

Cultural Differences and Marketing Strategy: Case Study on Indian Cultural Context

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Abstract

Managerial decision-making is largely affected by the cultural differentiation. Those companies which are growing and looking for newer markets and targeting new customers, must concentrate, to a great extent on appropriate marketing strategy formulation, particularly for a multicultural country like India. Differences with respect to languages, religion, culture, food habit, life style etc. must be given due consideration by firms because, it allows them to examine the market and in doing so, collect the information to determine what marketing approaches will be best at reaching out to the target customers. Offering new products and services to a diversified nation is always very tricky; and has to consider the values, beliefs and behavior the people are attached with. The market orientation of a particular product is a combination of external forces and internal forces. Developing the art of understanding tolerance and acceptances of cultural differences is essential if international or domestic marketing objectives are to be accomplished. Marketing across culture worldwide or region wise is a thriving business as the world moves closer to the global economy. In this context this paper would refer to two cases: the marketing strategy formulation of Kelloggs' and MC Donalds' during the entry phase in India as well as two domestic organizations namely; Marico Industries and Speciality Restaurant Pvt Ltd. Their failure and success will be analyzed on the basis of cultural differentiation. On the basis of VBN Model, this paper will try to suggest a new approach called 'VBNAA' to enlighten the cultural differentiation aspects in today's management practices. Therefore this paper tries to find out how the MNC's and domestic firms formulate marketing strategies, based on cultural differentiation.

Keywords: Cultural Differentiation, MNCs, Values, Beliefs, Marketing Strategy

Introduction

Marketing strategy provides a road map in creating and delivering true value to distinct groups of customers; be it international, national or regional. In order to continue to thrive, companies must acquire and retain customers. As a result, marketing and sales has become an area of increasing focus for companies of all sizes. The emergence of multinational firms is one of the major developments of the last few decades. These

firms are known to be large with adequate human resources and financial resources. Any multinational firm that is consumer oriented is said to be culture bound. This is to a great extent true because consumers of such products are members of certain cultural groups and inclinations irrespective of their stages in life. In case of domestic organization, diversified cultural identity has a deep impact on marketing strategy formulation. Rampant urbanization, growth of disposable income, availability of convenience goods coupled with growing health concern are the major drivers to select products and services.

Culture is an intrinsic way of life that has consciously evolved over time. The most common understanding of culture is that of large groups of people and how their life style and beliefs differ; this is where cultural differences come in. Culture again refers to the cumulative accumulation of knowledge, experiences, beliefs, values, attitudes, meanings, hierarchies, religion, notion of time, roles, spatial relations, concepts of universe and material objects or possession acquired by a group of people in the course of generation through individual and group striving. According to Wallace,¹ culture is the all-encompassing force which forms personality, which in turn is the key determinant of consumer behaviors. A culture is a way of life of a group of people, the behavior, beliefs, values and symbols that they accept generally without thinking about them and that are transmitted by communication and imitation from one generation to the next. The essential core of culture consists of traditional ideas and especially their attached values; culture systems may on the one hand be considered as product of action while on the other hand as conditioning influences upon further action.

Cultural differences are the variations in the ways of life, beliefs, traditions and laws between different countries, religions, societies and people. Many people see culture as an all encompassing overview of large groups of people. Some of the differences between cultures are enforced by internal rules (such as legal age of marriage) where as others just happen through many years of developments towards a certain way over another (e.g. eating with knives and forks).

It is also true that people even within the same culture carry several layers of mental programming within themselves. Different layers of culture exist at different levels:²

The national level: associated with the nation as a whole.

The regional level: associated with the ethnic, linguistic or religious differences that exist within a nation.

The gender level: associated with gender differences.

The generation level: associated with the differences between grandparents and parents, parents and children.

¹ URL: <http://www.unesco.org/culture/report> (accessed on 28.09.2013)

² URL: <http://www.unesco.org/culture/report> (accessed on 28.09.2013)

The social class level: associated with educational opportunities, differences in occupation, social status, etc.

The corporate level: associated with the particular culture of an organization.

Cultural Awareness

Before venturing on an assignment, it is probably necessary to identify the cultural differences that may exist between one's home country and the country of business operation. Where the differences exist, one must decide whether and to what extent the home-country practices may be adapted to the foreign environment. The differences are not very apparent or tangible, most of the times. Certain aspects of a culture may be learned consciously (e.g. methods of greeting people), some other differences are learned subconsciously (e.g. methods of problem solving). The building of cultural awareness may not be an easy task, but once accomplished, it definitely helps a job done efficiently in a business environment.

Clustering Cultures

Some countries may share many attributes that help mould their cultures (the modifiers may be language, religion, geographical location, etc.). Based on several data obtained from past cross-cultural studies, countries may be grouped by similarities in values and attitudes. Fewer differences may be expected when moving within a cluster than when moving from one cluster to another.

Determining the Extent of Global Involvement

All enterprises operating globally need not have the same degree of cultural awareness. The further a company moves out from the sole role of doing domestic business, the more it needs to understand cultural differences. Moving outward on more than one axis simultaneously makes the need for building cultural awareness even more essential.

While considering the basic elements of culture, values come first. These are things members of a certain culture aspire to or hold in high esteem. Values are things to be achieved, considered of great worth of value. Then we can come to beliefs. These are the things members of a certain culture hold to be true. They are the facts accepted by all or most members. Beliefs are not limited to religious statement but include all the things people know and accept as true including common sense and everyday knowledge. Ideologies are an integrated and connected system of beliefs. It is the set of beliefs and assumption connected by common things or focus. Belief is the psychological state in which an individual holds a conjecture or promise to be true.

Hofstede's cultural dimensions theory³ is a framework for cross-cultural communication, developed by Geert Hofstede. It describes the effects of a society's

³ URL: http://www.ijbhtnet.com/journals/Vol_3_No_2_February_2013/1.pdf (accessed on 28.09.2013)

culture on the values of its members, and how these values relate to behavior, using a structure derived from factor analysis. Hofstede's cultural dimensions theory is a framework for cross-cultural communication. Hofstede developed his original model as a result of using factor analysis to examine the results of a world-wide survey of employee values by IBM in the 1960s and 1970s. The theory was one of the first that could be quantified, and could be used to explain observed differences between cultures.

The original theory proposed four dimensions along which cultural values could be analyzed: individualism-collectivism; uncertainty avoidance; power distance (strength of social hierarchy) and masculinity-femininity (task orientation versus person-orientation)

Hofstede's Cultural Dimension

Individualistic/Collectivistic	How personal needs and goal are prioritized vs. the goals of the group/organization
Masculine/Feminine	Masculine societies have different rules for man and so too in feminine cultures
Uncertainty Avoidance	How comfortable are people with changing the way they live or prefer the known systems
Power Distance	The degree of equality, or inequality, between people is the country's society
Time Perspective	Long term perspective, planning for future
Indulgence/Restraint	Allowing gratification of basic drives related to enjoying vs. regulating it through strict social norms

Fig.1 Hofstede's Cultural Dimension⁴

To formulate a marketing strategy, one needs to take care of the environmental scanning. For a domestic company, environment means the regional or the country's environment. But, for an MNC, environment means something more, where they consider the global customer, global competitors and the political environment. All these factors are jointly called as external forces. And when they consider a particular country, the people their sentiment, their culture, their values, their beliefs etc. are to be considered, and are called as internal forces.

Environmental scanning can be defined as 'the study and interpretation of the political, economic, social and technological events and trends which influence a business, an industry or even a total market'⁵. The factors which need to be considered for environmental scanning are events, trends, issues and expectations of the different interest groups. Issues are often forerunners of trend breaks. A trend break could be a value shift in society, a technological innovation that might be permanent or a paradigm change. Issues are less deep-seated and can be a temporary short-lived reaction to a social phenomenon. Environmental analysis is a process through which managers

⁴ URL: <http://geert-hofstede.com/dimensions> (accessed on 28.09.2013)

⁵ URL: <http://www.analytictech.com> (accessed on 28.09.2013)

comprehend the environment around them by monitoring, collecting and assessing the information around them.

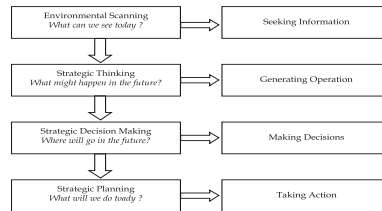


Fig.2 Environmental Scanning Process⁶

Lack of cultural considerations can result in a mediocre response to product promotions, and have an impact on the company's international image. Nestlé suffered significant international criticism when a breast milk substitute marketed in Africa was deemed to be the cause of malnutrition in babies. While there was nothing wrong with their product, Nestlé was at fault because the company didn't consider the possibility that reduced literacy levels in Africa would result in their breast milk substitute being misused.

In a diversified country like India, internal forces like culture exert the broadest and deepest influence on consumer behavior. Culture influences consumers through the norms and values established by the society in which they live. Nokia, one of the leading MNCs in the telecom industry introduced a new product called ASHA, which reflects hope. In India, most of the family belongs to the middle class. They always dream to have a better life; they live their life with hope. We must note that Nokia introduced product with the name of ASHA. Culture also influences what people wear, what and how they eat, where they live etc. It has a broad influence on their buying and usage behavior of products and services, and the extent of their satisfaction.

In order to understand the impact of cultural differences on product acceptability by customers, we will discuss two multinational companies -Kellogg's and McDonalds vis-à-vis, two Indian companies - Marico Industries Ltd. and Speciality Restaurant Pvt. Ltd. Our aim here is to analyse the success and failure of these companies in their early stages of entry into Indian market, with respect to the amount of importance that each of these companies have given to vast and diversified Indian cultures.

Specialty Restaurant

It is one of the leading restaurant chains in India. In 1982, Anjan Chatterjee, a Bengali entrepreneur started the business in the name of Situation Advertising and Marketing Pvt. Ltd. In 1992, he launched his first restaurant in Mumbai 'Only Fish', later it was renamed as Oh! Calcutta. After that he opened another restaurant under the name of Specialty Restaurant Pvt. Ltd. Since then he has launched several successful restaurant

⁶ URL: <http://www.thinkfutures.net/resources/futures> (accessed on 28.09.2013)

brands like Sigree, Machhan, and Sweet Bengal etc. They are now operating not only in India but other Asian countries like Bangladesh, Nepal, and Bhutan. The tag line of this group is “Guest is God” or “Atithi Devo Bhavo”.

Marico Industries Limited

Marico is one of the leading consumer product and service company in India. Marico has brought innovation to its customer through the careful creation of continuous and sustainable changes. Now it is operating throughout the globe. Saffola is one of the major brands of Marico. They have formulated their strategy for this brand taking into consideration the tradition and cultural aspect of Indian mass. Recently they have introduced masala oats for the domestic breakfast table.

Kellogg’s

Kellogg’s was founded as the Battle Creek Toasted Corn Flake Company on February 19, 1906, by Will Keith Kellogg & his brother John Harvey Kellogg in Battle Creek, Michigan, United States. The company produced and marketed the hugely successful Kellogg’s Toasted Corn Flakes and was renamed the Kellogg Company in 1922. Kellogg’s was in fact known as the company that introduced the concept of corn flakes as a breakfast cereal throughout the world. It even introduced its products in the market where corn flakes has never been very popular as breakfast cereal and converted them into corn flake eating nations over a long period of time. In the late 80’s, Kellogg’s was riding on the success and was commanding a staggering 40 per cent of the US ready-to-eat market from its cereal products alone and with a yearly sales of \$ 6 billion with 20 plants in 18 countries.⁷ The success story of Kellogg’s was not for long as by the early 90’s brand Kellogg’s began to struggle as competition was getting tougher as its nearest rivals General Mills began to spread with its Cheerios brand. The other factor which was spoiling the game for Kellogg’s was that in its core markets such as the United States and the UK, the cereal industry had been stagnant for over a decade, with no room for further growth.

With the aim to replicate its success story in India, Kellogg’s entered Indian Market in 1994; three years after the barriers to international trade had opened in India. Kellogg’s decided to invest US \$65 million and launched its number one brand, Corn Flakes. The entry of Kellogg’s was seen as a major milestone by Indian economic experts. However, the Indian sub-continent found the whole concept of eating breakfast cereal a new one as consumers in India preferred to start the day with a daily bread called chapatti or its equivalent. For Kellogg’s it meant that the company needed to promote not only its product, but also the very idea of eating breakfast cereal instead of the regular diet.

⁷ URL: <http://www.internations.org> (accessed on 28.09.2013)

McDonald

In 1996, McDonald's opened in India, a country where the majority of the population was Hindu and vegetarian, and the cow is considered sacred. Many saw it as just another example of the relentless spread of Western corporations into every nation, creating a global system in which wealth was drained out of local economies into the hands of a very few, the very rich elite. McDonald's in India was a 50-50 joint venture partnership between McDonald's Corporation (U.S.A.) and two Indian businessmen. Amit Jatia's company, Hard Castle Restaurants Pvt. Ltd., owned and operated McDonald's restaurants in Western India, while Connaught Plaza Restaurants Pvt. Ltd., headed by Vikram Bakshi, owned and operated the North Indian operations. These companies signed their joint-venture agreements with McDonald's in April 1995 and along with their Indian management team trained in McDonald's restaurants in Indonesia and the U.S.A. before opening the first McDonald's restaurant in India. The entry of McDonald's in India was perfectly timed. The market had begun to open up. The economy of the country was growing stronger. The new rich customers were eager to acquire newer products and use newer forms of services. Foreign brands were valued and perceived to be superior in quality. It introduced the Indian customers to service standards which were available in the western world before. These service standards were visible and noteworthy and hence triggered quick acceptance with the customers.

Specialty Restaurant

India is a diversified country and full of several regional and local cultural strands. The cuisine of Bengal is different from that of Punjab as well as other regions of the country. On this basis they have formulated the marketing strategy according to the cultural aspect of the targeted Indian masses. Like Oh Calcutta! reflects the Bengali culture where as Sigree, the name itself indicate the Punjabi culture.

Indian values give more importance on collectivism rather than individualism. Indian people always enjoy their meal with their family members or collectively. These kinds of restaurants provide the facilities to enjoy all the joyful moment with their family, friends and associates. Indians believe that honouring the guest means they are serving to none other than God. On that societal belief this chain framed their philosophy that guest is God. Athithi Devo Bhavo.

Indian society celebrates a variety of occasion throughout the year. Having delicious food is the most important part to celebrate all such rituals. Machhan, one of the most important brands under this chain of restaurants has its interiors decorated highlighting "love for nature". It gives a feel of peace away from the hustle and bustle of the city.

Marico Industries (Saffola)

Saffola is a domestic brand of Marico industries Pvt Ltd. They are offering masala oats for the Indian consumers depending upon the cultural base with a highly diversified

society. Mostly Indians prefer masala food either for breakfast, lunch or dinner. Saffola is offering healthy and digestive foods mixing variety of masala and flavor keeping the Indian style of food habit in mind.

It is said that due to the food habit of Indian people, the risk factor of CVD (cardio vascular disease) starts early in India. So Indians are very keen to prevent all such risk factor from their life style. For the last ten years Saffola has been educating Indians on preventing heart diseases and build an eco system which works actively towards adopting a healthier life style. Upon these concepts, Saffola oats is a new addition in their product list which is 100% natural and wholegrain oats is a great source of soluble fiber which helps to reduce cholesterol and keeps the heart strong.

According to Indian way of life breakfast, lunch and dinner are equally important. So the feeling of fullness should be included in the breakfast. Saffola oats also gives the feeling of fullness for a longer time period. As per our Indian breakfast menu, oily, spicy and hot snacks are very famous throughout all the regions but this can be detrimental to the health. Having Saffola oats helps to reduce hunger pangs and unhealthy snacking. They are serving masala oats that needs to be cooked for few minutes. This gives the satisfaction of homemade spicy masaladar hot breakfast to start the day without harming the health condition.

Global Customer

Everyone in marketing knows the importance of understanding the customers. One should already have a clear idea of who will be the overall target customer group of a business. If not, then it needs to confirm this with the global business leadership team to make sure that they are working with a list that also ties in with the overall business and sales goals. India has a population of 1.21 billion growing at 1.41% per annum; it is a young country with almost 65 % population below the age of 30 years. By 2020, the average age of an Indian is going to be 28 years when compared to 48 years in Japan.⁸

Competitors

The job of the strategist is to understand and cope with competition. Competition for profits goes beyond established industry rivals to include four other competitive factors as well: customers, suppliers, potential entrants, and substitute products. The extended rivalry that results from all five factors defines an industry's structure and shapes the nature of competitive interaction within an industry. Therefore, it is important for the company marketing managers to monitor their competitors on an ongoing basis. One way to monitor competitors is by using a SWOT (strengths, weaknesses, opportunities, threats) analysis. For example, companies can study the strengths and weaknesses of their competitors and compare them with their own strengths and weaknesses. Company marketers can then use key strengths such as superior customer service or quality to ward off competitive strategies.

⁸ URL: <http://www.deskmag.com> (accessed on 28.09.2013)

Market Environment

Marketing is the process of communicating the value of a product or service to customers, for the purpose of selling the product or service. It is a critical business function for attracting customers. From a societal point of view, marketing is the link between a society's material requirements and its economic patterns of response. Market segmentation allows for a better allocation of a firm's finite resources. A firm only possesses a certain amount of resources. Accordingly, it must make choices (and incur the related costs) in servicing specific groups of consumers. With growing diversity in the tastes of modern consumers, firms are taking note of the benefit of servicing new markets.

Based on this study we have designed a basic model named 'VBNAA' which highlights the factors that must be considered by an organization while formulating their marketing strategy, especially when they are planning to operate in a country having a widely varied cultural background.

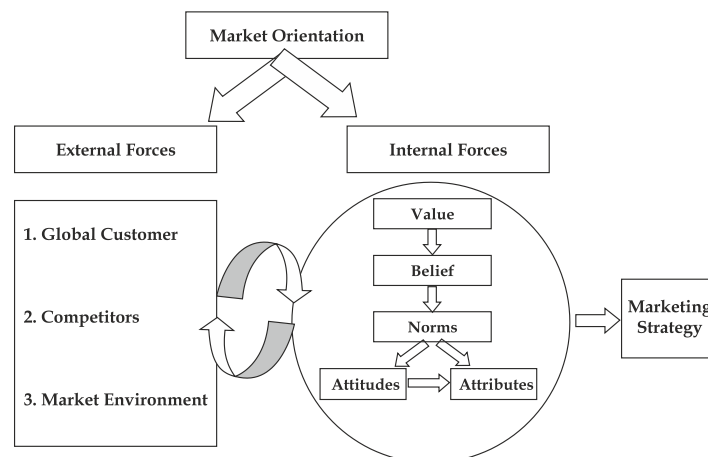


Fig3. Proposed VBNAA Model⁹

Conclusion

To get an entry into the new market that deals with people from many different backgrounds and cultures, it has become essential for companies to understand the role of culture on consumer buying behavior. A customer's want has to be identified and his/her expectations must be matched with the other economic and social factors so that their product is receptive. This also means that customers often are open to new and different products from time to time. They want the product to be flexible and adaptable to their needs and preferences. And their needs and preferences are highly influenced by their culture, their family beliefs, the societal norms and values. Identifying those is the first step towards achieving success in the market – whether local or global.

⁹ URL: <http://www.emeraldinsight.com> (accessed on 29.09.2013)