵Kate Fox, *Watching the English: The Hidden Rules of English Behavior* (Boston, MA: Nicholas Brealey Publishing, 2014), p. 437.

⁴⁶Deborah Ball, “Lattes Lure Brits to Coffee,” *The Wall Street Journal* (October 20, 2005), pp. B1, B6. See also Marco R. della Cava, “Brewing a British Coup,” *USA Today* (September 16, 1998), pp. D1, D2.

This page intentionally left blank



5

The Political, Legal, and Regulatory Environments

LEARNING OBJECTIVES

- 5-1** Understand the elements of a country's political environment that can impact global marketing activities.
 - 5-2** Define *international law* and describe the main types of legal systems found in different parts of the world.
 - 5-3** Understand the most important business issues that can lead to legal problems for global marketers.
 - 5-4** Describe the available alternatives for conflict resolution and dispute settlement when doing business outside the home country.
 - 5-5** In general terms, outline the regulatory environment in the European Union.
-



CASE 5-1 Travis Kalanick and Uber

Travis Kalanick is an entrepreneur who has achieved a level of success and notoriety rarely matched in the modern era. Kalanick is cofounder of Uber Technologies, the parent company of the wildly popular Uber ride-sharing service.

Kalanick, along with friend and cofounder Garrett Camp, launched the Uber service in San Francisco in 2010. By now, most people are familiar with the way Uber works: Customers download the Uber app to a smartphone and set up an account that includes mobile payment information. Then, when the customer needs a ride, he or she opens the app and types in a destination. The app's GPS identifies the customer's current location and calculates an estimated fare, distance, and trip time to the destination. If the fare is acceptable, the customer then requests a car and driver.

By the end of 2014, Uber had raised venture capital that valued the company at nearly \$40 billion! The service was available in more than 250 cities worldwide, and some industry observers hailed the company as a prime example of digital technology disrupting an established industry. Uber's rapid growth was another example that the "sharing economy," also known as "collaborative consumption," was gaining traction, as evidenced by the success of Lyft (an Uber competitor), room rental service Airbnb, and others.

However, Uber has encountered resistance as its popularity has grown. In London and other major cities, drivers have staged demonstrations and mass protests against what they claim is unfair competition from unregulated drivers. Several cities, including Brussels, Miami, and Las Vegas, have banned Uber. In Brussels, a court fines drivers who use the service. Uber has been paying the fines and providing legal support. Regulators in Germany succeeded in obtaining a temporary injunction banning the service; after a series of appeals and counter-appeals, the injunction was lifted.