Global Marketing Management
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Module - 2
Lecture - 9
Cultural Issues and Buying Behavior - Part II

Welcome to this course on Global Marketing Management. And we were talking about the second section in this course, that is Global Marketing Environment. Of the various components of this Global Marketing Environment, we had started discussing about the cultural issues and buying behavior. And this, the cultural issues and buying behavior;

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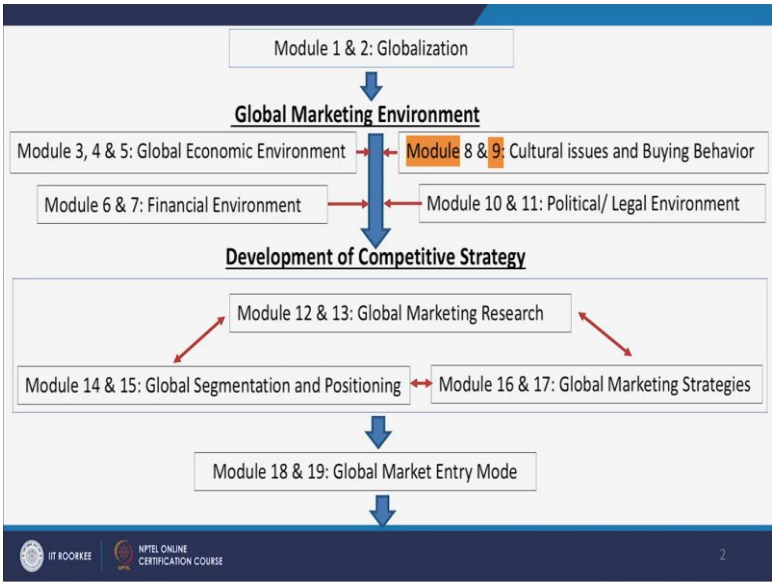

They are spread over 2 modules such as module 8 and module 9. We have talked about module 8. And today, we will start with module 9. So, after giving a brief introduction of this module, we will talk about the cultures and the marketing mix. That is, precisely how the cultures affect the Ps.

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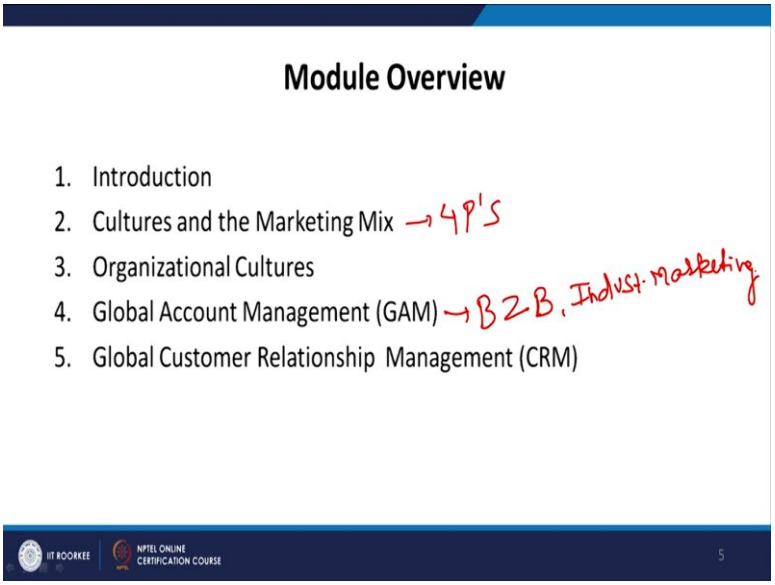

The 4 Ps of marketing. This is what we will talk about in culture and marketing mix. And then, in module 8 we have seen;

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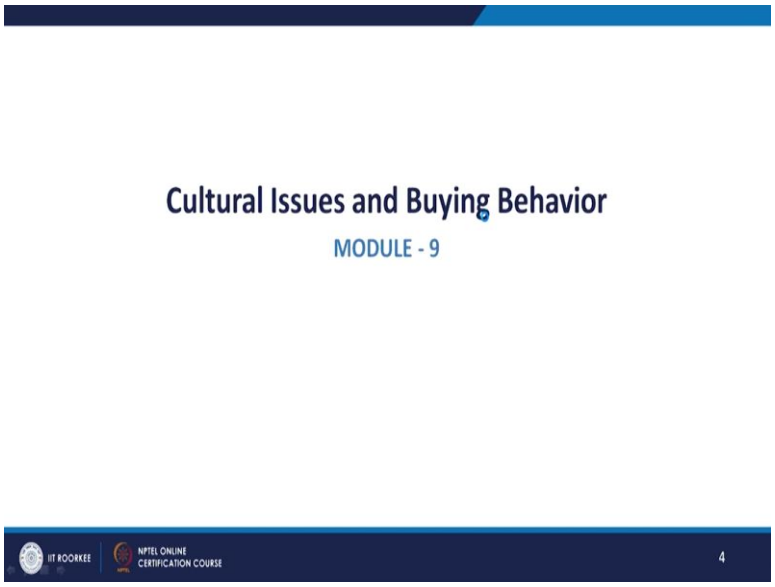

What is culture and what are the various components or various elements of culture. Now, in module 9 we will see what is organizational culture and it is important to understand what is organizational culture and the various types of culture organizational cultures because this is what determines how what is the organizational response to the changing external and internal environment.

Then, we will talk about global accounts management. This is more related to business to business or industrial marketing. So, I will give you brief example. For example, we are talking of a company Suzuki. This Suzuki maybe selling in 50 different countries across the

world. And its car in 50 different countries across the world, while it may be having 2000 vendors supplying various components to it.

So, in each country if it has 2000 vendors, then you see how many vendors it will have to deal across the globe. That is 50 into 2000. So now, how to go about doing that? After that, we will talk about the global customer relationship management. From your, from any of your previous course on marketing, you would have understand why it is important to have relationship with the customers because for a plain simple reason that we want to retain customers.

So, that is the most important task that any marketing manager has to do. Now again, if the, continuing with the same example, if Suzuki is operating in 50 different countries, so will it have 50 different kind of customer relationship management programs or do or should it have only just 1 customer relationship management program across the world? So, these are the things that we will talk about today. So, let us start with the introduction. Now, it is, you would have study this earlier that marketing mix is a set of choices the firm offers to its targeted markets.

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So, how a company, what a company offers to its target market in terms of 4 Ps. And as target markets change, these 4 Ps also should change. Many firms vary their marketing mix from country to country depending on differences in national culture, 1; economic development; product standards; distribution channels and so on. Now, because countries

differ along a whole range of dimensions of culture, including social structures, social classes that we have talked about in module 8; language, religion and education.

These are the various components that, elements that make up the culture. So, countries they differ along a whole range of dimensions of cultures. These differences have important implications for marketing strategy. Should we have a different kind of product in each country? Should we have or should a company have 1 single product across different countries? For instance, hamburgers do not sell well in Islamic countries where the consumption of ham is forbidden by Islamic law.

So now, any company that wants to sell ham, that is selling in Islamic countries where Islamic law prevails, they have to look at what to sell. And culture is a key pillar of the marketplace. Success of any international marketing activity to a very large extent is driven by local culture. And these cultural variables may act as barriers or opportunities. So, keep in mind that, in module 8, we have seen that, culture is important to study because it will tell what kind of marketing mix a company should pursue.

And it will also pinpoint the marketing opportunities available. Now, let us see what is the impact of culture on the product policy. Now, culture norms have different and significant impact on product policy.

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Certain products are more culture bound than other products. For example, food, beverages and clothing products; they tend to be very cultural sensitive. While there may be some

products, for example, automobiles, which may not be so cultural sensitive. In recent years doughnuts have been catching on in Asia as a luxury treat. Earlier these products were not being used in Asia. International doughnut chains such as Dunkin Donuts and Krispy Kreme have modified their product offerings in the region to cater towards Asian pallets.

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Dunkin Donuts, Taiwan for instance offer localized flavors such as green tea and honeydew melon. Doughnut chains also lowered the sugar content as Asians have a lower preference for sweet foods. Products or services can also be banned or restricted due to cultural reasons. In 2004, the government of Saudi Arabia banned the import and sale of mobile phones with cameras after report of misconduct photographing women by owners of such phone. The implied meaning of a brand name also exemplify the role of culture in global marketing mix.

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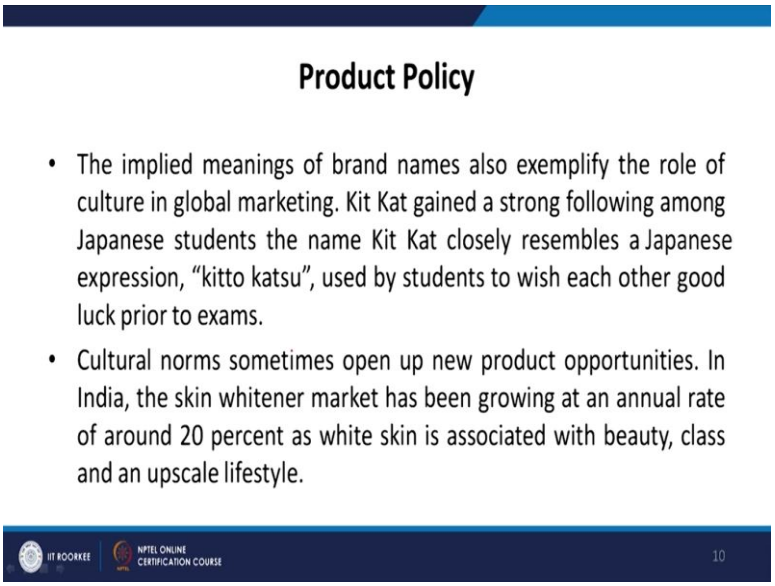

For example, KitKat, that is a chocolate from Cadbury, gained a strong following among Japanese students because the name KitKat closely resembles a Japanese expression, kitto katsu, used by students to wish each other good luck prior to exams. Cultural norms sometimes open up new product opportunities. In India, the skin whitening whitener market has been growing at an annual rate of around 20 percent as white skin is associated with beauty, class and an upscale lifestyle.

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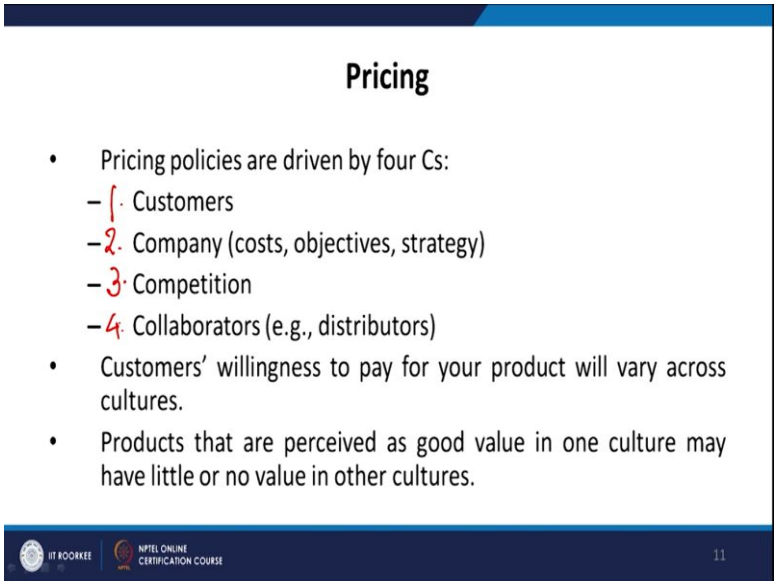

How does culture affect pricing? Now, again from any of your earlier marketing course you would have studied that the pricing policies are driven by 4 Cs. 1 is the customer, the second is company. Company means company's cost, company's objectives and company's strategy. Then the third is the competition and the fourth is the collaborators. For example, distributors and there can be banks and advertising agencies and so on so forth.

So, these are the 4 Cs that determine the company's pricing. For example, if the cost, company's cost is higher, are higher, then obviously the prices will be higher. If the costs are lower then the prices will be lower. If the company wants to be a market leader, so the prices will be different. If they want to be a in a technology leader, then the prices may be different. So, customer willingness to pay for your product will obviously vary across cultures. Products that are perceived as good value in 1 culture may have little or no value in other culture.

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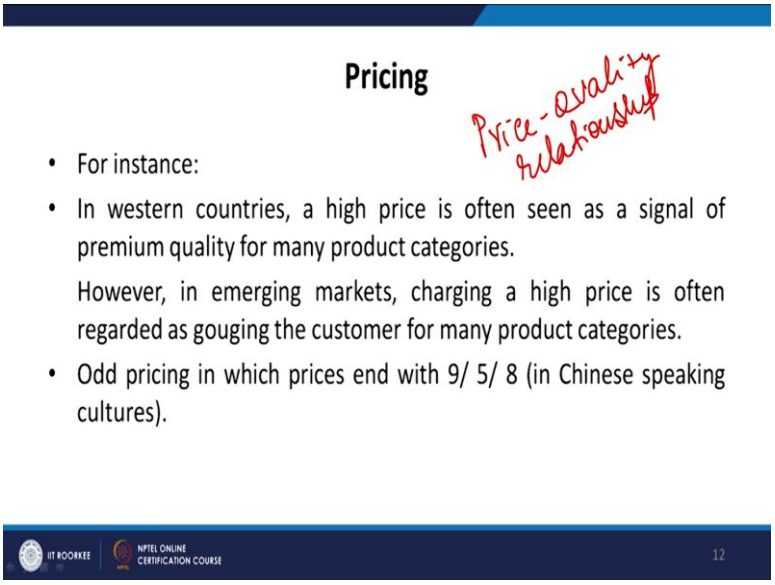

For instance, in western countries a high price is often seen as a signal of premium quality. So, this is the price quality relationship that exist. Higher the price, the better the product will be. However, in emerging markets, charging higher price is often regarded as gouging the customers for many product categories. Odd pricing in which prices end with 9, 5, 8, in Chinese speaking cultures.

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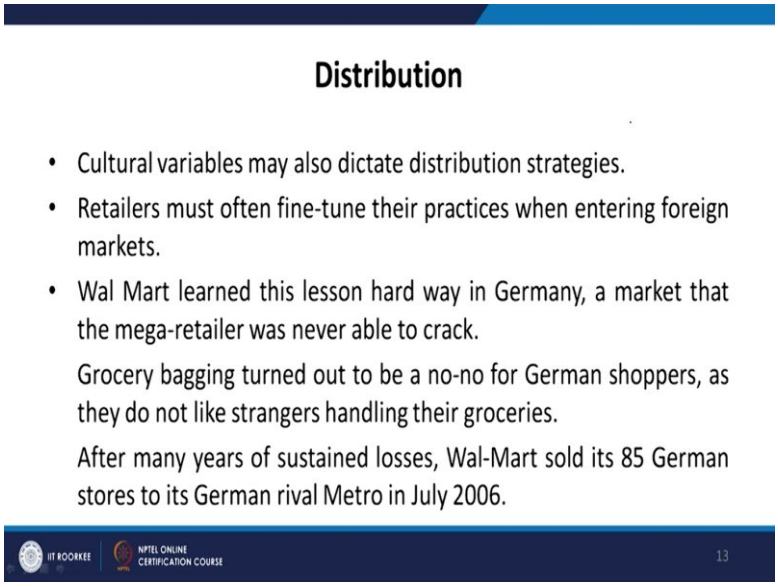

Another very important component of the marketing mix is distribution. And this distribution is also very culture sensitive. So, the cultural variables may also dictate distribution strategies. Retailer must often fine-tune their practices when entering foreign markets. Because, this is the most, distribution is the most difficult thing to change when a country enters a foreign, when a company enter the foreign country, because the distribution channels

in a country has developed over a period of time and it is very difficult to change distribution over time.

While prices can be adopted overnight, distribution is 1 thing that cannot be adopted over a period of several years also. So, Walmart learnt this lesson hard way in Germany. A market that the mega-retailer was never able to crack. Grocery bagging turned out to be a no-no for German shoppers as they do not like strangers handling their groceries. After many years of sustained losses, Walmart sold its 85 German stores to its German rival Metro in July 2006.

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So, companies often need to tweak their distribution models in emerging markets, even if their model is a key success factor in their home country. Now, you see that, in order to enter a emerging market, they have to change their key success factor. While this distribution was a key success factor in their home country, when they are entering emerging markets they have to change this key success factor.

For instance, Dell's direct sales model which has long been the computer maker's holy grail. In China, where face-to-face contact is important. When selling computers, Dell overhauled its direct sales model when it announced a deal in September 2007 to sell computers through Gome, a major Chinese electronic retailers. So, in China, they did not went face-to-face. But rather they started selling through a local Chinese electronic retailer.

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Promotion is another very cultural sensitive component of marketing mix, because it is the most visible element of marketing mix. Culture will typically have a major influence on a firm's communication strategy. And when we are talking of communication strategy, that will include both the verbal and nonverbal communication. Key events of a country's cultural calendar, for example, Chinese new year, Ramadan, Holi, Diwali; often creates major marketing opportunities.

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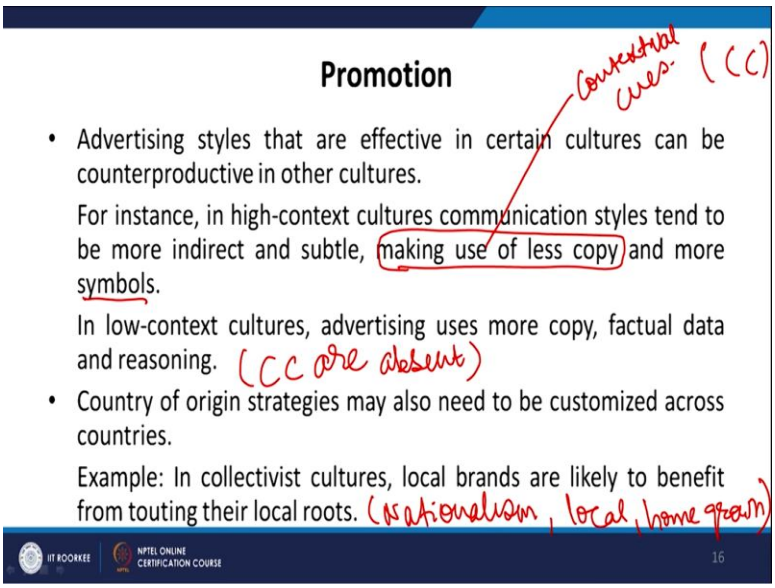

Advertising styles that are effective in certain cultures can be counterproductive in other cultures. For instance, in high-context culture communication styles tend to be more indirect and subtle, making use of less copy and more symbols. So, in high-context culture, more symbols are used. Because, less copy is being used because people interpret what is written in reference to the contextual cues that we were talking about in module 8.

That is why, they use more symbols. While in low-context cultures, advertising use more copy, factual data and reasoning. Because, here the contextual cues are absent. Country of origin strategies may also be need to be customized across countries. For example, in collectivist cultures that we have seen in module 8. Local brands are likely to benefit from touting their local roots. So, they can come up with the spirit of nationalism, local or home grown.

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Local culture taboos and norms, they also influence advertising styles. In the United States, Gidget, a talking Chihuahua, is the advertising mascot for Taco Bell, a Mexican style fast food chain owned by Yum brands. However, Gidget does not feature in Taco Bell's Singapore's ad. Singapore's large Muslim population was the main motivation for dropping Gidget. Muslims view dogs as unclean animals.

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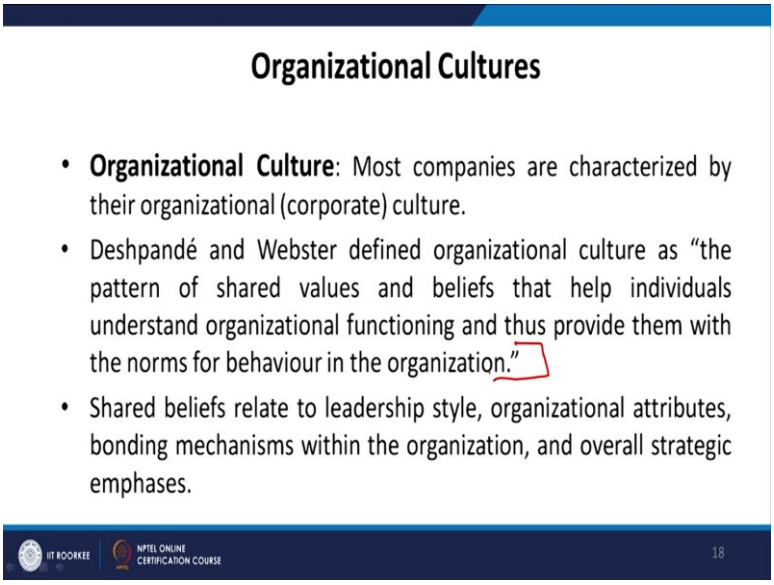

So, in module 8, now, we will talk about organizational cultures. In module 8 we have talked about, we have defined culture, then we have talked about various elements of culture. Now, we will see what is organizational culture. And as I had mentioned earlier, it is important to understand organizational culture, because it will affect, it will decide the company's response to the changing environment.

So, organizational culture, most companies are characterized by their organization or corporate culture. Deshpande and Webster, they have defined organizational culture as the pattern of shared values and beliefs that help individual understand organizational functioning and thus provide them with the norms of behavior in the organization. So, this is what is important. To understand that, the pattern of shared values and beliefs that will help the employees to understand how organization functions.

Because that will provide them with the norms of behavior in the organization; what is right and what is wrong. Shared beliefs relate to leadership style, organizational attributes, bonding mechanism within the organization and overall strategic emphasis.

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Model of Organizational Culture Types

- Organizational culture types can be described along two dimensions.

Axes	Distinguishes between	Meaning
Vertical	Organic Process vs. Mechanistic Process	Organic Process: Emphasis on flexibility, spontaneity, individuality Mechanistic: Emphasis on control, stability, order
Horizontal	Internal Maintenance vs. External Positioning	Internal Maintenance: Integration, efficient and smooth operations External Positioning: Competitive actions and achievement, differentiation.

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Let us see the various types of organizational cultures, they can be described along the 2 dimensions. 1 dimension is vertical and horizontal. Distinguishes this axis distinguishes between organic processes versus mechanistic process. Horizontal axis moves from internal maintenance versus external positioning. Meaning of this is, of organization process is, the emphasis will be on flexibility, spontaneity and individuality.

While mechanistic means, emphasis on control, stability and order. Horizontal axis which moves from internal maintenance to external positioning. Internal maintenance means integration, efficient and smooth operations. External means positioning means competitive action and achievement differentiation.

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Model of Organizational Culture Types

- This scheme leads to four organizational culture types labeled:
  - Clan culture
  - Adhocracy culture
  - Hierarchy culture
  - Market culture

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This scheme leads to 4 types of organizational cultures which are labelled as, clan culture, adhocracy culture, hierarchy culture and market culture.

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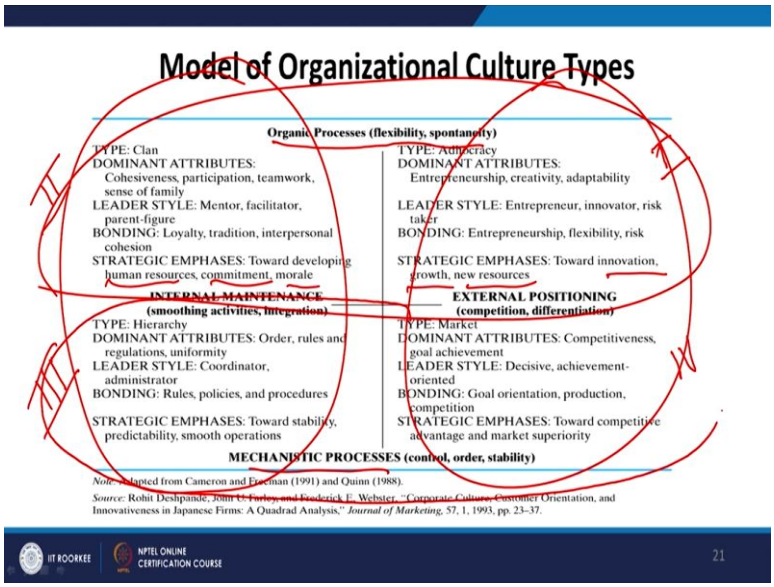

Now, look at this, so this vertical axis moves from organic process to mechanist process. And this, sorry, this horizontal or vertical axis moves from organic processes to mechanistic process. Now, in this, when we make these 2 axes, then we get 4 cells. When the organization is more organic and more externally positioned, that is, the cell 1; then the type of culture is called as adhocracy.

The dominant attributes here are entrepreneurship, creativity and adaptability. Leadership style is entrepreneur, innovator and risk taker. Bonding is entrepreneurship, flexibility and risk. And strategic emphasis is towards innovation, growth and new resources. When the culture is high on organic processes, but low on external positioning; that is, it is high on internal maintenance. Then, the type of culture is called as clan culture.

Dominant attributes here are cohesiveness, participation, teamwork and sense of family. Leadership style is mentor, facilitator, parent figure. Bonding is loyalty, tradition, interpersonal cohesion. And the strategic emphasis is towards developing human resource, commitment and morale. Now, you see, when the culture is high on organic process, but it moves along internal maintenance to external positioning.

Now, you see the here the strategic emphasis is towards innovation, growth, new resources. While here it is on human resources, commitment, moral. When the culture is low on organic

process, that is, it is high on mechanistic process and also low on external positioning, that is, high on internal maintenance; this one. So, here the culture is high on internal maintenance and high on mechanistic processes.

This is called as hierarchy. Here the dominant attribute is order, rules and regulations and uniformity. Leadership style is coordinator, administrator. Bonding is rules, policies and procedures. And the strategic emphasis is towards stability, predictability and smooth operation. When the culture is high on external positioning and high on mechanistic process, then the organizational culture is called as market.

Here the dominant attributes are competitiveness, goal achievement. Leadership style is decisive, achievement oriented. Bonding is goal orientation, production and competition. While strategic emphasis is towards competitive advantage and market superiority. So, when you see that, on the right hand side, there are certain things which are common. And on the left hand side, there are certain things which are common.

On the upper side, there are certain things which are common and on the lower side which, there are certain things which are common. So, here there are certain things which are common, here there are certain things which are common and which are different. Similarly, above this, there are certain things which are common and below this there are certain things which are common.

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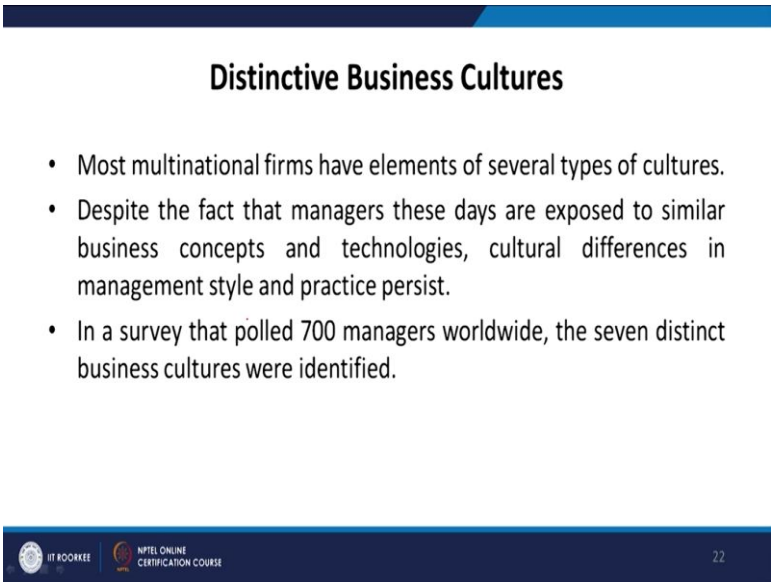

Now, most multinational firms have elements of several types of cultures. Despite the fact that managers these days are exposed to similar business concepts and technologies, cultural differences in management styles and practices, they persist. In a survey that polled 700 managers worldwide, the 7 distinct business cultures were identified. And these are the 7 distinct cultures that were identified. The first is go-getting.

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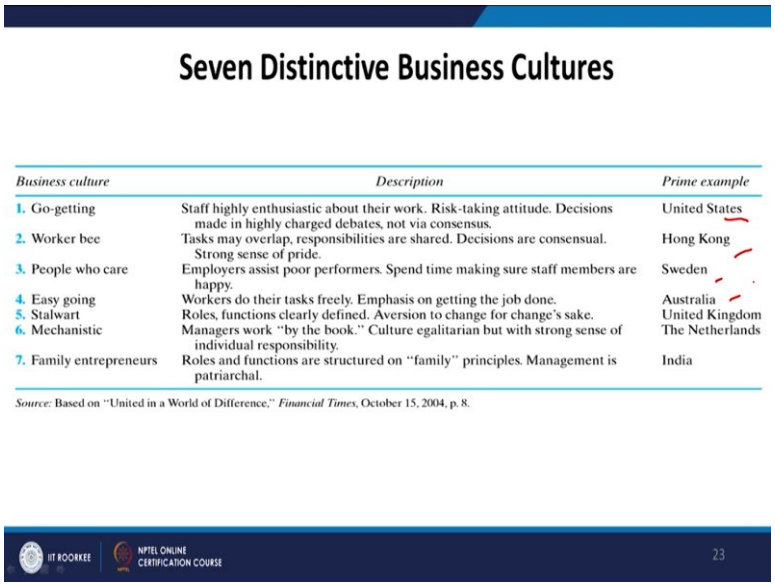

Seven Distinctive Business Cultures

Business culture	*Description*	*Prime example*
1. Go-getting	Staff highly enthusiastic about their work. Risk-taking attitude. Decisions made in highly charged debates, not via consensus.	United States
2. Worker bee	Tasks may overlap, responsibilities are shared. Decisions are consensual. Strong sense of pride.	Hong Kong
3. People who care	Employers assist poor performers. Spend time making sure staff members are happy.	Sweden
4. Easy going	Workers do their tasks freely. Emphasis on getting the job done.	Australia
5. Stalwart	Roles, functions clearly defined. Aversion to change for change's sake.	United Kingdom
6. Mechanistic	Managers work "by the book." Culture egalitarian but with strong sense of individual responsibility.	The Netherlands
7. Family entrepreneurs	Roles and functions are structured on "family" principles. Management is patriarchal.	India

Source: Based on "United in a World of Difference," *Financial Times*, October 15, 2004, p. 8.

It means, staff highly enthusiastic about their work; risk-taking attitude; decision making is highly charged debates and not via consensus. This exists in United States. The second type of business culture that was identified was worker bee. Here the tasks may overlap, responsibilities are shared, decisions are consensual and there is a strong sense of pride. This exists in Hong Kong.

The third type of business culture that was found was people who care. Employers assist poor performers, spend time making sure staff members are happy. This happens in Sweden. Easy going: workers do their tasks freely; emphasis on getting the job done. This happens in Australia. Stalwarts: roles, functions, clearly defined; aversion to change for change's sake. This happens in United Stated.

The sixth is Mechanistic. Managers work by the book; culture egalitarianism but with a strong sense of individual responsibility. This happens in The Netherlands. And family entrepreneurships: roles and functions are structured on family principle; management is patriarchal. That happens in India.

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Multinational firms, regardless of size must heed to such differences. But not all multi MNCs they succeed. For example, Kia Motors America exemplifies how a strong hierarchical company culture can create cultural discord. The American subsidiary of Hyundai which is a Korean car maker, experienced a major management shakeup in recent years. One important reason behind the exodus of talent was that many of the former U.S executives deeply disliked Hyundai's authoritarian management style with little tolerance for disagreement.

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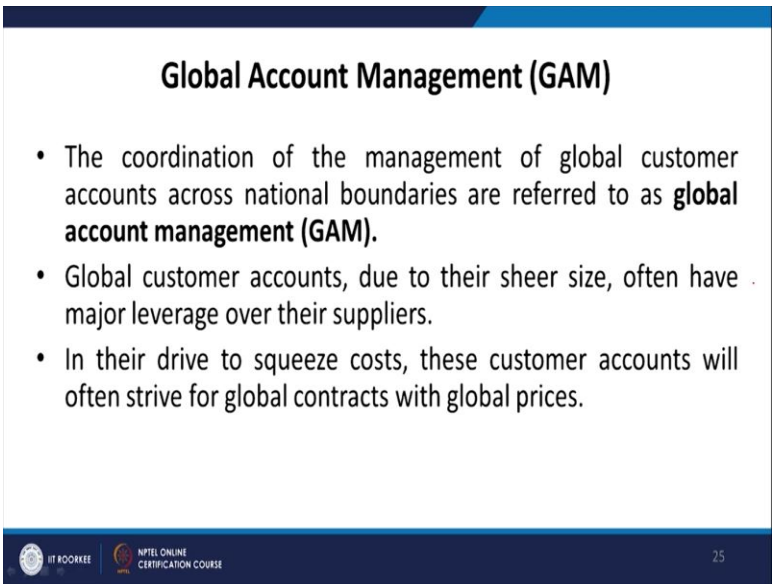

The third component of this module is global account management. Coordination of management of global customers' accounts across national borders are referred to global account management. The coordination of the management of global customer accounts, they across national borders are referred to global accounts management. Global customer accounts due to their sheer size often have major leverage over their suppliers.

In their drive to squeeze costs, these customers accounts will often strive for global contract with global prices. I will go back to the example that I gave in the start of this module. So, there is a company Suzuki that is operating in 50 different countries. And in each country it has 2500 vendors. So now you see that this Suzuki will be dealing with so many vendors. Instead of see dealing with so many vendors, what Suzuki try is to have those accounts, those customers, those suppliers who are big in size and they can supply Suzuki across the world.

And global retailers such as Carrefour, Walmart and Royal Ahold try to gain a cost advantage over their lower local competitors by negotiating the best terms with their suppliers.

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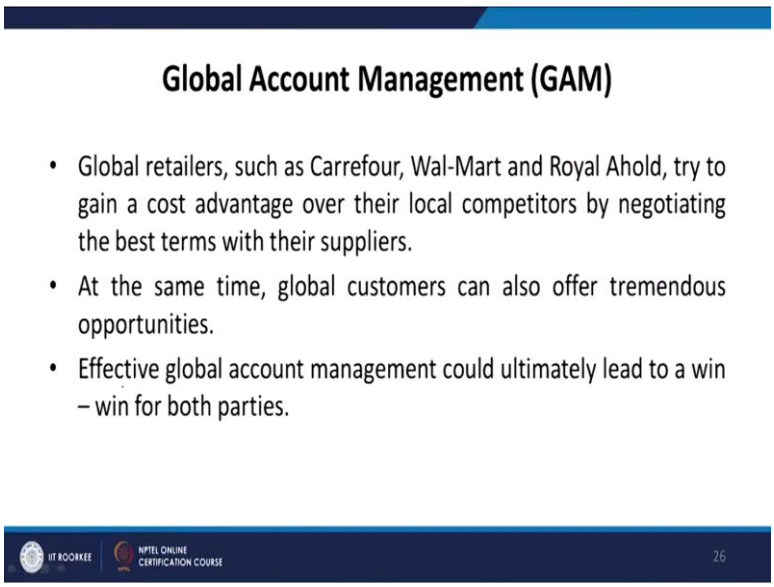

So, now their suppliers; 1 supplier is supplying to 250 countries where Suzuki is selling. And because Suzuki is a much bigger company, so it has the power to negotiate with these suppliers. And at the same time, global customers can also offer tremendous opportunities. Global account management should ultimately lead to a win-win situation for the both, for both. Now, Suzuki is benefited because the same supplier or the same people are supplying it across the world.

While these vendors, they do not have to sell to too many companies and they are selling to 1, just 1 company across the world. And therefore, this global account management would ultimately lead to a win-win situation for both the parties.

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And the requirements are: it may require a single point of contact; may demand coordination of resources for serving customers; may push for uniform pricing and terms of trade; may have standardized products and services; may require a high degree of consistency in service quality and performance; and it may require support in countries where the company has no presence.

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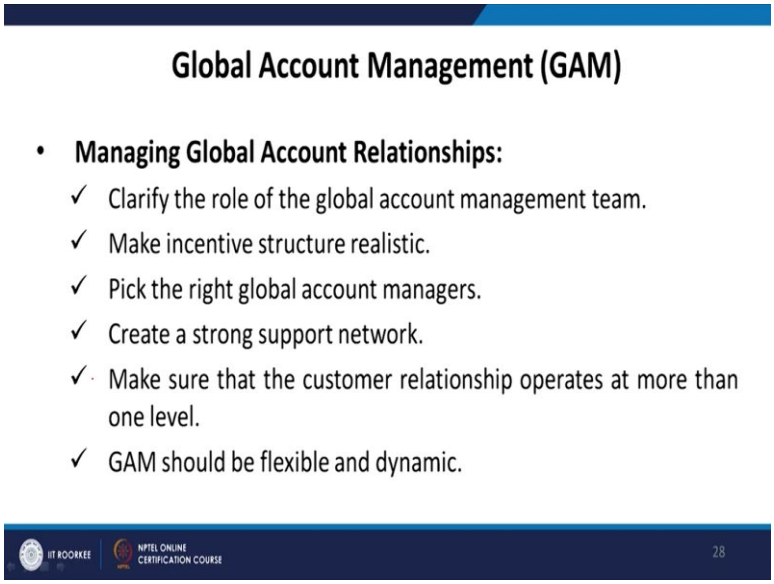

Now, for managing a global account relationships, it is important to clarify the role of a global account management team; make incentive structure realistic; pick the right global account managers; create a strong support network; make sure that the customer relationship operates at a more than 1 level; and should have a, should be flexible and dynamic.

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The last component of this module is global customer relationship management. So, the customer relationship management programs exist in different, in each country every and in every company. But now, how to go about managing the global customer relationships across the world? The process of managing interaction between the company and its customers is called as customer relationship management.

Now, it is important to have relationship with the customers because then you will be able to, because then the company will be able to identify the changing customer needs and requirements. And therefore, is more likely to fulfil their changing needs and requirements. That is why, every company wants to have customer, every company has a customer relationship management program.

And also, they want to retain the existing customers, because that is much more cheaper as compared to acquiring new customers all the time. So, the objective of CRM is to maximize the lifetime value of the customer for the company and satisfy the customer by being customer focused. So, therefore this customer relationship management, it helps in customer retention; helps in richer communication and interactive marketing.

It helps in tailored services and helps to maintain a closer contact with the customers. Now, multinational corporations, they apply CRM programs across national borders. In China, Volkswagen decided to implement a CRM project;

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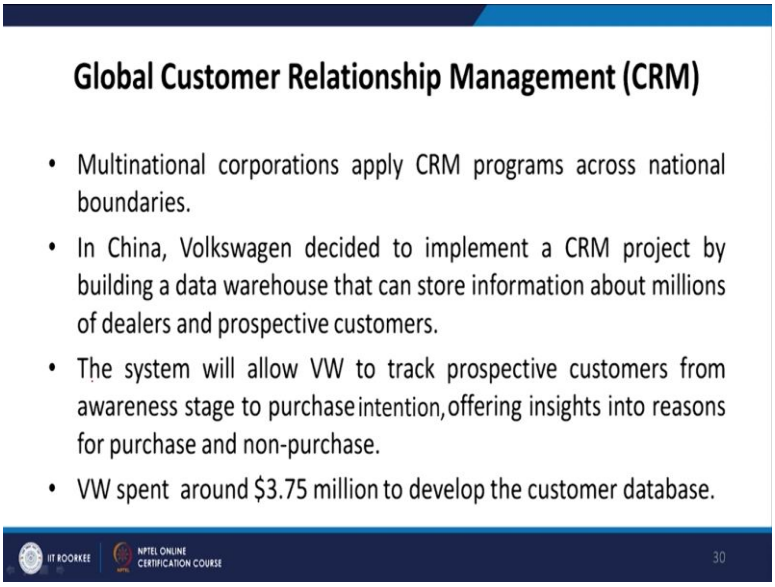

By building a data warehouse that can store information about millions of dealers and prospective customers. So, for a company, there are 2 types of customers. 1 is the dealers and another are consumers. This system will allow Volkswagens to track prospective customers from awareness stage to purchase intentions offering insights into reasons for purchase and non-purchase. So, Volkswagen spent around dollar 3.75 million to help to develop the customer database.

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There can be several benefits that can be derived from globalizing CRM programs. Country units can share ideas and expertise on CRM program. So, what they are, 1, what they are doing in 1 country can be shared with the country with the company subsidiaries across the world. Typically, customer relationship evolves through distinct phases, each one with its unique requirements.

The first phased phase of this program is customer acquisition. This phase involves prospects, evaluation, acquisition management and recovery of old customers. Old customers means, those who have switched the brand or they are inactive. So, the first phase of any program is customer acquisition.

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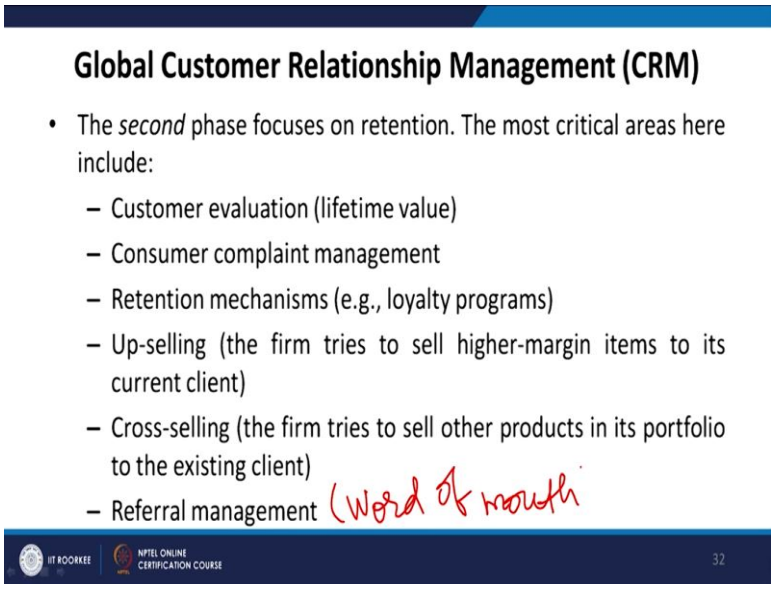

The second phase is retention. That is, the most crucial area here will include: customer evaluation, that is the what is the lifetime value of the customer. The higher the lifetime value of the customer, the more important the customer is for the company. Customer complaint management; retention mechanism, that is how we will retain the customers. For example, what kind of loyalty programs we will have.

Up-selling: the companies tries to sell higher-margin items to the current customers. And cross-selling: the firms tries to sell other products in its portfolio to the existing client. And then referral management that you refer this company to your friends. So, it can include word of mouth.

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And third and final phase is the termination of relationships. So, this is, so the first is, first stage of this program is acquisition, the second is retention and the third is termination. So, this is also important. That a company should terminate its relationship and how it terminates the relationship with the customers. This may happen because of customer related factors such as customer simply losing interest in the category or he may be switching to another supplier or it can be possible that the customer has achieved the lifetime value or company has achieved the achieve whatever it wanted to achieve from a certain customer.

So, the customer has reached his lifetime. So, he may not be any more profitable for the customers for the company. The benefits of any customer relationship programs is that it leads to a better understanding of customer expectations and behavior.

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It helps in able to measure the customers value to the company and it lowers customer acquisition and retention cost. And it also helps to interact and communicate with customers in countries where access to traditional channels is limited. But then, there are certain challenges also. And that include, building up of a customer database. That is, time consuming and expensive.

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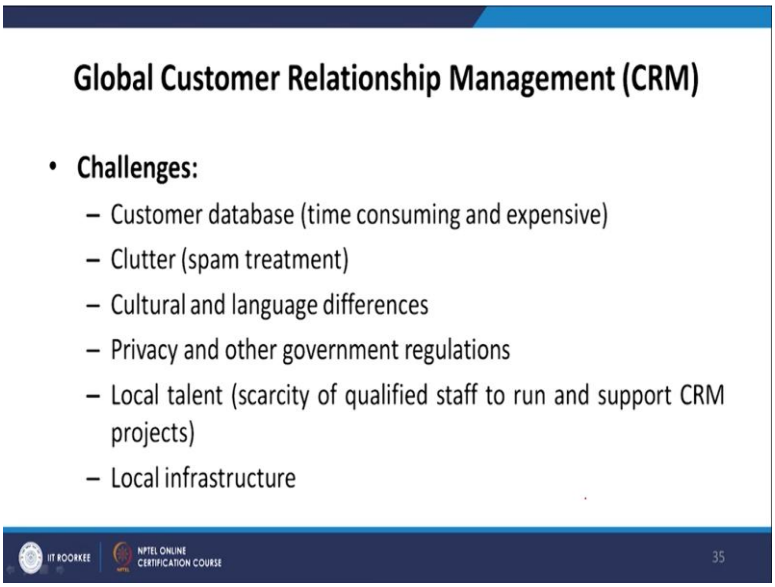

And then it, lots of clutter gets in. So, the customers start treating your messages as spam. Then there are cultural and language differences. Privacy and other government regulations take, they are different in different countries. Local talent, how much and what kind of local talent is available for building of this CRM. So, scarcity of qualified staff to run and support the CRM projects may not be there in a country and local infrastructure may not support the type of CRM program that you want to build up. Now, how to build a successful CRM implementation.

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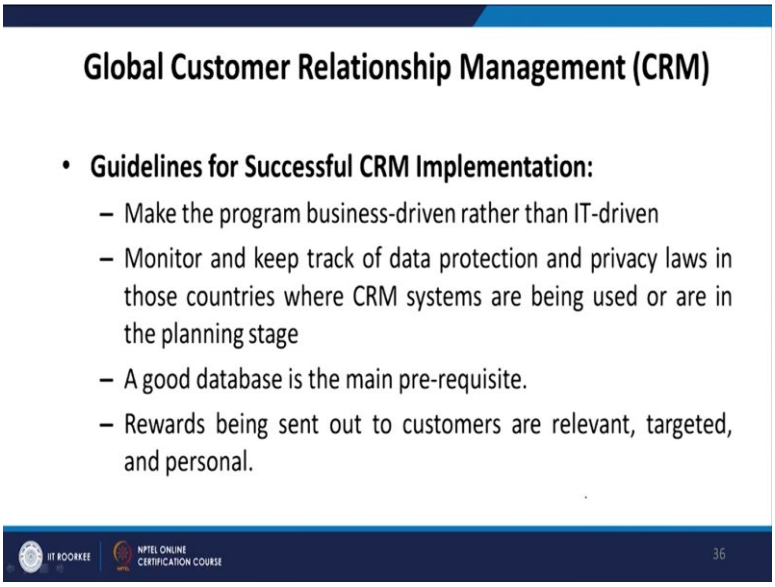

First is to make the program business-driven rather than IT-driven. So, a CRM program is business-driven. It is not only about information technology. Monitor and keep track of data protection and privacy laws in these countries where CRM systems are being used or are in planning stage. So, this is important that you keep on looking at what are the data protection and privacy laws in different countries that you are operating.

And a good database is the main prerequisite for having a successful CRM implementation. And rewards being sent out to customers are relevant, targeted and personal. And to, these are the references from where this lecture was prepared.

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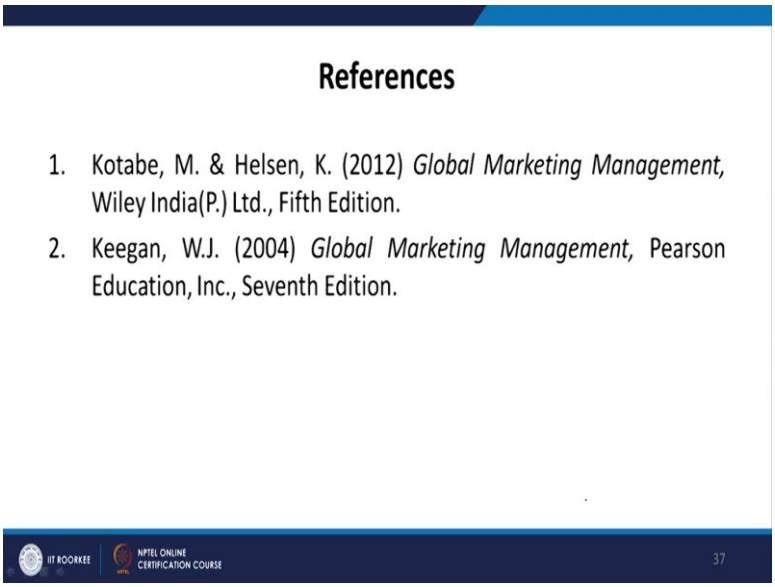

So, you can go through these, this textbooks if you want to understand more about this. Thank you.