Part 2

External environment

3 Cultural dynamics in assessing global markets
4 Culture, management style and business systems
5 Financing the international operation
6 The political and legal environment: a critical concern

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Chapter 3

Cultural dynamics in assessing global markets

CHAPTER OUTLINE

Global perspective: Is there a cultural divide in Australian international trade?
Historical perspective in global business
  History and contemporary behaviour
Geography and global markets
  Climate and topography
  Geography, nature and economic growth
Resources
Dynamics of global population trends
  Controlling population growth
  Rural/urban migration
  Population decline and ageing
  Worker shortage and immigration
Communication links
Culture's pervasive impact
Definitions and origins of culture
  Geography
  History
  The political economy
  Technology
  Social institutions
Elements of culture
  Cultural values
  Rituals
  Symbols
  Beliefs
  Thought processes
Cultural knowledge
  Factual versus interpretive knowledge
  Cultural sensitivity and tolerance

Cultural change
  Cultural borrowing
  Similarities: an illusion
  Resistance to change
  Planned and unplanned cultural change
  Consequences of innovation

CHAPTER LEARNING OBJECTIVES

What you should learn from Chapter 3:
  The importance of history and geography in understanding international markets
  The effects of geographic diversity on economic profiles of a country
  Economic effects of controlling population growth and ageing population
  Communications are an integral part of international commerce
  The importance of culture to an international marketer
  The origins and elements of culture
  The impact of cultural borrowing
  The strategy of planned change and its consequences

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GLOBAL PERSPECTIVE

Is there a cultural divide in Australian international trade?

In his influential and widely cited book *The Clash of Civilisations and the Remaking of World Order*, Samuel Huntington (1996, p. 153) states that: ‘At the beginning of the twenty-second century, historians might look back on the Keating-Evans choice as a major marker in the decline of the West’. He was referring to the policy pursued by the Australian Government of the time to reduce priority accorded to traditional political and trade alliances with Europe and North America and to emphasise Australia’s relationship with east Asian countries. According to Huntington, the policy was ‘grounded on the assumption that economics overrides culture in shaping the destiny of nations’ (p. 151).

What is important is how culture is thought to impact on trade relationships. Research is substantially of the view that cultural differences have a negative effect on the confidence with which firms enter an international market. Textbooks and academic research commonly make the point that business negotiations are made considerably more difficult when the parties are from substantially different cultures and many examples of cultural marketing mistakes made by practitioners have been documented, including mistakes by large multinational firms in international markets.

As a result of difficulties in understanding different business systems, it is generally thought that firms first seek to expand into culturally similar markets and then later to diversify into more culturally distant markets. More cultural differences lower trust which lowers trade values between firms and therefore countries.

If there is much literature arguing that cultural distance impedes country market selection, then the next issue is whether there are significant cultural differences between Australia and east Asian countries. In fact, differences in culture between Australian and east Asian societies are well recognised. The most common framework for measuring cultural distances between countries is that provided by Hofstede, who was able to demonstrate that significant differences exist at a national level between the values of different societies. In the case of Australia, the investigations point to major differences between Australia and east Asian countries and similarities between Australia and the other Anglo countries.

In this light, pro-east Asian trade policies and associated programs instituted in Australia in the 1990s should be seen as contrary to the best interests of firms and as likely to be ineffective or indeed counterproductive. Therefore, national export figures should show a continuing preference for traditional trading partners in western Europe and North America.

However, the review of the trade indicates that for the years from 1950 to 51 and from 2000 to 01, all the east Asian countries which figure amongst the top 25 Australian export markets currently, have improved their order ranking over the period, while all the non-east Asian countries have dropped in export market ranking over that period except the United States, New Zealand and two Middle East countries, Saudi Arabia and the United Arab Emirates. All other non-east Asian markets in the ‘Top 25’ have become less important markets for Australia.
Such an outcome would be predicted by recent research which emphasises the importance of regional geography for multinational firms. Ohmae (1990) and Rugman and Cruz (2000) argue that the world is developing into three major economic regions, Japan (or north-east Asia), the USA (or North America) and the European Union, referred to as the ‘triad’. Multinational firms conduct the majority of their trade and investment with other countries within their own triad unit. Rugman and Verbeke (2001) assert that regional or intra-triad business activities are far more prevalent than global business activities.

Australia is an open economy located close to east Asian economies, with many of the commodities, manufactures and services that are required within the region. Cultural differences are unlikely to stand in the way of such commercial complementarities. Additionally, the countries of western Europe have maintained import barriers for many products since the formation of the European Union, especially in respect of agricultural products, one of Australia’s major export sectors. Whilst there might well remain a cultural propensity to conduct business with the people of western Europe, particularly those countries with which Australia has significant traditional or immigration ties, such business dealings will always be hostage to economic realities. In addition to tariffs, markets in North America and west Europe are relatively geographically distant and therefore expensive to reach for many Australian exporters in terms of freight costs.

Finally, Australian industry development has been very successful in products which east Asian economies require, especially raw and semi-processed materials for manufacturing industries and energy generation. The growth in demand for such commodities throughout east Asia, but especially in Japan and China, is well documented. China needs Australian raw materials for its industrial and infrastructure expansion. So three-quarters of Australia’s exports are commodities like iron ore, alumina, wool, wheat and sugar. This situation is expected to continue in the case of China and to become more important in the case of Japan as it finally emerges from its lengthy period of post-bubble stagnation. But of course all these points are economic in nature. None of them relates to diplomatic, governmental or cultural relationships between Australia and east Asia. In the words of Huntington, economics does, indeed, seem to have trumped culture in shaping Australia’s trade destiny. In addition, there are no signs that such an economically rational outcome has had a detrimental effect on the welfare of Australian society.

Source: Excerpted from: Paul Brewer and Garry Sherriff (2007), ‘Is There a Cultural Divide in Australian International Trade?’, Australian Journal of Management, 32:1, pp. 113–14. To review the complete article and for all the references and credits given by authors in preparing for and conducting the study, please refer to the original document.

Culture deals with a group’s design for living. It is pertinent to the study of marketing, especially international marketing. If you consider the scope of the marketing concept—the satisfaction of consumer needs and wants at a profit—the successful marketer clearly must be a student of culture. For example, when a promotional message is written, symbols recognisable and meaningful to the market (the culture) must be used. When designing a product, the style, uses and other related marketing
activities must be made culturally acceptable (that is, acceptable to the present society) if they are to be operative and meaningful. In fact, culture is pervasive in all marketing activities—in pricing, promotion, channels of distribution, product, packaging and styling—and the marketer’s efforts actually become a part of the fabric of culture. The marketer’s efforts are judged in a cultural context for acceptance, resistance or rejection. How such efforts interact with a culture determines the degree of success or failure of the marketing effort.

The manner in which people consume, the priority of the needs and wants they attempt to satisfy and the manner in which they satisfy them are functions of their culture that temper, mould and dictate their style of living. Culture is the human-made part of the human environment—the sum total of knowledge, beliefs, art, morals, laws, customs and any other capabilities and habits acquired by humans as members of society.¹

Markets constantly change; they are not static but evolve, expand and contract in response to marketing effort, economic conditions and other cultural influences. Markets and market behaviour are part of a country’s culture. One cannot truly understand how markets evolve or how they react to a marketer’s effort without appreciating that markets are a result of culture. Markets are the result of the three-way interaction of a marketer’s efforts, economic conditions and all other elements of the culture. Marketers are constantly adjusting their efforts to cultural demands of the market, but they are also acting as agents of change whenever the product or idea being marketed is innovative. Whatever the degree of acceptance in whatever level of culture, the use of something new is the beginning of cultural change, and the marketer becomes a change agent.

This is the first of two chapters that focus on culture and international marketing. A discussion of the influences of history and geography on the development of culture precedes a broad review of the concept of culture as the foundation for international marketing in this chapter. The next chapter, ‘Culture, management style and business systems’, discusses culture and how it influences business practices and the behaviours and thinking of managers. Chapters 5 and 6 examine elements of culture essential to the study of international marketing: the economic and financial environment, the political environment and the legal environment.

This chapter’s purpose is to heighten the reader’s sensitivity to the dynamics of culture. It is designed to emphasise the importance of cultural differences to marketers and the need for study of each country’s culture(s) and all its origins and elements, and to point out some relevant aspects on which to focus.

Culture is defined as a society’s accepted basis for responding to external and internal events. To understand fully a society’s actions and its points of view you must have an appreciation for the influence of historical events and the geographical uniqueness to which a culture has had to adapt. To interpret a culture’s behaviour and attitudes, a marketer must have some idea of a country’s history and geography.

**Historical perspective in global business**

History helps define a nation’s ‘mission’, how it perceives its neighbours, how it sees its place in the world and how it sees itself. Insights into the history of a country are important for understanding attitudes about the role of government and business, the
relations between managers and the managed, the sources of management authority and attitudes toward international corporations.

To understand, explain and appreciate a people’s image of itself and the attitudes and unconscious fears that are reflected in its view of foreign cultures, it is necessary to study the culture as it is now as well as to understand the culture as it was—that is, a country’s history.

**History and contemporary behaviour**

Unless you have a historical sense of the many changes that have buffeted Japan—seven centuries under the shogun feudal system, the isolation before the coming of Commodore Perry in 1853, the threat of domination by colonial powers, the rise of new social classes, Western influences, the humiliation of the Second World War and involvement in the international community—you will have difficulty fully understanding its contemporary behaviour. Why do the Japanese have such strong loyalty toward their companies? Why is the loyalty found among participants in the Japanese distribution systems so difficult for an outsider to develop? Why are decisions made by consensus? Answers to such questions can be explained in part by Japanese history.

Loyalty to family, to country, to company and to social groups and the strong drive to cooperate and to work together for a common cause permeate many facets...
of Japanese behaviour and have historical roots that date back thousands of years. Historically, loyalty and service, a sense of responsibility and respect for discipline, training and artistry were stressed to maintain stability and order. Confucian philosophy, taught throughout Japan’s history, emphasises the basic virtue of loyalty ‘of friend to friend, of wife to husband, of child to parent, of brother to brother, but, above all, of subject to lord’, that is, to country. A fundamental premise of Japanese ideology reflects the importance of cooperation for the collective good. Japanese achieve consensus by agreeing that all will unite against outside pressures that threaten the collective good. A historical perspective gives the foreigner in Japan a basis on which to begin developing cultural sensitivity and a better understanding of contemporary Japanese behaviour.5

Geography and global markets

Geography, the study of Earth’s surface, climate, continents, countries, peoples, industries and resources, is an element of the uncontrollable environment that confronts every marketer but which receives scant attention.6 The tendency is to study the aspects of geography as isolated entities rather than as important causal agents of the marketing environment. Geography is much more than memorising countries, capitals and rivers.7 It also includes an understanding of how a society’s culture and economy are affected as a nation struggles to supply its people’s needs within the limits imposed by its physical makeup. Thus, the study of geography is important in the evaluation of markets and their environment.

WHAT DO THE MEXICAN–AMERICAN WAR, IRELAND AND ‘GRINGO’ HAVE IN COMMON?

Revered in Mexico, honoured in Ireland, and all but forgotten in the United States are the San Patricios (St. Patrick’s Battalion). During the Mexican–American War the San Patricios were approximately 250 men, mostly Irish, who made up a battalion of defectors from the US Army and fought for Mexico. During the two-year conflict, the immigrant deserters forged a strong alliance with the Mexicans. For their pains, the Americans executed most, but they became a symbol of independence and defence against imperialism.

The San Patricios fought well, but when they ended up back in American hands, 50 of them died by hanging and many others were branded on the right cheek with a two-inch letter D for deserter. When the war ended, Mexico was forced to cede half its territory to the United States.

The Mexican–American conflict that lasted from 1846 to 1848 may be dismissed as irrelevant ‘history’ north of the border, but not south of it. Every year the San Patricios are remembered with a ceremony in Mexico City and County Galway, Ireland, home of the brigade’s commanding officer.

Now we know what Ireland and the Mexican–American War have in common, but what about the word ‘gringo’? According to some sources, at day’s end the San Patricios would sit around their campfires singing a song called ‘Green grow the lilacs’. The story goes that the Mexican soldiers began to refer to their comrades as ‘los gringos’. To be fair, we should share the other explanation for the derivation of gringo: some historians say the word was used in Spain prior to the discovery of America and was an alteration of griego (‘Greek’) to indicate foreign gibberish or ‘it’s Greek to me’.

This section discusses the important geographic characteristics the marketer needs to consider when assessing the environmental aspects of marketing. Examining the world as a whole provides the reader with a broad view of world markets and an awareness of the effects of geographic diversity on the economic profiles of various nations. Climate and topography are examined as facets of the broader and more important elements of geography. A brief look at Earth’s resources and population—the building blocks of world markets—completes the presentation on geography and global markets.

**Climate and topography**

Altitude, humidity and temperature extremes are climatic features that affect the uses and functions of products and equipment. Products that perform well in temperate zones may deteriorate rapidly or require special cooling or lubrication to function adequately in tropical zones. Manufacturers have found that construction equipment used in milder climates requires extensive modifications to cope with the intense heat when the Chon-Ji Lake, where the first Korean is said to have descended from heaven, was located in China. And finally, an embarrassed Microsoft apologised to the people of Thailand for referring to Bangkok as a commercial sex centre, assuring the women’s activists group that protested that the revised version would ‘include all the great content that best reflects its rich culture and history’.

Microsoft also bows to political pressure. The government of Turkey stopped distribution of an Encarta edition with the name Kurdistan used to denote a region of south-eastern Turkey on a map. Hence Microsoft removed the name Kurdistan from the map. Governments frequently lobby the company to show their preferred boundaries on maps. When the border between Chile and Argentina in the southern Andes was in dispute, both countries lobbied for their preferred boundary, and the solution both countries agreed to was—no line.

While Microsoft is on the mark by adapting these events to their local historical context, it has, on occasion, missed the boat on geography. South Korean ire was raised when the South Korean island of Ullung-do was placed within Japan’s borders and when the Chon-Ji Lake, where the first Korean is said to have descended from heaven, was located in China. And finally, an embarrassed Microsoft apologised to the people of Thailand for referring to Bangkok as a commercial sex centre, assuring the women’s activists group that protested that the revised version would ‘include all the great content that best reflects its rich culture and history’.

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FOG, FOG EVERYWHERE AND WATER TO DRINK

When you live in Chungungo, Chile, one of the country’s most arid regions with no nearby source of water, you drink fog. Of course! Thanks to a legend and resourceful Canadian and Chilean scientists, Chungungo now has its own supply of drinkable water after a 20-year drought. Before this new source of water, Chungungo depended on water trucks that came twice a week.

Chungungo has always been an arid area, and legend has it that the region’s original inhabitants used to worship trees. They considered them sacred because a permanent flow of water sprang from the treetops, producing a constant interior rain. The legend was right—the trees produced rain! Thick fog forms along the coast. As it moves inland and is forced to rise against the hills, it changes into tiny raindrops, which are in turn retained by the tree leaves, producing the constant source of rain. Scientists set out to take advantage of this natural phenomenon.

The nearby ancient eucalyptus forest of El Tofo hill provided the clue that scientists needed to create an ingenious water-supply system. To duplicate the water-bearing effect of the trees, they installed 86 ‘fog catchers’ on the top of the hill—huge nets supported by 12-foot eucalyptus pillars, with water containers at their base. About 1900 gallons of water are collected each day and then piped into town. This small-scale system is cheap (about one-fifth the cost of having water trucked in), clean and provides the local people with a steady supply of drinking water.


and dust of the Sahara Desert. A Taiwanese company sent a shipment of drinking glasses via ship to a buyer in the Middle East. The glasses were packed in wooden crates with hay used as dunnage to prevent breakage. The glasses arrived in shards. Why? When the crates moved to the warmer, less humid climate of the Middle East, the moisture content of the hay dropped significantly and shrivelled to a point that it offered no protection.9

Within even a single national market, climate can be sufficiently diverse to require major adjustments. In Ghana, a product adaptable to the entire market must operate effectively in extreme desert heat and low humidity and in tropical rain forests with consistently high humidity. Bosch-Siemens washing machines designed for European countries require spin cycles to range from a minimum spin cycle of 500 revolutions per minute (rpm) to a maximum of 1600 rpm: Because the sun does not shine regularly in Germany or in Scandinavia, washing machines must have a 1600 rpm spin cycle because users do not have the luxury of hanging clothes out to dry. In Italy and Spain, however, clothes can be damp since the abundant sunshine is sufficient to justify a spin cycle speed of 500 rpm.

Different seasons between the northern and southern hemispheres also affect global strategies. The department store JC Penney had planned to open five stores in Chile as part of its expansion into countries below the equator. It wanted to capitalise on its vast bulk buying might for its North American, Mexican and Brazilian stores to provide low prices for its expansion into South America. After opening its first store in Chile, the company realised that the plan was not going to work—when it was buying winter merchandise in North America, it needed summer merchandise in South America. The company quickly sold its one store in Chile; its expansion into South America was limited to Brazil.10
Mountains, oceans, seas, jungles and other geographical features can pose serious impediments to economic growth and trade. Geographic hurdles have a direct effect on a country’s economy, markets and the related activities of communication and distribution. As countries seek economic opportunities and the challenges of the global marketplace, they invest in infrastructure to overcome such barriers. Once seen as natural protection from potentially hostile neighbours, physical barriers that exist within Europe are now seen as impediments to efficient trade in an integrated economic union. For 200 years the British resisted a tunnel under the English Channel—they did not trust the French or any other European country and saw the Channel as protection. But when they became members of the European Union, economic reality meant the Channel tunnel had to be built to facilitate trade with other EU members.

**Geography, nature and economic growth**

Always on the slim margin between subsistence and disaster, less-privileged countries suffer disproportionately from natural and human-assisted catastrophes. Climate and topography coupled with civil wars, poor environmental policies and natural disasters push these countries further into economic stagnation. Without irrigation and water management, droughts, floods and soil erosion afflict them, often leading to creeping deserts that reduce the long-term fertility of the land. Population increases, deforestation and overgrazing intensify the impact of drought and lead to malnutrition and ill health, further undermining these countries' abilities to solve their problems. Cyclones cannot be prevented, nor can inadequate rainfall, but means to control their effects are available. Unfortunately, each disaster seems to push developing countries further away from effective solutions. Countries that suffer the most from major calamities are among the poorest in the world. Many have neither the capital nor the technical ability to minimise the effects of natural phenomena; they are at the mercy of nature.

As countries prosper, natural barriers are overcome. Tunnels and canals are dug and bridges and dams are built in an effort to control or to adapt to climate, topography and the recurring extremes of nature. Humankind has been reasonably successful in overcoming or minimising the effects of geographical barriers and natural disasters, but as they do so, they must contend with problems of their own making. The construction of dams is a good example of how an attempt to harness nature for good has a bad side. Developing countries consider dams a cost-effective solution to a host of problems. Dams create electricity, help control floods, provide water for irrigation during dry periods and can be a rich source of fish. However, there are side effects; dams displace people (the Three Gorges dam in China will displace 1.2 million people), and silt that ultimately clogs the reservoir is no longer carried downstream to replenish the soil and add nutrients. Similarly, the Narmada Valley Dam Project in India will provide electricity, flood control and irrigation, but it has already displaced tens of thousands of people and, as the benefits are measured against social and environmental costs, questions of its efficacy are being raised. In short, the need for gigantic projects such as these must be measured against their social and environmental costs.

As the global rush toward industrialisation and economic growth accelerates, environmental issues become more apparent. Disruption of ecosystems, relocation of people, inadequate hazardous waste management and industrial pollution are problems that must...
be addressed by the industrialised world and those seeking economic development. The problems are mostly by-products of processes that have contributed significantly to economic development and improved lifestyles. During the last part of the twentieth century, governments and industry expended considerable effort to develop better ways to control nature and to allow industry to grow while protecting the environment.

**Resources**

The availability of minerals and the ability to generate energy are the foundations of modern technology. The locations of Earth’s resources, as well as the available sources of energy, are geographic accidents. The world’s nations are not equally endowed, and no nation’s demand for a particular mineral or energy source necessarily coincides with domestic supply.

In much of the underdeveloped world, human labour provides the preponderance of energy. The principal supplements to human energy are animals, wood, fossil fuel, nuclear power and, to a lesser and a more experimental extent, the ocean’s tides, geothermal power and the sun. Of all the energy sources, oil and gas contribute over 60 per cent of world energy consumption. Because of petroleum’s versatility and the ease with which it is stored and transported, petroleum-related products continue to dominate energy usage. (See Exhibit 3.1.)

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**EXHIBIT 3.1 World energy consumption**

<table>
<thead>
<tr>
<th>Region</th>
<th>Energy Consumption (QBTUs)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Africa</td>
<td>11.8</td>
</tr>
<tr>
<td>Middle East</td>
<td>19.3</td>
</tr>
<tr>
<td>South America</td>
<td>19.8</td>
</tr>
<tr>
<td>Industrialised Asia</td>
<td>27.9</td>
</tr>
<tr>
<td>Eastern Europe/FSU</td>
<td>50.4</td>
</tr>
<tr>
<td>Europe</td>
<td>66.0</td>
</tr>
<tr>
<td>Developing Asia</td>
<td>70.9</td>
</tr>
<tr>
<td>North America</td>
<td>115.7</td>
</tr>
</tbody>
</table>

**Percentage of world energy consumption by energy sources**

- Oil: 38.5%
- Gas: 24.7%
- Coal: 23.7%
- Nuclear: 6.6%
- Hydro: 6.5%
- Other: 6.5%

Many countries that were self-sufficient during much of their early economic growth have become net importers of petroleum during the past several decades and continue to become increasingly dependent on foreign sources. An example is the United States, which was almost completely self-sufficient until 1942, became a major importer by 1950 and between 1973 and 2000 increased its dependency from 36 per cent to over 66 per cent of its annual requirements.\(^{22}\) If present rates of consumption continue, predictions are that by the mid-2000s the United States will be importing more than 70 per cent of its needs, that is, more than 17 million barrels of oil each day. Exhibit 3.1 compares domestic energy consumption of different world regions. It is interesting to note that China has become the world’s second-largest oil importer after the United States and demand continues to grow rapidly.\(^{23}\)

Since the Second World War, concern for the limitless availability of seemingly inexhaustible supplies of petroleum has become a prominent factor. The dramatic increase in economic growth in the industrialised world and the push for industrialisation in the remaining world has put tremendous pressure on Earth’s energy resources. Unfortunately, as countries industrialise, energy sources are not always efficiently utilised. China, for example, spends three times the world average on energy (all sources) to produce $1 of gross national product (GNP). By comparison, in Japan, possibly the world’s most efficient user of energy, less than 0.14 kilograms of oil is needed to generate $1 in GNP, whereas in China approximately 2.3 kilograms of oil is needed.\(^{24}\) The reasons for China’s inefficient oil use are numerous but the worst culprit is outdated technology.\(^{25}\)

The growth of market-driven economies and an increasing reliance on petroleum supplies from areas of political instability—the Middle East, the former Soviet Union and Latin America—create a global interdependence of energy resources. The net result is a profound impact on oil prices\(^{26}\) and on the economies of the industrialised and industrialising countries.

The location, quality and availability of resources will affect the pattern of world economic development and trade well into the twenty-first century.\(^{27}\) In addition to the raw materials of industrialisation, an economically feasible energy supply must be available to transform resources into usable products. As the global demand for resources intensifies and prices rise, resources will continue to increase in importance among the uncontrollable elements of the international marketer’s decisions.\(^{28}\)

**Dynamics of global population trends**

Current population, rural/urban population shifts, rates of growth, age levels and population control help determine today’s demand for various categories of goods. Although not the only determinant, merely the existence of numbers of people is significant in appraising potential consumer markets. Changes in the composition and distribution of population among the world’s countries will profoundly affect future demand.

Recent estimates place world population at more than 6 billion people and this is expected to grow to 9 billion by 2050. Further, 98 per cent of the projected growth for 2050 will occur in less-developed regions.\(^{29}\) Exhibit 3.2 shows that 84 per cent of the population will be concentrated in less-developed regions by 2025 and, if growth rates continue, 86 per cent by 2050. The International Labour Organization estimates that
1.2 billion jobs must be created worldwide by 2025 to accommodate the increased population. Further, most of the new jobs will need to be created in urban areas where most of the population will reside.30

**Controlling population growth**

Faced with the ominous consequences of the population explosion, it would seem logical for countries to take appropriate steps to reduce growth to manageable rates, but procreation is one of the most culturally sensitive uncontrollable factors. Economics, self-esteem, religion, politics and education all play a critical role in attitudes about family size.

The prerequisites to population control are adequate incomes, higher literacy levels, education for women, universal access to health care, family planning, improved nutrition and a change in basic cultural beliefs regarding the importance of large families. Unfortunately, minimum progress in providing improved living conditions and changing beliefs has occurred. India serves as a good example of what is happening in much of the world. India’s population was once stable, but with improved health conditions leading to greater longevity and lower infant mortality, its population will exceed that of China by 2050 and the two will account for about 50 per cent of the world’s inhabitants31 (see Exhibit 3.3 for the current population of some selected Australasian and Asian countries). The government’s attempts to institute change are hampered by a variety of factors, including political ineptitude32 and slow change in cultural norms. Nevertheless, the government...

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**EXHIBIT 3.2 World population by region**

<table>
<thead>
<tr>
<th>Regions</th>
<th>Population (in millions)</th>
<th>Life expectancy at birth</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>6 465</td>
<td>7 905</td>
</tr>
<tr>
<td>More-developed regions*</td>
<td>1 211</td>
<td>1 249</td>
</tr>
<tr>
<td>Less-developed regions†</td>
<td>5 253</td>
<td>6 656</td>
</tr>
<tr>
<td>Least-developed regions‡</td>
<td>759</td>
<td>1 167</td>
</tr>
<tr>
<td>Africa</td>
<td>906</td>
<td>1 344</td>
</tr>
<tr>
<td>Asia</td>
<td>3 905</td>
<td>4 728</td>
</tr>
<tr>
<td>Europe</td>
<td>728</td>
<td>707</td>
</tr>
<tr>
<td>Latin America</td>
<td>561</td>
<td>697</td>
</tr>
<tr>
<td>Northern America</td>
<td>331</td>
<td>388</td>
</tr>
<tr>
<td>Oceania</td>
<td>33</td>
<td>41</td>
</tr>
</tbody>
</table>

*More-developed regions comprise all regions of Europe and Northern America, Australia–New Zealand and Japan.
†Less-developed regions comprise all regions of Africa, Asia (excluding Japan) and Latin America and the regions of Melanesia, Micronesia and Polynesia.
‡Least-developed regions as defined by the United Nations General Assembly include 48 countries, of which 33 are in Africa, 9 in Asia, 1 in Latin America and 5 in Oceania. They are also included in less-developed regions.


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**EXHIBIT 3.3 Selected Asian and Australasian countries population (000s)**

<table>
<thead>
<tr>
<th>Country</th>
<th>1996</th>
<th>2006</th>
<th>Per cent change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>18311</td>
<td>20521</td>
<td>12.1</td>
</tr>
<tr>
<td>China</td>
<td>1217550</td>
<td>1311798</td>
<td>7.7</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>64365</td>
<td>7011</td>
<td>8.9</td>
</tr>
<tr>
<td>India</td>
<td>948759</td>
<td>1109811</td>
<td>11.7</td>
</tr>
<tr>
<td>Indonesia</td>
<td>195457</td>
<td>223042</td>
<td>14.1</td>
</tr>
<tr>
<td>Japan</td>
<td>125761</td>
<td>127565</td>
<td>1.4</td>
</tr>
<tr>
<td>Malaysia</td>
<td>20892</td>
<td>25267</td>
<td>23.3</td>
</tr>
<tr>
<td>New Zealand</td>
<td>3732</td>
<td>4125</td>
<td>11.0</td>
</tr>
<tr>
<td>Singapore</td>
<td>43670</td>
<td>4393</td>
<td>1.7</td>
</tr>
</tbody>
</table>


1 October 2007.
continues to pass laws with the intended purpose of limiting the number of births. The most recent attempt is a law that bars those with more than two children from election to the national Parliament and state assemblies. This would mean that many now in office could not seek re-election due to the size of their family.33

Perhaps the most important deterrent to population control is cultural attitudes about the importance of large families.34 In many cultures, the prestige of a man, whether alive or dead, depends on the number of his progeny, and a family’s only wealth is its children. Such feelings are strong. Prime Minister Indira Gandhi found out how strong when she attempted mass sterilisation of males, which reportedly was the main cause of her defeat in a subsequent election. Additionally, many religions discourage or ban family planning and thus serve as a deterrent to control.35 Nigeria has a strong Muslim tradition in the north and a strong Roman Catholic tradition in the east, and both faiths favour large families. Most traditional religions in Africa encourage large families; in fact, the principal deity for many is the goddess of land and fertility.

Family planning and all that it entails is by far the most universal means governments use to control birthrates, but some economists believe that a decline in the fertility rate is a function of economic prosperity and will come only with economic development. Ample anecdotal evidence suggests that fertility rates decline as economies prosper. For example, before Spain’s economy began its rapid growth in the 1980s, families had six or more children; now, Spain has one of the lowest birthrates in Europe, an average of 1.24 children per woman. Similar patterns have followed in other European countries as economies have prospered.36

Rural/urban migration

Migration from rural to urban areas is largely a result of a desire for greater access to sources of education, health care and improved job opportunities. In the early 1800s, less than 3.5 per cent of the world’s people were living in cities of 20,000 or more and less than 2 per cent in cities of 100,000 or more; today more than 40 per cent of the world’s people are urbanites and the trend is accelerating. Once in the city, perhaps three out of four migrants achieve some economic gains.

By 2030, estimates indicate that more than 61 per cent of the world’s population will live in urban areas (see Exhibit 3.4) and at least 27 cities will have populations of 10 million or more, 23 of which will be in the less-developed regions. Tokyo has already overtaken Mexico City as the largest city on Earth, with a population of 26 million, a jump of almost 8 million since 1990.

Although migrants experience some relative improvement in their living standards, intense urban growth without investment in services eventually leads to serious problems. Slums populated with unskilled workers living hand to mouth put excessive pressure on sanitation systems, water supplies,37 and other social services. At some point, the disadvantages of unregulated urban growth begin to outweigh the advantages for all concerned.

Population decline and ageing

While the developing world faces a rapidly growing population, the industrialised world’s population is in decline and rapidly ageing. Birthrates in western Europe and Japan
have been decreasing since the early or mid-1960s; more women are choosing careers instead of children, and many working couples are electing to remain childless. As a result of these and other contemporary factors, population growth in many countries has dropped below the rate necessary to maintain present levels. Just to keep the population from falling, a nation needs a fertility rate of about 2.1 children per woman. Not one major country has sufficient internal population growth to maintain itself and this trend is expected to continue for the next 50 years. Europe’s population could decline by as much as 88 million (from 375 million to 287 million) people if present trends continue to 2015.38

At the same time that population growth is declining in the industrialised world, there are more ageing people today than ever before. Global life expectancy has grown more in the last 50 years than over the previous 5000 years. Until the Industrial Revolution, no more than 2 or 3 per cent of the total population was over the age of 65. Today in the developed world, the over-age-65 group will amount to 14 per cent and by 2030, this group will reach 25 per cent in some 30 different countries.39 Further, the number of ‘old old’ will grow much faster than the ‘young old’. The United Nations projects that by 2050, the number of people aged 65 to 84 worldwide will grow from 400 million to 1.3 billion (a threefold increase), while the number of people aged 85 and over will grow from 26 million to 175 million (a sixfold increase)—and the number aged 100 and over will increase from 135 000 to 2.2 million (a 16-fold increase). Exhibit 3.5 overleaf illustrates the disparity in ageing that is typical among lesser-developed countries (Kenya), developing countries (Brazil) and an economically developed country (United Kingdom). Countries like Kenya, with a high proportion of young, face high education and health care costs, whereas countries like the United Kingdom, with top-heavy population pyramids, face high pension and health care costs for the elderly with fewer wage earners to bear the burden.

### Exhibit 3.4 Rural and urban population, 2005–2030 (millions)

<table>
<thead>
<tr>
<th>Region</th>
<th>Urban 2005</th>
<th>Urban 2030</th>
<th>Rural 2005</th>
<th>Rural 2030</th>
<th>Per cent urban 2005</th>
<th>Per cent urban 2030</th>
</tr>
</thead>
<tbody>
<tr>
<td>World</td>
<td>3 177</td>
<td>4 987</td>
<td>3 287</td>
<td>3 212</td>
<td>49</td>
<td>61</td>
</tr>
<tr>
<td>More-developed regions*</td>
<td>907</td>
<td>1 022</td>
<td>304</td>
<td>229</td>
<td>75</td>
<td>82</td>
</tr>
<tr>
<td>Less-developed regions†</td>
<td>2 270</td>
<td>3 964</td>
<td>2 983</td>
<td>2 984</td>
<td>43</td>
<td>57</td>
</tr>
<tr>
<td>Least-developed regions‡</td>
<td>210</td>
<td>555</td>
<td>549</td>
<td>726</td>
<td>28</td>
<td>43</td>
</tr>
<tr>
<td>Africa</td>
<td>360</td>
<td>783</td>
<td>546</td>
<td>680</td>
<td>40</td>
<td>48</td>
</tr>
<tr>
<td>Asia</td>
<td>1 557</td>
<td>2 657</td>
<td>2 348</td>
<td>2 216</td>
<td>40</td>
<td>55</td>
</tr>
<tr>
<td>Europe</td>
<td>534</td>
<td>555</td>
<td>195</td>
<td>143</td>
<td>73</td>
<td>80</td>
</tr>
<tr>
<td>Latin America</td>
<td>436</td>
<td>611</td>
<td>126</td>
<td>111</td>
<td>78</td>
<td>85</td>
</tr>
<tr>
<td>Northern America</td>
<td>87</td>
<td>267</td>
<td>348</td>
<td>63</td>
<td>52</td>
<td>81</td>
</tr>
<tr>
<td>Oceania</td>
<td>24</td>
<td>32</td>
<td>9</td>
<td>11</td>
<td>73</td>
<td>74</td>
</tr>
</tbody>
</table>

*More-developed regions comprise all regions of Europe and Northern America, Australia–New Zealand and Japan.
†Less-developed regions comprise all regions of Africa, Asia (excluding Japan) and Latin America and the regions of Melanesia, Micronesia and Polynesia.
‡Least-developed regions as defined by the United Nations General Assembly include 48 countries, of which 33 are in Africa, 9 in Asia, 1 in Latin America and 5 in Oceania. They are also included in less-developed regions.

Australia’s population, due to low fertility and increasing life expectancy, like most industrialised countries is also ageing. The median age of the population has increased by 5.8 years over the last two decades to 36.9 years. The number of people aged 65 and over stands at 13.3 per cent of the total population (see Exhibit 3.6). This trend is expected to continue, and will result in major influences on policy decisions in health, labour force participation, housing and other important strategic areas for the government in the future.

Europe, Japan and Australia epitomise the problems caused by an increasing percentage of elderly people who must be supported by a declining number of skilled workers. In 1998, Japan crossed a threshold anticipated with fear by the rest of the developed world, the point at which retirees withdrawing funds from the pension system exceeded those workers contributing to it. The elderly require higher government outlays for health care and hospitals, special housing and nursing homes, and pension and welfare assistance, but the workforce that supports these costs is dwindling. The part of the world with the largest portion of people over 65 years of age is also the part of the world with the fewest number of people under 15 years of age. This means that there will be fewer workers to support future retirees, resulting in an intolerable tax burden on future workers, more of the over-65 age group remaining in the labour force or pressure to change existing laws to allow mass migration to stabilise the worker/retiree ratio. No one solution is without its problems.
Worker shortage and immigration

For most countries mass immigration is not well received by the resident population. However, a recent report from the United Nations makes the strongest argument for change in immigration as a viable solution. The free flow of immigration will help to ameliorate the dual problems of explosive population expansion in less-developed countries and worker shortage in industrialised regions. Europe is the region of the world most affected by ageing and thus by a steadily decreasing worker/retiree ratio. The proportion of older persons will increase from 20 per cent in 1998 to 35 per cent in 2050. The country with the largest share of old people will be Spain, closely followed by Italy. Recognising the problem, Spain has changed immigration laws to open its borders to all South Americans of Spanish descent. To keep the worker/retiree ratio...
from falling, Europe will need 1.4 billion immigrants over the next 50 years, while Japan and the United States will need 600 million immigrants between now and 2050. Immigration will not help to ameliorate the problem if political and cultural opposition to immigration cannot be overcome.\(^4^2\)

The trends of increasing population in the developing world, with substantial shifts from rural to urban areas, declining birthrates in the industrialised world, and global population ageing will have profound effects on the state of world business and world economic conditions. Without successful adjustments to these trends,\(^4^4\) many countries will experience slower economic growth, serious financial problems for senior retirement programs and further deterioration of public and social services, leading to possible social unrest.\(^4^5\)

**Communication links**

An underpinning of all commerce is effective communications—knowledge of where goods and services exist and where they are needed and the ability to communicate instantaneously across vast distances. Continuous improvements in electronic communications have facilitated the expansion of trade. First came the telegraph, then

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**WHERE HAVE ALL THE WOMEN GONE?**

Three converging issues in China have the potential of causing a serious gender imbalance:

- China, the world’s most populous country, has a strict one-child policy to curb population growth.
- Traditional values dictate male superiority and a definite parental preference for boys.
- Prenatal scanning allows women to discover the sex of their foetuses and thereby abort unwanted female foetuses.

The first wave of children born under the one-child policy is reaching marriageable age and there are far too few brides to go around. The ratio of males to females is unnaturally high, around 117 to 119 boys for every 100 girls in 2000. Thus men in their 20s have to deal with the harsh reality of six bachelors for every five potential brides. So what is a desperate bachelor to do?

The shortage has prompted some parents to acquire babies as future brides for their sons. Infants are considered more appealing because they are less likely to run away, will look on their buyers as their own parents, and are cheaper than buying a teenage bride. Buying a baby girl can cost as little as US$100 and won’t result in the fines imposed on couples who violate birth control limits. Such fines can equal as much as six years’ income.

Another alternative is to marry a relative. At age 20, with his friends already paired off, Liu found himself the odd man out. His parents, farmers in a small backwater village, could not raise the US$2000 required to attract a bride for their son. Desperate, Liu’s mother asked her sister for a favour: Could she ask Hai, her daughter, to be Liu’s bride? Young women like Hai are not likely to defy their parents. And so Liu and Hai were wed.

Chinese officials are starting to worry about the imbalance and have announced a raft of new programs to reverse the trend. These include cash payments for couples who have a daughter and let her live, along with privileges in housing, employment and job training. Some families with girls will also be exempted from paying school fees. Even though the government staunchly defends its one-child policy, it is experimenting with allowing couples whose firstborn is a girl to have a second child. In the meantime and until the new policy results in more girls, today’s 20-year-old men will just have to compete if they want a wife.

**Sources:**


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the telephone, television, satellites, the computer and the Internet. Each revolution in
electronic technology has had a profound effect on human conditions, economic growth
and the manner in which commerce functions. Each new communications technology
has spawned new business models; some existing businesses have reinvented their
practices to adapt to the new technology, while other businesses have failed to respond
and thus ceased to exist. The Internet revolution will be no different; it too affects
human conditions, economic growth and the manner in which commerce operates.
As we discuss in subsequent chapters, the Internet has already begun to shape how
international business is managed. However, as the Internet permeates the fabric of the
world’s cultures, the biggest changes are yet to come!

Culture’s pervasive impact
Culture affects every part of our lives, every day, from birth to death, and everything
in between. It affects how we spend money and how we consume in general. It
even affects how we sleep. For example, we are told that Spaniards sleep less than
other Europeans and Japanese children often sleep with their parents. You can clearly see culture operating in the birthrate tables in Exhibit 3.6 on page 79. When
you look across the data from the three countries, the gradual declines beginning in
the 1960s are evident. As countries move from agricultural to industrial to services
economies, birthrates decline. Immediate causes may be government policies and
birth control technologies, but a global change in values is also occurring. Almost
everywhere smaller families are becoming favoured. This cultural change now leads
experts to predict that the planet’s population will actually begin to decline after 2050
unless major breakthroughs in longevity intervene, as some predict.

But a closer look at the tables reveals even more interesting consequences of culture. See the little peaks in 1976 and 1988 in the Singapore data. The same pattern can be seen in birthrate data from Taiwan. Those ‘extra’ births are not a matter of random fluctuation. In Chinese cultures, being born in the Year of the Dragon (12 animals—
dogs, rats, rabbits, pigs, etc.—correspond to specific years in the calendar) is considered good luck. Such birthrate spikes have implications for providers of such
things as nappies, toys, schools and colleges in Singapore. However, superstitions have
an even stronger influence on birthrates in Japan, shown in Exhibit 3.6 on page 79.
A one-year 20 per cent drop in Japanese fertility rates in 1966 was caused by a belief
that women born in the Year of the Fire Horse, which occurs every 60 years, will
lead unhappy lives and perhaps murder their husbands. This sudden and substantial
decline in fertility, which has occurred historically every 60 years since Japan started
keeping birth records, reflects abstinence, abortions and birth certificate fudging. This
superstition has resulted in the stigmatisation of women born in 1966 and has had a
large impact on market potential for a wide variety of consumer goods and services
in Japan. It will be interesting to see how technological innovations and culture will
interact in Japan in 2026, the next Year of the Fire Horse.

Culture’s influence is also illustrated in the consumption data presented in
Exhibit 3.7 overleaf. The focus there is on a selection of Australasian and Asian
countries, but data from the US and UK are also included for comparison. The
products compared are those that might impact on health and longevity of people as
well as influencing the causes of death (see Exhibit 3.8 overleaf).
India has the highest birthrate and lowest life expectancy. Hong Kong and Japan have the lowest birthrates and highest life expectancy. Perhaps the higher consumption rate there is caused by Cadbury’s advertising, or perhaps the cooler temperatures have historically allowed for easier storage and better quality in the northern countries. The Japanese preference for seafood may be reflected in their relatively higher life expectancy—in Japan they even eat it raw!

Tobacco consumption per capita is the highest in the UK; so are the levels of death from heart disease, liver disease and lung cancer. Grapes grow well in Australia and New Zealand, thus a combination of climate and soil conditions explains at least part of the pattern of wine consumption seen in Exhibit 3.8. Culture also influences the laws, age limits and such. The legal environment also has implications for the consumption of cigarettes.

The point is that culture matters. It is imperative for international marketers to learn to appreciate the intricacies of cultures different from their own if they are to be effective in international markets.

**EXHIBIT 3.7 Consumer expenditure for selected countries (annual per capita in US$)**

<table>
<thead>
<tr>
<th>Country</th>
<th>Wine</th>
<th>Chocolate (in kg consumed)</th>
<th>Fish and seafood</th>
<th>Tobacco</th>
<th>Sugar and confectionery</th>
<th>Electricity</th>
<th>Housing</th>
</tr>
</thead>
<tbody>
<tr>
<td>Australia</td>
<td>145.7</td>
<td>4.37</td>
<td>86.46</td>
<td>375.8</td>
<td>193.3</td>
<td>288.4</td>
<td>3473.1</td>
</tr>
<tr>
<td>China</td>
<td>1.8</td>
<td>0.08</td>
<td>17.37</td>
<td>9.0</td>
<td>5.4</td>
<td>3.1</td>
<td>64.9</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>6.7</td>
<td>0.95</td>
<td>397.3</td>
<td>61.4</td>
<td>42.7</td>
<td>204.1</td>
<td>2980.8</td>
</tr>
<tr>
<td>India</td>
<td>0.5</td>
<td>0.04</td>
<td>7.72</td>
<td>5.9</td>
<td>8.0</td>
<td>4.1</td>
<td>52.9</td>
</tr>
<tr>
<td>Indonesia</td>
<td>0.1</td>
<td>0.23</td>
<td>46.59</td>
<td>58.9</td>
<td>11.8</td>
<td>21.2</td>
<td>158.7</td>
</tr>
<tr>
<td>Japan</td>
<td>25.9</td>
<td>1.21</td>
<td>288.03</td>
<td>129.5</td>
<td>237.6</td>
<td>280.3</td>
<td>4679.7</td>
</tr>
<tr>
<td>Malaysia</td>
<td>2.8</td>
<td>0.34</td>
<td>88.82</td>
<td>13.8</td>
<td>10.4</td>
<td>58.4</td>
<td>507.5</td>
</tr>
<tr>
<td>New Zealand</td>
<td>240.9</td>
<td>3.90</td>
<td>47.16</td>
<td>160.1</td>
<td>151.2</td>
<td>169.3</td>
<td>2859.6</td>
</tr>
<tr>
<td>Singapore</td>
<td>20.1</td>
<td>9.13</td>
<td>153.56</td>
<td>162.5</td>
<td>28.4</td>
<td>131.7</td>
<td>1704.5</td>
</tr>
<tr>
<td>United States</td>
<td>77.0</td>
<td>5.72</td>
<td>50.99</td>
<td>275.0</td>
<td>144.0</td>
<td>398.6</td>
<td>5084.0</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>188.5</td>
<td>10.37</td>
<td>81.84</td>
<td>490.7</td>
<td>220.0</td>
<td>317.7</td>
<td>4815.6</td>
</tr>
</tbody>
</table>


**EXHIBIT 3.8 Consequences of consumption**

<table>
<thead>
<tr>
<th>Country</th>
<th>Birthrate per 1000</th>
<th>Life expectancy</th>
<th>Death rate per 100 000</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Heart disease</td>
<td>Liver disease</td>
<td>Lung cancer</td>
</tr>
<tr>
<td>Australia</td>
<td>12.3</td>
<td>80.5</td>
<td>131.1</td>
</tr>
<tr>
<td>China</td>
<td>12.4</td>
<td>72.0</td>
<td>NA</td>
</tr>
<tr>
<td>Hong Kong</td>
<td>6.9</td>
<td>81.9</td>
<td>53.9</td>
</tr>
<tr>
<td>India</td>
<td>24.2</td>
<td>63.9</td>
<td>NA</td>
</tr>
<tr>
<td>Indonesia</td>
<td>19.3</td>
<td>68.2</td>
<td>NA</td>
</tr>
<tr>
<td>Japan</td>
<td>8.2</td>
<td>82.2</td>
<td>56.0</td>
</tr>
<tr>
<td>Malaysia</td>
<td>21.3</td>
<td>73.9</td>
<td>NA</td>
</tr>
<tr>
<td>New Zealand</td>
<td>13.1</td>
<td>79.8</td>
<td>143.8</td>
</tr>
<tr>
<td>Singapore</td>
<td>8.4</td>
<td>79.9</td>
<td>99.3</td>
</tr>
<tr>
<td>United States</td>
<td>13.9</td>
<td>77.9</td>
<td>174.2</td>
</tr>
<tr>
<td>United Kingdom</td>
<td>12.2</td>
<td>79.1</td>
<td>169.9</td>
</tr>
</tbody>
</table>

Definitions and origins of culture

There are many ways to think about culture. Dutch management professor Geert Hofstede refers to culture as the ‘software of the mind’ and argues that it provides a guide for humans on how to think and behave; it is a problem-solving tool.\textsuperscript{58} Anthropologist and business consultant Edward Hall provides a definition even more relevant to international marketing managers:

‘The people we were advising kept bumping their heads against an invisible barrier ... We knew that what they were up against was a completely different way of organising life, of thinking and of conceiving the underlying assumptions about the family and the state, the economic system and even Man himself.’\textsuperscript{59}

The salient points in Hall’s comments are that cultural differences are often invisible and that marketers who ignore them often hurt both their companies and careers. Finally, James Day Hodgson, former US ambassador to Japan, describes culture as a ‘thicket’.\textsuperscript{60} This last metaphor holds hope for struggling international marketers. According to the ambassador, thickets are tough to get through, but effort and patience often do lead to successes.

Most traditional definitions of culture centre around the notion that culture is the sum of the values, rituals, symbols, beliefs and thought processes that are learned, shared by a group of people, and transmitted from generation to generation.\textsuperscript{61} So culture resides in the individual's mind. But the expression 'a culture' recognises that large collectives of people can to a great degree be like-minded.

The best international marketers will not only appreciate the cultural differences pertinent to their businesses, they will also understand the origins of these differences. Possession of the latter, deeper knowledge will help marketers notice cultural differences in new markets and foresee changes in current markets of operation. Exhibit 3.9 overleaf depicts the several causal factors and social processes that determine and form cultures and cultural differences. Simply stated, humans make adaptations to changing environments through innovation. Individuals learn culture from social institutions through socialisation (growing up) and acculturation (adjusting to a new culture). Individuals also absorb culture through role modelling, or imitation of their peers. Finally, people make decisions about consumption and production through application of their cultural-based knowledge. More details are provided below.

Geography

In the previous sections we described the immediate effects of geography on consumer choice. But geography exercises a more profound influence than just affecting the sort of jacket you buy. Indeed, geography (broadly defined here to include climate, topography, flora, fauna and microbiology) has influenced history, technology, economics, our social institutions and our ways of thinking.\textsuperscript{62} Geographical influences manifest themselves in our deepest cultural values developed through the millennia and as geography changes humans can adapt almost immediately. One sees the latter happening in the new etiquette evolving from the HIV/AIDS disaster, or more recently the SARS outbreak in China.

The ideas of two researchers are particularly pertinent to any discussion of geography's influence on everything from history to present-day cultural values. First,
Jared Diamond, a professor of physiology, tells us that historically innovations spread faster east to west than north to south. Before the advent of transoceanic shipping, ideas flowed over the Silk Road but not across the Sahara or the Isthmus of Panama. He uses this geographical approach to explain the dominance of Euro-Asian cultures, with their superior technology and more virulent germs, over African and American cultures. Indeed, Diamond's most important contribution is his material on the influence of microbiology on world history.

Second, Philip Parker, a marketing professor, argues for geography's deep influence on history, economics and consumer behaviour. For example, he reports strong correlations between the latitude (climate) and the per capita GDP of countries. Empirical support can be found as others report climate's apparent influence on workers' wages.

Parker, like Diamond before him, explains social phenomena using principles of physiology. The management implications of his treatise have to do with using ambient temperature as a market segmentation variable.

**History**

The impact of specific events in history can be seen reflected in technology, social institutions, cultural values and even consumer behaviour. Diamond's book is filled with examples. For instance, much of American trade policy has depended on the development of tobacco (the technology of a new cash crop) being the original source of the Virginia colony's economic survival in the 1600s. Notice too that the military
conflicts in the Middle East in 2003 bred new cola brands—Mecca-Cola, Muslim Up, Arab-Cola and ColaTurka.67

The political economy
For most of the twentieth century three approaches to governance competed for world dominance: fascism, communism and democracy/free enterprise. Fascism fell in 1945. Communism crumbled in the 1990s.68 One pundit even declared the ‘end of history’.69 Unfortunately, we have September 11 and the conflicts in the Middle East to keep the list of bad things growing. Much more detail is included in Chapter 6 on the influences of politics and the legal environment on the culture of commerce and consumption, so we will leave this important topic until then. The main point here is for you to appreciate the influence of the political economy on social institutions and cultural values and ways of thinking.

Technology
Various technological innovations have had a great impact on institutions and cultural values in the last 50 years in the Western industrialised world.

Certainly jet aircraft, air conditioning, televisions, computers and the Internet all make the list. But the birth control pill70 has had a huge effect on everyday life. Mainly, it has freed women to have careers and freed men to spend more time with children. Before the advent of the pill, men’s and women’s roles were prescribed by reproductive responsibilities and roles. Now half the marketing majors in the West are women.

Obviously, not everyone is happy with these new ‘freedoms’. For example, in 1968 the Roman Catholic Church forbade use of the birth control pill. But the technology of birth control undeniably has deeply affected social institutions and cultural values. Families are smaller; and government and schools are forced to address issues such as abstinence and condom distribution.

Social institutions
Social institutions including family, religion, school, the media, government and corporations all affect the ways in which people relate to one another, organise their activities to live in harmony with one another, teach acceptable behaviour to succeeding generations and govern themselves. The positions of men and women in society, the family, social classes, group behaviour, age groups and how societies define decency71 and civility are interpreted differently within every culture. For example, in cultures where the social organisations result in close-knit family units, a promotion campaign aimed at the family unit is usually more effective than one aimed at individual family members. Travel advertising in culturally divided Canada has pictured a wife alone for the English-speaking market segment but a man and wife together for the French-speaking segments of the population because the latter are traditionally more closely bound by family ties.

The roles and status positions found within a society are influenced by the dictates of social institutions. The caste system in India is one such institution. The election of a low-caste person—once called an ‘untouchable’—as president made international news because it was such a departure from traditional Indian culture. Decades ago, brushing against an untouchable or even glancing at one was considered enough to defile a Hindu of high status. Even though the caste system had been outlawed, it remains a part of the culture.
Family  Family forms and functions vary substantially around the world, even around the country. For example, where nepotism is seen as a problem in some cultures, it is more often seen as an organising principle in Chinese72 and Mexican73 firms. Or consider the Dutch executive who lives with his mother, wife and kids in a home in Maastricht that his family has owned for the last 300 years. Then there’s the common practice of the high-income folks in Cairo buying an apartment house and filling it up with the extended family—grandparents, married siblings, cousins and kids. Or how about the Japanese mother caring for her two children pretty much by herself, often sleeping with them at night, while her husband catches up on sleep during his four hours a day commuting via train. And there’s the Australian family in Melbourne—both parents work hard to support their cars, closets and kids’ education, all the while worrying about ageing grandparents.

Even the ratio of male to female children is affected by culture. For example, the proportion of boys in the 1 to 6 age group in India is 52 per cent, and in the 1 to 4 age group in China it is 55 per cent. Obviously these ratios have long-term implications for families and societies.74 Moreover, the favouritism of boys is deep-seated in such cultures, as demonstrated by the Chinese Book of Songs, circa 800 BC:

When a son is born
Let him sleep on the bed,
Clothe him with fine clothes.
And give him jade to play with …

When a daughter is born,
Let her sleep on the ground,
Wrap her in common wrappings,
And give her broken tiles for playthings.

All these differences lead directly to differences in how children think and behave. For example, individualism is being taught the first night the infant is tucked into her own separate bassinette. Values for egalitarianism are learned the first time Dad washes the dishes in front of the kids, the toddler learns that both Grandpa and little brother are properly called ‘you’ (in some languages different words are used for ‘you’ in addressing the young or the elderly), or Mum heads off to work.

Religion  In most cultures the first social institution infants are exposed to outside the home takes the form of a church, mosque, shrine or temple. The impact of religion on the value systems of a society and the effect of value systems on marketing must not be underestimated. For example, Protestants believe that one’s relationship with God is a personal one and confessions are made directly through prayer. Alternatively, Roman Catholics confess to priests, setting up a hierarchy within the Church. Thus some scholars reason that Protestantism engenders egalitarian thinking. But no matter the details, religion clearly does affect people’s habits, their outlook on life, the products they buy, the way they buy them and even the newspapers they read.

The influence of religion is often quite strong.75 So marketers with little or no understanding of a religion may readily offend deeply. One’s own religion is often not a reliable guide to another’s beliefs. Most people do not understand religious other than their own and what is ‘known’ about other religions is often incorrect. There is a need for a basic understanding of all major religions, as we see from looking at...
Islam. Between 800 million and 1.2 billion people in the world embrace Islam, yet major multinational companies often offend Muslims. The French fashion house of Chanel unwittingly desecrated the Koran by embroidering verses from the sacred book of Islam on several dresses shown in its summer collections. The designer said he had taken the design, which was aesthetically pleasing to him, from a book on India’s Taj Mahal and that he was unaware of its meaning. To placate a Muslim group that felt the use of the verses desecrated the Koran, Chanel had to destroy the dresses with the offending designs, along with negatives of the photos taken of the garments. Chanel certainly had no intention of offending Muslims, since some of its most important customers embrace Islam. This example shows how easy it is to offend if the marketer, in this case the designer, has not familiarised himself or herself with other religions.

**School** Education, one of the most important social institutions, affects all aspects of the culture, from economic development to consumer behaviour. The literacy rate of a country is a potent force in economic development. Numerous studies indicate a direct link between the literacy rate of a country and its capability for rapid economic growth. According to the World Bank, no country has been successful economically with less than 50 per cent literacy, but when countries have invested in education the economic rewards have been substantial. Literacy has a profound effect on marketing. To communicate with a literate market is much easier than communicating with one in which the marketer must depend on symbols and pictures.

**The media** The four social institutions that most strongly influence values and culture are schools, churches, families and, most recently, the media. In the industrialised economies, generally, during the last 30 years, women have joined the workforce in growing numbers, substantially reducing the influence of family on culture. Media time (television and increasingly the Internet) has replaced family time—much to the detriment of cultures, some argue. At this time it is hard to gauge the long-term effects of the hours spent with Bart Simpson or other television characters. Indeed, the British Prime Minister’s cameo on *The Simpsons* reflects its prominence around the world.76

Australian children spend only 180 days per year in school. Contrast that with 251 days in China and 240 days in Japan. Indeed, Chinese officials are recognising the national disadvantages of too much school—narrow minds. Likewise, Australians complain more and more about the detrimental effects of too much media.

**Government** Compared to the early and direct influences of family, religion, school and the media during childhood, governments hold relatively little sway. Cultural values and thought patterns are pretty much set before and during adolescence. Most often governments try to influence the thinking and behaviours of adult citizens for the citizens’ own good’. For example, the Australian Government offers childcare assistance in order to motivate improvement in fertility. Also, major changes in governments, such as the dissolution of the Soviet Union, can have noticeable impacts on personal beliefs and other aspects of culture.77

Of course, in some countries the government owns media and regularly uses propaganda to form ‘favourable’ public opinions. Other countries prefer no separation of church and state—Iran is currently ruled by religious clerics, for example. Governments
also affect ways of thinking indirectly, through their support of religious organisations and schools. For example, both the Japanese and Chinese governments are currently trying to promote more creative thinking among students through mandated changes in classroom activities and hours. Finally, governments influence thinking and behaviour through the passage, promulgation, promotion and enforcement of a variety of laws affecting consumption and marketing behaviours. The Australian Government is concerned about its citizens driving under the influence of alcohol and drugs, which can result in traffic accidents and the social costs of human suffering, work-related absences and a need for avoidable medical care.

**Corporations** Of course, corporations influence people early through the media. But, more importantly, most innovations are introduced to societies by companies, many times multinational companies. Indeed, merchants and traders have throughout history been the primary conduit for the diffusion of innovations, whether it be over the Silk Road or via today’s air freight or Internet. Multinational firms have access to ideas from around the world. Through the efficient distribution of new goods and services based on these new ideas cultures are changed and new ways of thinking are stimulated. The crucial role of companies as change agents is discussed in detail in the last section of the chapter.

**Elements of culture**

Culture was defined on page 83 by listing its five elements: values, rituals, symbols, beliefs and thought processes. International marketers must design products, distribution systems and promotional programs with due consideration of each of the five.

**Cultural values**

Underlying the cultural diversity that exists among countries are fundamental differences in cultural values. The most useful information on how cultural values influence various types of business and market behaviour comes from seminal work by Geert Hofstede. Studying more than 90,000 people in 66 countries, he found that the cultures of the nations studied differed along four primary dimensions. Subsequently, he and hundreds of other researchers have determined that a wide variety of business and consumer behaviour patterns are associated with three of those four dimensions. The four dimensions are as follows:

1. Individualism/Collectivism Index (IDV), which focuses on self-orientation
2. Power Distance Index (PDI), which focuses on authority orientation
3. Uncertainty Avoidance Index (UAI), which focuses on risk orientation
4. Masculinity/Femininity Index (MAS), which focuses on assertiveness and achievement.

Because MAS has proven least useful, we will not consider it further here. The Individualism/Collectivism dimension has proven the most useful of the four dimensions, justifying entire books on the subject. Please see Exhibit 3.10 for details.

**Individualism/Collectivism Index** The Individualism/Collectivism Index refers to the preference for behaviour that promotes one’s self-interest. Cultures that score high in IDV reflect an ‘I’ mentality and tend to reward and accept individual initiative,
whereas those low in individualism reflect a ‘we’ mentality and generally subjugate the individual to the group. This does not mean that individuals fail to identify with groups when a culture scores high on IDV, but rather that personal initiative and independence are accepted and endorsed. Individualism pertains to societies in which the ties between individuals are loose; people are expected to look after themselves and their immediate families. Collectivism, as its opposite, pertains to societies in which people from birth onward are integrated into strong, cohesive groups, which throughout people’s lifetimes continue to protect them in exchange for unquestioning loyalty.

**Power Distance Index** The Power Distance Index measures the tolerance of social inequality, that is, power inequality between superiors and subordinates within a social system. Cultures with high PDI scores tend to be hierarchical, with members citing social role, manipulation and inheritance as sources of power and social status. Those with low scores, on the other hand, tend to value equality and cite knowledge and respect as sources of power. Thus people from cultures with high PDI scores are more likely to have a general distrust of others (not in their groups) because power is seen to rest with individuals and is coercive rather than legitimate. High PDI scores tend to indicate a perception of differences between superior and subordinate and a
belief that those who hold power are entitled to privileges. A low score reflects more egalitarian views.

Uncertainty Avoidance Index  The Uncertainty Avoidance Index measures the tolerance of uncertainty and ambiguity among members of a society. Cultures with high UAI scores are highly intolerant of ambiguity and as a result tend to be distrustful of new ideas or behaviours. They tend to have a high level of anxiety and stress and a concern with security and rule following. Accordingly, they dogmatically stick to historically tested patterns of behaviour, which in the extreme become inviolable rules. Those with very high UAI scores thus accord a high level of authority to rules as a means of avoiding risk. Cultures scoring low in uncertainty avoidance are associated with a low level of anxiety and stress, a tolerance of deviance and dissent, and a willingness to take risks. Thus, those cultures low in UAI take a more empirical approach to understanding and knowledge, whereas those high in UAI seek absolute truth.

Cultural values and consumer behaviour  Hofstede’s notions of cultural values might help us predict the speed of diffusion of such new consumer services as equity investments and electronic auctions in Japan and France. As shown in Exhibit 3.10, the United States scores the highest of all countries on individualism, at 91, followed closely by Australia, at 90, with Japan at 46 and France at 71. Indeed,

IT’S NOT THE GIFT THAT COUNTS, BUT HOW YOU PRESENT IT

Giving a gift in another country requires careful attention if it is to be done properly. Here are a few suggestions.

Japan
Do not open a gift in front of a Japanese counterpart unless asked, and do not expect the Japanese to open your gift.
Avoid ribbons and bows as part of the gift-wrapping. Bows as we know them are considered unattractive, and ribbon colours can have different meanings.
Always offer the gift with both hands.

Europe
Avoid red roses and white flowers, even numbers, and the number 13. Do not wrap flowers in paper.
Do not risk the impression of bribery by spending too much on a gift.

Arab world
Do not give a gift when you first meet someone. It may be interpreted as a bribe.
Do not let it appear that you contrived to present the gift when the recipient is alone. It looks bad unless you know the person well. Give the gift in front of others in less-personal relationships.

Latin America
Do not give a gift until after a somewhat personal relationship has developed unless it is given to express appreciation for hospitality.
Gifts should be given during social encounters, not in the course of business.
Avoid the colours black and purple; both are associated with the Roman Catholic Lenten season.

China
Never make an issue of a gift presentation—publicly or privately. But always deliver gifts with two hands.
Gifts should be presented privately, with the exception of collective ceremonial gifts at banquets or after speeches.

United States
Gifts that are too ostentatious can cause big problems.

in the United States and Australia, where individualism reigns supreme, we might predict that the ‘virtually social’ activity of sitting alone at one’s computer might be most acceptable. In both Japan and France, where values favour group activities, face-to-face conversations with stockbrokers and neighbours might be preferred to impersonal electronic communications.

Similarly, both Japan (92) and France (86) score quite high on Hofstede’s Uncertainty Avoidance Index, and the United States and Australia score low (46 and 51 respectively). Based on these scores, both Japanese and French investors might be expected to be less willing to take the risks of stock market investments—and indeed, the security of post office deposits or bank savings accounts is preferred. So in both instances Hofstede’s data on cultural values suggest that diffusion of these innovations will be slower in Japan and France than in the United States and Australia. Such predictions are consistent with research findings that cultures scoring higher on individualism and lower on uncertainty avoidance tend to be more innovative.83

Perhaps the most interesting application of cultural values and consumer behaviour regards a pair of experiments done with American and Chinese students.84 Both groups were shown print ads using other-focused emotional appeals (that is, a couple pictured having fun on the beach) as well as self-focused emotional appeals (an individual having fun on the beach). The researchers predicted that the individualistic Americans would respond more favourably to the self-focused appeals and the collectivistic Chinese to the other-focused appeals. They found the opposite. The Americans responded better to the other-focused ads, and the Chinese vice versa. Their second experiment helped explain these unexpected results. That is, in both cases what the participants liked about the ads was their novelty vis-à-vis their own cultures. So, even in this circumstance, cultural values appear to provide useful information for marketers. However, the complexity of human behaviour, values and culture is manifest.

Rituals
Life is filled with rituals, that is, patterns of behaviour and interaction that are learned and repeated. The most obvious ones are associated with major events in life. Marriage ceremonies and funerals are good examples. Perhaps the one most important to many readers of this book is the hopefully proximate graduation ritual—‘Pomp and Circumstance’, funny hats, long speeches etc. Very often these rituals differ across cultures. Indeed, there is an entire genre of foreign films about weddings.85 Perhaps best is Monsoon Wedding. Grooms on white horses and edible flowers are apparently part of the ceremony for high-income folks in Delhi.

Life is also filled with little rituals such as dinner at a restaurant or a visit to a department store, or even grooming before heading off to work or class in the morning.

Rituals are important. They coordinate everyday interactions and special occasions. They let people know what to expect. In the next chapter we discuss the ritual of business negotiations, and that ritual varies across cultures as well.

Symbols
Anthropologist Edward T Hall tells us that culture is communication. In his seminal article about cultural differences in business settings he talks about the ‘languages’ of time, space, things, friendships and agreements.86 Indeed, learning to interpret
correctly the symbols that surround us is a key part of socialisation. And this learning begins immediately after birth as we begin to hear the language spoken and see the facial expressions, feel the touch and taste the milk of our mothers.87 We begin our discussion of symbolic systems with language, the most obvious part and the part that most often involves conscious communication.

**Language** We should mention that for some around the world language is itself thought of as a social institution often with political importance. Certainly the French go to extreme lengths and expense to preserve the purity of their *français*. In Canada the language has been the focus of political disputes including secession, although things seem to have calmed down there recently. Unfortunately, as the number of spoken languages continues to decline worldwide, so does the interesting cultural diversity of the planet.

The importance of understanding the language of a country cannot be overestimated, particularly if you’re selling your products in France! The successful international marketer must achieve expert communication, which requires a thorough understanding of the language as well as the ability to speak it. Advertising copywriters should be concerned less with obvious differences between languages and more with the idiomatic meanings expressed. It is not sufficient to say you want to translate into Chinese, for instance, because across China the language vocabulary varies widely. Consider communicating with the people of Papua New Guinea, where some 750 languages, each distinct and mutually unintelligible, are spoken.

The relationship between language and international marketing is important in another way. Recent studies indicate that a new concept, linguistic distance, is proving useful to marketing researchers in market segmentation and strategic entry decisions. Linguistic distance has been shown to be an important factor in determining the amount of trade between countries.88 The idea is that crossing ‘wider’ language differences increases transaction costs.

Over the years linguistics researchers have determined that languages around the world conform to family trees89 based on the similarity of their forms and development. For example, Spanish, Italian, French and Portuguese are all classified as Romance languages because of their common roots in Latin. Distances can be measured on these linguistic trees. If we assume English90 to be the starting point, German is one branch away, Danish two, Spanish three, Japanese four, Hebrew five, Chinese six and Thai seven. These ‘distance from English’ scores are listed for a sampling of languages in Exhibit 3.10 on page 89.

Other work in the area is demonstrating a direct influence of language on cultural values, expectations and even conceptions of time.91 For example, as linguistic distance from English increases, individualism decreases.92 These studies are the first in this genre and much more work needs to be done. However, the notion of linguistic distance appears to hold promise for better understanding and prediction of cultural differences in both consumer and management values, expectations and behaviours.

Moreover, the relationship between language spoken and cultural values holds deeper implications. That is, as English spreads around the world via school systems and the Internet, cultural values of individualism and egalitarianism will spread with it. For example, both Chinese Mandarin speakers and Spanish speakers must learn two words for ‘you’ (*ni* and *nin*, and *tu* and *usted*, respectively). The proper use of
the two depends completely on knowledge of the social context of the conversation. Respect for status is communicated by the use of *nin* and *usted*. In English there is only one form for 'you'. Speakers can ignore social context and status and still speak correctly. It's easier, and social status becomes less important.

**Aesthetics as symbols** Art communicates. Indeed, Confucius is reputed to have opined, 'A picture is worth a thousand words'. Dance and song can also communicate profound meaning. As we acquire our culture we learn the meaning of this wonderful symbolic system represented in its aesthetics; that is, the arts, folklore, music, drama and dance. Customers everywhere respond to images, myths and metaphors that help them define their personal and national identities and relationships within a context of culture and product benefits. The uniqueness of a culture can be spotted quickly in symbols having distinct meanings. Think about the subtle earth tones of the typical Japanese restaurant compared with the bright reds and yellows in the décor of ethnic Chinese restaurants. Similarly, a long-standing rivalry between the Scottish Clan Lindsay and Clan Donald caused McDonald’s Corporation some consternation when they chose the Lindsay tartan design for new uniforms for its restaurant hosts and hostesses. Godfrey Lord Macdonald, Chief of Clan Donald, was outraged and complained that McDonald’s had a 'complete lack of understanding of the name'.

Without a culturally correct interpretation of a country’s aesthetic values, a host of marketing problems can arise. Product styling must be aesthetically pleasing to be successful, as must advertisements and package designs. Insensitivity to aesthetic values can offend, create a negative impression and, in general, render marketing efforts ineffective or even damaging. Strong symbolic meanings may be overlooked if one is not familiar with a culture’s aesthetic values. The Japanese, for example, revere the crane as being very lucky because it is said to live a thousand years; however, the use of the number four should be avoided completely because the word for four, *shi*, is also the Japanese word for death. Thus teacups are sold in sets of five, not four, in Japan.

Finally, one author has suggested that understanding different cultures’ metaphors is a key doorway to success. In Exhibit 3.11 we list the metaphors Martin Gannon identified to represent cultures around the world. In the fascinating text he compares 'American Football' (with its individualism, competitive specialisation, huddling and ceremonial celebration of perfection) to the 'Spanish Bullfight' (with its pompous entrance parade, audience participation and the ritual of the fight) to the 'Indian Dance of the Shiva' (with its cycles of life, family and social interaction). Empirical evidence is beginning to accumulate supporting

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**EXHIBIT 3.11 Metaphorical journeys through 23 nations**

| The Thai Kingdom | The Traditional British House |
| The Japanese Garden | The Malaysian Balik Kampung |
| India: The Dance of Shiva | The Nigerian Marketplace |
| Bedouin Jewellery and Saudi Arabia | The Israeli Kibbutzim and Moshavim |
| The Turkish Coffeehouse | The Italian Opera |
| The Brazilian Samba | Belgian Lace |
| The Polish Village Church | The Mexican Fiesta |
| Kimchi and Korea | The Russian Ballet |
| The German Symphony | The Spanish Bullfight |
| The Swedish Stuga | The Portuguese Bullfight |
| Irish Conversations | The Chinese Family Altar |
| American Football | |

the notion that metaphors matter. Any good international marketer would see fine fodder for advertising campaigns in the insightful descriptions depicted.

**Beliefs**

Of course, much of what we learn to believe comes from religious training. But to adequately consider matters of true faith and spirituality here is certainly impossible. Moreover, the relationship between superstition and religion is not at all clear. For example, one explanation of the origin of the Western aversion to the number 13 has to do with Jesus sitting with his 12 disciples at the Last Supper.

However, many of our beliefs are secular in nature. What Westerners often call superstition may play quite a large role in a society's belief system in another part of the world. For example, in parts of Asia, ghosts, fortune telling, palmistry, blood types, head-bump reading, phases of the moon, faith healers, demons and soothsayers can all be integral elements of society. Surveys of advertisements in Greater China show a preference for an '8' as the last digit in prices listed—the number connotes 'prosperity' in Chinese culture. And recall the Japanese concern about the Year of the Fire Horse discussed earlier.

Called art, science, philosophy or superstition—depending on who is talking—the Chinese practice of feng shui is an important ancient belief held by Chinese, among others. Feng shui is the process that links humans and the universe to ch'i, the energy that sustains life and flows through our bodies and surroundings, in and around our homes and work places. The idea is to harness this ch'i to enhance good luck, prosperity, good health and honour for the owner of a property and to minimise the negative force, sha ch'i, and its effect. Feng shui requires engaging the services of a feng shui master to determine the positive orientation of a building in relation to the owner's horoscope, the date of establishment of the business or the shape of the land and building. It is not a look or a style, and it is more than aesthetics: feng shui is a strong belief in establishing a harmonious environment through the design and placement of furnishings and the avoidance of buildings facing northwest, the 'devil's entrance', and southwest, the 'devil's backdoor'. Indeed, Disney has even 'feng-shuied' all its new rides in Hong Kong Disneyland.

Too often, one person's beliefs are another person's funny story. To discount the importance of myths, beliefs, superstitions or other cultural beliefs, however strange they may appear, is a mistake because they are an important part of the cultural fabric of a society and influence all manner of behaviour. For the marketer, to make light of superstitions in other cultures when doing business there can be an expensive mistake. Making a fuss about being born in the right year under the right phase of the moon or relying heavily on handwriting and palm-reading experts, as in Japan, can be difficult to comprehend for a Westerner who refuses to walk under a ladder, worries about the next seven years after breaking a mirror, buys a one-dollar lottery ticket and seldom sees a thirteenth floor in a building.

**Thought processes**

We are now learning in much more detail the degree to which ways of thinking vary across cultures. Richard Nisbett in his book *The Geography of Thought* broadly discusses differences in 'Asian and Western thinking. He starts with Confucius...
and Aristotle and develops his arguments through consideration of historical and philosophical writings and findings from more recent behavioural science research including his own social-psychological experiments. While he acknowledges the dangers surrounding generalisations about Japanese, Chinese and Korean cultures, on the one hand, and Western cultures, on the other, many of his conclusions are consistent with research related to international negotiations, cultural values and linguistic distance.

A good metaphor for his views involves going back to Confucius’ picture. Asians tend to see the whole picture and can report details about the background and foreground. Westerners alternatively focus on the foreground and can provide great detail about central figures, but see relatively little in the background. This difference in perception—focus versus big picture—is associated with a wide variety of differences in values, preferences and expectations about future events. Nisbett’s book is essential reading for anyone marketing products and services internationally. His insights are pertinent to Japanese selling in Australia or Australians selling in Beijing.

Each of the five cultural elements must be evaluated in light of how they might affect a proposed marketing program. Newer products and services and more extensive programs involving the entire cycle from product development through promotion to final selling require greater consideration of cultural factors. Moreover, the separate origins and elements of culture we have presented interact, often in synergistic ways. Therefore, the marketer must also take a step back and consider larger cultural consequences of marketing actions.

Cultural knowledge

There are two kinds of knowledge about cultures. One is factual knowledge about a culture; it is usually obvious and must be learned. Different meanings of colours, different tastes and other traits indigenous to a culture are facts that a marketer can anticipate, study and absorb. The other is interpretive knowledge—an ability to understand and to appreciate fully the nuances of different cultural traits and patterns. For example, the meaning of time, attitudes toward other people and certain objects, the understanding of one’s role in society and the meanings of life can differ considerably from one culture to another and may require more than factual knowledge to be fully appreciated. In this case, interpretive knowledge is also necessary.

Factual versus interpretive knowledge

Frequently, factual knowledge has meaning as a straightforward fact about a culture but assumes additional significance when interpreted within the context of the culture. For example, that Mexico is 98 per cent Roman Catholic is an important bit of factual knowledge. But equally important is the meaning of being a Catholic within Mexican culture versus being Catholic in Spain or Italy. Each culture practices Catholicism in a slightly different way. For example, All Souls’ Day is an important celebration among some Catholic countries. In Mexico, however, the celebration receives special emphasis. The Mexican observance is a unique combination of pagan (mostly Indian) influence and Catholic tradition. On the Day of the Dead, as All Souls’ Day is called by many in Mexico, it is believed that the dead return to feast. Hence many Mexicans visit the graves of their departed, taking the dead’s favourite foods to
place on the graves for them to enjoy. Prior to All Souls’ Day, bakeries pile their shelves with bread shaped like bones and coffins, and candy stores sell sugar skulls and other special treats to commemorate the day. As the souls feast on the food, so do the living celebrants. Although the prayers, candles and the idea of the soul are Catholic, the idea of the dead feasting is pre-Christian Mexican. Thus a Catholic in Mexico observes All Souls’ Day quite differently from a Catholic in Spain. The interpretive, as well as factual, knowledge about religion in Mexico is necessary to fully understand this part of Mexican culture.

Interpretive knowledge requires a degree of insight that may best be described as a feeling. It is the kind of knowledge most dependent on past experience for interpretation and most frequently prone to misinterpretation if one’s home-country frame of reference (SRC) is used. Ideally, the international marketer should possess both kinds of knowledge about a market. Many facts about a particular culture can be learned through research in published materials. This effort can also transmit a small degree of empathy, but to appreciate the culture fully it is necessary to live with the people for some time. Because this ideal solution is not practical for a marketer, other solutions must be sought. Consultation and cooperation with bilingual natives with marketing backgrounds is the most effective answer to the problem. This has the further advantage of helping the marketer acquire an increasing degree of empathy through association with people who understand the culture best—locals.

CULTURES ARE JUST DIFFERENT, NOT RIGHT OR WRONG, BETTER OR WORSE

We must not make value judgments as to whether cultural behaviour is good or bad, better or worse. There is no cultural right or wrong, just difference.

People around the world feel as strongly about their cultures as we do about ours. Every country thinks its culture is the best, and for every foreign peculiarity that amuses us, there is an Australian peculiarity that amuses others. The Chinese tell dog jokes, reflecting their amazement that Westerners could feel the way they do about an animal that the Chinese consider better for eating than petting. (Actually, with growing affluence in China, dogs are surviving as pets more frequently, and pet food sales have increased 70 per cent over the last five years.) And sometimes people are surprised that the French take their dogs to the finest restaurants, where the dogs themselves might be served sitting at the table.


Cultural sensitivity and tolerance

Successful international marketing begins with cultural sensitivity—being attuned to the nuances of culture so that a new culture can be viewed objectively, evaluated and appreciated. Cultural sensitivity, or cultural empathy, must be carefully cultivated. Perhaps the most important step is the recognition that cultures are not right or wrong, better or worse; they are simply different. As mentioned previously, for every amusing, annoying, peculiar or repulsive cultural trait we find in a country, others see a similarly amusing, annoying or repulsive trait in our culture. For example, in some cultures people bathe, perfume and deodorise their bodies in a daily ritual that is seen in many other cultures as compulsive.

Just because a culture is different does not make it wrong. Marketers must understand how their own cultures influence their assumptions about another culture. The more exotic the situation, the more sensitive, tolerant and flexible one needs to be. Being culturally sensitive will reduce conflict and improve communications and thereby increase success in collaborative relationships.

Besides knowledge of the origins and elements of cultures, the international marketer also should have appreciation of how cultures change and accept or reject new ideas. Because the marketer usually is trying to introduce something completely new (such as e-trading), or to improve what is already in use, how cultures change and the manner in which resistance to change occurs should be thoroughly understood.

Cultural change

Culture is dynamic in nature; it is a living process. But the fact that cultural change is constant seems paradoxical, because another important attribute of culture is that it is conservative and resists change. The dynamic character of culture is significant in assessing new markets even though changes face resistance. Societies change in a variety of ways. Some have change thrust upon them by war (for example, the changes in Japan after the Second World War) or by natural disaster. More frequently, change is a result of a society seeking ways to solve the problems created by changes in its environment. It can be suggested that culture is the accumulation of a series of the
best solutions to problems faced in common by members of a given society. In other words, culture is the means used in adjusting to the environmental and historical components of human existence.

Accident has provided solutions to some problems; invention has solved many others. Usually, however, societies have found answers by looking to other cultures from which they can borrow ideas. Cultural borrowing is common to all cultures. Although each society has a few unique situations facing it (such as stomach cancer in Japan), most problems confronting all societies are similar in nature.

**Cultural borrowing**

Cultural borrowing is a responsible effort to learn from others’ cultural ways in the quest for better solutions to a society’s particular problems. Thus, cultures unique in their own right are the result, in part, of imitating a diversity of others. Consider, for example, American (US) culture and a typical US citizen, who begins breakfast with an orange from the eastern Mediterranean, a cantaloupe from Persia or perhaps a piece of African watermelon. After her fruit and first coffee she goes on to waffles, cakes made by a Scandinavian technique from wheat domesticated in Asia Minor. Over these she pours maple syrup, discovered by the Indians of the eastern US woodlands. As a side dish she may have the eggs of a species of bird domesticated in Indochina, or thin strips of the flesh of an animal domesticated in eastern Asia that have been salted and smoked by a process developed in northern Europe. While eating, she reads the news of the day, imprinted in characters invented by the ancient Semites upon a material invented in China by a process also invented in China. As she absorbs the accounts of foreign troubles, she will, if she is a good conservative citizen, thank a Hebrew deity in an Indo-European language that she is 100 per cent American.

Actually, this citizen is correct to assume that she is 100 per cent American because each of the borrowed cultural facets has been adapted to fit her needs, moulded into uniquely American habits, foods and customs. Americans behave as they do because of the dictates of their culture. Regardless of how or where solutions are found, once a particular pattern of action is judged acceptable by society, it becomes the approved way and is passed on and taught as part of the group’s cultural heritage. Cultural heritage is one of the fundamental differences between humans and other animals. Culture is learned; societies pass on to succeeding generations solutions to problems, constantly building on and expanding the culture so that a wide range of behaviour is possible. The point is, of course, that although many behaviours are borrowed from other cultures, they are combined in a unique manner that becomes typical for a particular society. To the international marketer, this similar-but-different feature of cultures has important meaning in gaining cultural empathy.

**Similarities: an illusion**

For the inexperienced marketer, the similar-but-different aspect of culture creates illusions of similarity that usually do not exist. Several nationalities can speak the same language or have similar race and heritage, but it does not follow that similarities exist in other respects—that a product acceptable to one culture will be readily acceptable to the other, or that a promotional message that succeeds in one country will succeed in the other. Even though people start with a common idea or approach, as is the case
among English-speaking Australians and the British, cultural borrowing and assimilation to meet individual needs translate over time into quite distinct cultures. A common language does not guarantee a similar interpretation of words or phrases. Both Americans and Australians speak English, but their cultures are sufficiently different so that a single phrase has different meanings to each and can even be completely misunderstood. Indeed, anthropologist Edward Hall warns that some people may have a harder time understanding each other because of apparent and assumed cultural similarities.

The growing economic unification of Europe has fostered a tendency to speak of the ‘European consumer’. Many of the obstacles to doing business in Europe have been or will be eliminated as the European Union takes shape, but marketers, eager to enter the market, must not jump to the conclusion that an economically unified Europe means a common set of consumer wants and needs. Cultural differences among the members of the European Union are the product of centuries of history that will take centuries to erase. Australia itself has many subcultures that even today, with mass communications and rapid travel, defy complete homogenisation. Indeed the policy of multiculturalism preserves and encourages cultural variation. To suggest that the unification of Germany has erased cultural differences that arose from over 40 years of political and social separation would be a mistake.

Marketers must assess each country thoroughly in terms of the proposed goods or services and never rely on an often-used axiom that if it sells in one country, it will surely sell in another. As worldwide mass communications and increased economic and social interdependence of countries grow, similarities among countries will increase and common market behaviours, wants and needs will continue to develop. As this process occurs, the tendency will be to rely more on apparent similarities when they may not exist. A marketer is wise to remember that a culture borrows and then adapts and customises to its own needs and idiosyncrasies; thus, what may appear to be the same on the surface may be different in its cultural meaning.

The scope of culture is broad. It covers every aspect of behaviour within a society. The task of international marketers is to adjust marketing strategies and plans to the needs of the culture in which they plan to operate. Whether innovations develop internally through invention, experimentation or by accident, or are introduced from outside through a process of borrowing or immigration, cultural dynamics always seem to take on both positive and negative aspects.

Resistance to change

A characteristic of human culture is that change occurs. That people’s habits, tastes, styles, behaviour and values are not constant but are continually changing can be verified by reading 20-year-old magazines. However, this gradual cultural growth does not occur without some resistance; new methods, ideas and products are held to be suspect before they are accepted, if ever.

The degree of resistance to new patterns varies. In some situations new elements are accepted completely and rapidly; in others, resistance is so strong that acceptance is never forthcoming. One study using Hofstede’s data shows that consumers’ acceptance of innovations varies across cultures—innovation was associated with higher individualism (IDV) and lower power distance (PDI) and uncertainty avoidance (UAI). Others argue that culture also influences the production of innovations.
Other studies show that the most important factors in determining what kind and how much of an innovation will be accepted is the degree of interest in the particular subject, as well as how drastically the new will change the old—that is, how disruptive the innovation will be to presently acceptable values and behaviour patterns. Observations indicate that those innovations most readily accepted are those holding the greatest interest within the society and those least disruptive. For example, rapid industrialisation in parts of Europe has changed many long-honoured attitudes involving time and working women. Today, there is an interest in ways to save time and make life more productive; the leisurely continental life is rapidly disappearing. With this time-consciousness has come the very rapid acceptance of many innovations that might have been resisted by most just a few years ago. Instant foods, labour-saving devices and fast-food establishments, all supportive of a changing attitude toward work and time, are rapidly gaining acceptance.

The resistance to genetically modified (GM) foods (some call it ‘Frankenfood’) has become an important and interesting example. European ethnocentrism certainly entered into the equation early—Europeans protested in the streets the introduction of products such as tomatoes genetically designed to ripen slowly. Conversely, Asian governments labelled the foods as genetically altered and Asian consumers ate them. In Australia, this revolution in biotechnology resulted in consumers’ negative reaction (prompting government regulations requiring GM ingredients to be included in product labels).

Although cultures meet most newness with some resistance or rejection, that resistance can be overcome. Cultures are dynamic, and change occurs when resistance slowly yields to acceptance as the basis for resistance becomes unimportant or forgotten. Gradually there comes an awareness of the need for change, or ideas once too complex become less so because of cultural gains in understanding, or an idea is restructured in a less complex way, and so on. Once a need is recognised, even the establishment may be unable to prevent the acceptance of a new idea. For some ideas, solutions to problems or new products, resistance can be overcome in months; for others, approval may come only after decades or centuries.

An understanding of the process of acceptance of innovations is of crucial importance to the marketer. The marketer cannot wait centuries or even decades for acceptance but must gain acceptance within the limits of financial resources and projected profitability periods. Possible methods and insights are offered by social scientists who are concerned with the concepts of planned social change. Historically, most cultural borrowing and the resulting change has occurred without a deliberate plan, but increasingly changes are occurring in societies as a result of purposeful attempts by some acceptable institution to bring about change, that is, planned change.

**Planned and unplanned cultural change**

The first step in bringing about planned change in a society is to determine which cultural factors conflict with an innovation, thus creating resistance to its acceptance. The next step is an effort to change those factors from obstacles to acceptance into stimulants for change. The same deliberate approaches used by the social planner to gain acceptance for hybrid grains, better sanitation methods, improved farming
techniques or protein-rich diets among the peoples of underdeveloped societies, can be adopted by marketers to achieve marketing goals.\(^{107}\)

Marketers have two options when introducing an innovation to a culture: They can wait, or they can cause change. The former requires hopeful waiting for eventual cultural changes that prove their innovations of value to the culture; the latter involves introducing an idea or product and deliberately setting about to overcome resistance and to cause change that accelerates the rate of acceptance. The folks at Fidelity Investments in Japan, for example, pitched a tent in front of Tokyo’s Shinjuku train station and showered commuters with investment brochures and demonstrations of its Japanese-language WebXpress online stock trading services in order to cause faster changes in Japanese investor behaviour. However, as mentioned earlier, the changes have not happened fast enough for most foreign firms targeting this business.

Obviously not all marketing efforts require change in order to be accepted. In fact, much successful and highly competitive marketing is accomplished by a strategy of cultural congruence. Essentially this involves marketing products similar to ones already on the market in a manner as congruent as possible with existing cultural norms, thereby minimising resistance. However, when marketing programs depend on cultural change to be successful, a company may decide to leave acceptance to a strategy of unplanned change—that is, introduce a product and hope for the best. Or a company may employ a strategy of planned change—that is, deliberately set out to change those aspects of the culture offering resistance to predetermined marketing goals.

As an example of unplanned cultural change, consider how the Japanese diet has changed since the introduction of milk and bread soon after the Second World War. Most Japanese, who were predominantly fish eaters, have increased their intake of animal fat and protein to the point that fat and protein now exceed vegetable intake. As many McDonald’s hamburgers are likely to be eaten in Japan as the traditional rice ball wrapped in edible seaweed, and hamburgers are replacing many traditional Japanese foods. Burger King purchased Japan’s home-grown Morinaga Love restaurant chain, home of the salmon burger (a patty of salmon meat, a slice of cheese and a layer of dried seaweed, spread with mayonnaise and stuck between two cakes of sticky Japanese rice pressed into the shape of a bun), an eggplant burger and other treats. The chain was converted and sells Whoppers instead of the salmon–rice burger.\(^{108}\)

The Westernised diet has caused many Japanese to become overweight. To counter this, the Japanese are buying low-calorie, low-fat foods to help shed excess weight and are flocking to health clubs. All this began when US occupation forces introduced bread, milk and steak to Japanese culture. The effect on the Japanese was unintentional, but nevertheless, change occurred. Had the intent been to introduce a new diet—that is, a strategy of planned change—specific steps could have been taken to identify resistance to dietary change and then to overcome these resistances, thus accelerating the process of change.

Marketing strategy is judged culturally in terms of acceptance, resistance or rejection. How marketing efforts interact with a culture determines the degree of success or failure, but even failures leave their imprint on a culture. All too often, marketers are not aware of the scope of their impact on a host culture. If a strategy of planned change is implemented, the marketer has some responsibility to determine the consequences of such action.
Consequences of innovation

When product diffusion (acceptance) occurs, a process of social change may also occur. One issue frequently raised concerns the consequences of the changes that happen within a social system as a result of acceptance of an innovation. The marketer seeking product diffusion and adoption may inadvertently bring about change that affects the very fabric of a social system. Consequences of diffusion of an innovation may be functional or dysfunctional, depending on whether the effects on the social system are desirable or undesirable. In most instances, the marketer’s concern is with perceived functional consequences—the positive benefits of product use. Indeed, in most situations innovative products for which the marketer purposely sets out to gain cultural acceptance have minimal, if any, dysfunctional consequences, but that cannot be taken for granted.

On the surface, it would appear that the introduction of a processed feeding formula into the diet of babies in underdeveloped countries where protein deficiency is a health problem would have all the functional consequences of better nutrition and health, stronger and faster growth and so forth. Much evidence, however, suggests that in many situations the dysfunctional consequences far exceeded the benefits. In Nicaragua (and numerous other developing countries), as the result of the introduction of formula, a significant number of babies annually were changed from breast feeding to bottle feeding before the age of six months. However, where sanitation methods are inadequate, bottle feeding may result in a substantial increase in dysentery and diarrhoea and a much higher infant mortality rate.

A change from breast feeding to bottle feeding at an early age without the users’ complete understanding of purification had caused dysfunctional consequences. This was the result of two factors: the impurity of the water used with the formula and the loss of the natural immunity to childhood disease that a mother’s milk provides. This was a case of planned change that resulted in devastating consequences. The infant formula companies set out to purposely change traditional breast feeding to bottle feeding. Advertising, promotions of infant formula using testimonials from nurses and midwives, and abundant free samples were used to encourage a change in behaviour. It was a successful marketing program, but the consequences were unintentionally dysfunctional. An international boycott of infant formula products by several groups resulted in the company agreeing to alter its marketing programs to encourage breast feeding. This problem first occurred more than 30 years ago and is still causing trouble for the company. The consequences of the introduction of an innovation can be serious for society and the company responsible, whether the act was intentional or not.

Some marketers may question their responsibility beyond product safety as far as the consequences of their role as change agents are concerned. Obviously the marketer has responsibility for the dysfunctional results of marketing efforts whether intentional or not. International marketers may cause cultural changes that can create dysfunctional consequences. If proper analysis indicates that negative results can be anticipated from the acceptance of an innovation, it is the responsibility of the marketer to design programs not only to gain acceptance for a product but also to eliminate any negative cultural effects.
Summary

One British authority admonishes international marketers to study the world until ‘the mere mention of a town, country or river enables it to be picked out immediately on the map’. Although it may not be necessary for the student of international marketing to memorise the world map to that extent, a prospective international marketer should be reasonably familiar with the world, its climate and topographic differences. Geographic hurdles must be recognised as having a direct effect on marketing and the related activities of communications and distribution. Indirect effects from the geographical ramifications of a society and culture may be ultimately reflected in marketing activities. Many of the peculiarities of a country (that is, peculiar to the foreigner) would be better understood and anticipated if its history and geography were studied more closely. Without a historical understanding of a culture, the attitudes within the marketplace may not be fully understood.

Aside from the simpler and more obvious ramifications of climate and topography, history and geography exert complex influences on the development of the general economy and society of a country. In this case, the study of history and geography is needed to provide the marketer with an understanding of why a country has developed as it has rather than as a guide for adapting marketing plans.

A complete and thorough appreciation of the origins (geography, history, political economy, technology and social institutions) and elements (cultural values, rituals, symbols, beliefs and ways of thinking) of culture may well be the single most important gain to an international marketer in the preparation of marketing plans and strategies. Marketers can control the product offered to a market—its promotion, price and eventual distribution methods—but they have only limited control over the cultural environment within which these plans must be implemented. Because they cannot control all the influences on their marketing plans, they must attempt to anticipate the eventual effect of the uncontrollable elements and plan in such a way that these elements do not preclude the achievement of marketing objectives. They can also set about to effect changes that lead to quicker acceptance of their products or marketing programs.

Planning marketing strategy in terms of the uncontrollable elements of a market is necessary in a domestic market as well, but when a company is operating internationally each new environment that is influenced by elements unfamiliar and sometimes unrecognisable to the marketer complicates the task. For these reasons, special effort and study are needed to absorb enough understanding of the foreign culture to cope with the uncontrollable features.

Questions

1 Discuss why history should be studied in international marketing.
2 Discuss why geography should be studied in international marketing.
3 Pick a country, other than Australia, and show how significant historical events have affected the country’s culture.
4 The marketer ‘should also examine the more complex effect of geography on general market characteristics, distribution systems and the state of the economy.’ Comment.

5 The world population trend is shifting from rural to urban areas. Discuss the marketing ramifications.

6 Select a country with a stable population and one with a rapidly growing population. Contrast the marketing implications of these two situations.

7 The telegraph, the telephone, television, satellites, the computer and the Internet have all had an effect on how international business operates. Discuss how each of these communications innovations has affected international business management.

8 Define the following terms:
   • culture
   • cultural sensitivity
   • social institutions
   • factual knowledge
   • ethnocentrism
   • interpretive knowledge
   • strategy of cultural congruence
   • cultural values
   • linguistic distance
   • cultural borrowing
   • strategy of unplanned change
   • aesthetics
   • strategy of planned change.

9 Which role does the marketer play as a change agent?

10 Discuss the three cultural change strategies an international marketer can pursue.

11 ‘Culture is pervasive in all marketing activities.’ Discuss.

12 What is the importance of cultural empathy to international marketers? How do they acquire cultural empathy?

13 Why should an international marketer be concerned with the study of culture?

14 What is the popular definition of culture? Where does culture come from?

15 ‘Members of a society borrow from other cultures to solve problems that they face in common.’ What does this mean? What is the significance to marketing?

16 ‘For the inexperienced marketer, the “similar-but-different” aspect of culture creates an illusion of similarity that usually does not exist.’ Discuss and give examples.

17 ‘Markets are the result of the three-way interaction of a marketer’s efforts, economic conditions and all other elements of the culture.’ Comment.

18 What are some particularly troublesome problems caused by language in international marketing? Discuss.

19 Suppose you were asked to prepare a cultural analysis for a potential market. What would you do? Outline the steps and comment briefly on each.

20 How can resistance to cultural change influence product introduction? Are there any similarities in domestic marketing? Explain, giving examples.

21 Innovations are described as being either functional or dysfunctional. Explain and give examples of each.
World maps

1. The world
2. Oil and gas production and consumption
3. Annual renewable water consumption
4. Global terrorism
5. World religions
6. Global economy and world trade
1 The world
2 Oil and gas production and consumption

Energy consumption oil and gas fields

Oil and natural gas account for over 60 per cent of energy production in the US, and slightly less than that in the remainder of the world. Oil production peaked in the US in 1970, and is expected to peak worldwide in the next 10 years.

Natural gas prices have been below those for oil, but gas is costlier to transport through pipelines, so there is much less gas traded than there is for oil. Supply estimates have risen in recent decades as more oil has been made and marketed natural gas and prices have unpredictably low for most of the 1990s and 2000s. Gas is also the cheapest feedstock for making hydrogen, possibly the dominant energy carrier of the future.

2010 ENERGY INTENSITY

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World average: 370 kgoe
3 Annual renewable water consumption

![Map of annual renewable water consumption](source)

**Annual renewable water supply (m³/person/year)**
- ≤500
- 500–1,000
- 1,000–1,700
- 1,700–4,000
- 4,000–10,000
- >10,000
- No data

4 Global terrorism

WESTERN EUROPE
Several countries have participated in the US-led war on terrorism but are concerned that they, too, have become actual or potential al Qaeda targets as a result.

EURASIA
This is a key arena in the war on terrorism, with many countries receiving financial and military aid from the US. Reaction from some Islamic groups is evident.

AFRICA
The presence of failed states and poverty raises concerns that some countries will become training and recruitment grounds for terrorist groups targeting Israel and the US.

MIDDLE EAST
The Israel–Palestine conflict, terrorist challenges to established regimes (such as Saudi Arabia’s), and insurgency against an increased US presence are volatile issues in the region.

SOUTH AMERICA
Conflict over Kashmir, tensions in Afghanistan and Pakistan, and al Qaeda presence in Southeast Asia combine to make this region a pivot in the war on terrorism.

Terrorism
Contemporary terrorism has two major motivations: challenging the global role of the US and national self-determination. The violent challenge to the global presence of the US by al Qaeda is a relatively recent development that transcends state politics. A worldwide network of terrorist cells, more or less affiliated with al Qaeda, has targeted buildings and activities that represent Western economic, political and cultural activity. The suicide attacks of 11 September, 2001, targeted symbols of US political and economic power. The bombing of a hotel in Bali targeted Australian youth on holiday in a Muslim country. A more traditional form of terrorism is ethno-nationalist politics within states. For example, terrorist activity in India, Pakistan and the Middle East is dominated by the goal of national separation or self-determination.
6 Global economy and world trade
World trade: exports of goods and commercial services per capita, 2001

Endnotes

1 An interesting website that has information on various cultural traits, gestures, holidays, language, religions and so forth is www.culturegrams.com.


3 For an interesting discussion of aspects of Japan’s political, economic and social life that helps to explain how Japan is today and why it is like that, see Duncan McCargo, Contemporary Japan, 2nd edn, Palgrave Macmillan, New York, 2004.

4 For centuries, Japan sought isolation from the rest of the world, refusing to trade or become involved in any way. When Commodore Perry sailed to the Land of the Rising Sun, Japan was opened to the West. Treaties signed with the United States, Britain, Holland, Russia and France extended jurisdiction onto Japanese soil and limited the country’s right to impose taxes on imports. According to one account, these unequal and humiliating treaties had much to do with shaping Japan’s goal to make itself the West’s industrial and military equal. For a history of the period, see Ann Graham Gaines, Commodore Perry Opens Japan to Trade in World History, Enslow Publishers, Berkeley Heights, NJ, 2000.

5 For an insightful report on the transformation of Japan from an isolated island shogunate into an expansive military empire and then into a pacified and prosperous democracy, see Ian Buruma, Inventing Japan, 1853–1964, Modern Library, New York, 2003.

6 The importance of geography in understanding global challenges that exist today is discussed in Harm J. DeBlij, Why Geography Matters, Oxford University Press, New York, 2005.


12 The climatic phenomenon of El Niño raises havoc with weather patterns and is linked to crop failures, famine, forest fires, dust and sand storms and other disasters associated with either an overabundance or a lack of rain.


14 As horrible as the tsunami was in east Asia, the economic devastation remains long after the physical damage is repaired. "After the Deluge", The Economist, 6 January 2005.

15 ‘400 000 To Be Moved for Canals Network’, The Standard, 6 April 2005.

16 Beside the relocation of over a million people, the Three Gorges Dam is also cited for various environmental problems, including silt accumulation and pollution controls. See ‘China Plans to Relocate 108,000 This Year to Make Way for the Three Gorges Dam’, Agency France Presse, 14 February 2004.


19 Visit www.gemi.org for information on Global Environmental Management Initiative, an organisation of US multinational companies dedicated to environmental protection.

20 Visit www.eia.doe.gov and search for ‘International Energy Outlook (most current year)’ for details of production, use, etc.

21 See Map 2, ‘Oil and gas production and consumption’, for a global view of the flow and uses of petroleum.


23 Koh Chin Ling & Loretta Ng, ‘China’s Crude Oil Imports Surge in March’, International Herald Tribune, 22 April 2005.


26 The effect that the war in Iraq has had on oil prices is discussed in some detail in Gene Epstein, ‘Iraq Bites Back’, Barrons, 16 May 2005, p. 36.


28 For an interesting discussion on why one analyst believes the world is not running out of oil, see ‘The Bottomless Beer Mug’, The Economist, 28 April 2005.


34 See, for example, Jianghong Li & William Lovely, Village Context, Women’s Status, and Son Preference among Rural Chinese Women, Rural Sociology, March 2003, p. 87.


41 Spain Grants Amnesty to 700,000 Migrants’, Guardian Unlimited, 9 May 2005.
PART 2 External environment

48 A most important summary of research in the area of culture’s impact on consumption behaviour is Eric J. Arnould & Craig J. Thompson, ‘Consumer Culture Theory (CCT): Twenty Years of Research’, Journal of Consumer Research, 5:2, March 2005, pp. 868–82.
51 There seems a reasonable proposition to the authors given that the best restaurants in Madrid are still serving the main course after midnight!
52 ‘Cultural Differences, You Say Tomato’, The Economist, 19 April 2003, p. 68.
56 See Cadbury’s website for the history of chocolate, www.cadbury.co.uk. Chocolate is also an important product in Switzerland, where the consumption per capita is over 12 kg. The mountain climate is cooler and, of course, Nestlé has corporate headquarters there.
63 Jared Diamond’s Guns, Germs and Steel: The Fates of the Human Societies, Norton, New York, 1999, is a Pulitzer Prize winner, recipient of the Phi Beta Kappa Award in Science and a wonderful read for anyone interested in history and/or innovation. PBS also has produced a video version of Guns, Germs and Steel. And see Diamond’s most recent book, Collapse, Viking, New York, 2005.
64 Philip Parker’s Physioeconomics, MIT Press, Cambridge, MA, 2000 is a data-rich discussion of global economics well worth reading.
67 See www.culturka.com.tr
68 Some might argue that communalism has survived in North Korea, Cuba or the People’s Republic of China, but at least in the last case free enterprise is on the ascendancy. The former look more like dictatorships to most.
75 ‘Score One for the Vatican’, The Economist, 18 June 2005, p. 49.
77 Shawn T. Thelen & Earl D. Honeycutt Jr., Assessing National Identity in Russia between Generations

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CHAPTER 3  Cultural dynamics in assessing global markets  115


81 In a subsequent study, a fifth dimension, Long-Term Orientation (LTO), was identified as focusing on temporal orientation. See Geert Hofstede & Michael Harris Bond, The Confucius Connection, Organisational Dynamics, 16:4, Spring 1988, pp. 4–21; and Geert Hofstede, Culture’s Consequences, 2nd edn, Sage, Thousand Oaks, CA, 2001.


85 Other excellent films in this genre are Conpin, Consin (France); Four Weddings and a Funeral (UK), Bend It Like Beckham (India), Wedding in Galilee (Palestine/Israel) and The Wedding Banquet (Taiwan).


87 The spices a nursing mother consumes actually affect the flavour of the milk she produces.


90 We appreciate the ethnocentricity in using English as the starting point. However, linguistic trees can be used to measure distance from any language. For example, analyses using French or Japanese as the starting point have proven useful as well.


93 In English there was historically a second second-person form. That is, ‘th’ee’ was the informal form up until the last century. Even in some Spanish-speaking countries such as Costa Rica the ‘tu’ is being dropped in a similar manner.


101 The information provided in CultureGrams is a good example of readily available factual knowledge. See www.culturegrams.com.


108 Interestingly the articles we found did not mention this change in diet as a potential factor in the prevalence of stomach cancer in Japan. However, given that medical science has yet to completely understand the disease, one has to wonder. And the other major environmental catastrophe of the time, the atomic bomb, is not mentioned either.

109 See the Nestle Infant Formula case toward the end of the book for complete details regarding the ongoing infant formula controversy.