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Cross Cultural Analysis of Consumer Behavior

Yoram Wind*

The world customer, like his domestic counterpart, is central to the planning of the marketing effort. Yet, the analysis of world customers has been primarily concerned with the socio-economic, demographic and behavioral characteristics of members of a given culture (nation) and not with their purchase behavior. The cross-cultural analysis at the consumer level has been focused primarily on the differences among members of various cultures. At the national level the cross-cultural analysis has taken the form of comparative marketing. Both of these approaches are not directly applicable for international marketing managers. Hence, this paper takes a marketing management point of view and suggests an operational approach to cross-cultural analysis of consumer behavior which leads to the segmentation of the world customers.

INTRODUCTION

Is purchase behavior culturally bound? Can the same marketing stimuli lead people to different responses simply because they are members of different cultures? These and similar questions, aimed at assessing the cultural determinants, or at best, the correlates of purchase behavior, are of major interest to any manager of international marketing operations. Yet what does the manager have to know? Does he have to dive into the wealth of cultural anthropological studies which describe the different behavior and incidentally also the purchase behavior of members of different cultures? Despite the possible attractiveness of such data the manager cannot afford gathering, analyzing and trying to apply all available data. This suggests some selectivity in gathering information. The problem is, however, what information should the marketing manager have concerning the world customer.

International marketing management differs from domestic marketing primarily due to some additional environmental constraints. Thus gathering the same type of information which is required for domestic marketing operations can be used as a first approximation for a specific guideline for the information required in international business operations.[1] This guideline is based on the premise that, at a suitable level of abstraction, buyer behavior in foreign countries is no different from the behavior of their domestic counterparts. There are obviously differences in tastes. A U.S. customer, for example, might prefer coffee whereas an Englishman prefers tea. Yet, the difference in taste is not country bound, and some Americans, for example, like tea and not coffee.

How can an international manager cope with these problems successfully? Given the premise that the approach suggested should be operational there seems to be little benefit in using either aggregate or extremely disaggregate approach, i.e., there are only few instances in which viewing the world as one market is operational. Hence, given customer heterogeneity within and between countries, most marketing problems require some level of disaggregation. The extreme case of disaggregation takes the buyer as the unit of analysis which is not always appropriate. Thus the solution lies in the middle — some level of disaggregation — which is known in domestic marketing as market segmentation, and is practically used by international marketers when they take a country or a region as their primary unit of analysis.

The implicit assumption frequently made by international marketers is that the differences among consumers within a country are smaller than the differences between members of two foreign cultures. If valid, this is primarily the key criteria for identifying different market segments. Is this assumption valid? Are the political boundaries of countries the relevant criteria for grouping customers? What is the most appropriate basis for identifying those people who have similar responses to marketing variables? Examing this assumption requires first the distinction between two aspects of consumer behavior: (1) the buying process; (2) the determinants of the buying decision.

The buying process can in turn be divided into the decision process and the act of purchasing. It is clear that the environment, especially the existing marketing institutions, determine to a large extent the latter. As to the former it seems, based on our existing knowledge, that most people regardless of their cultural origin behave as information processing systems and have quite similar decision processes. The major effect of different cultures comes therefore in determining the purchase decision, especially when consumption patterns are viewed as one of these determinants. This inter-

*Assistant Professor of Marketing and International Business, University of Pennsylvania.

[1]For further discussion of this subject see Yoram Wind, "Information Requirements for International Business Decisions", *Wharton School Working Paper*, June 1967.

action of cultural and purchasing behavior is to be discussed next, followed by an analysis of culture, purchase behavior and international marketing management, and an operational approach to cross cultural analysis of consumer behavior.

CULTURE, SUBCULTURE AND PURCHASE BEHAVIOR

Before analyzing the effect of culture on purchase behavior it is useful to define the relevant concepts. The concept of culture is subject to a variety of different interpretations, as is clearly indicated by the 257 definitions of the term found by Kroeber and Kluckhohn.[2] For the purpose of this paper I have suggested the following eclectic definition of culture as "the pattern of all those arrangements, material or behavioral, which have been learned and shared by people as members of society, and adopted by the given society as the traditional ways of solving the problems of its members." When applied to the problems which are of interest to us as marketers — those of purchasing and consuming — it is likely to assume that different cultures might suggest different ways of solving these problems. This assumes however some homogeneity within the given culture. Dichter, for example, in describing the "world customer"[3] provides some impressionistic evidence of varying consumption habits and their determinants in various foreign markets which implies this notion of cultural homogeneity. Is it reasonable to assume this homogeneity? Domestic marketers will definitely reject it with regard to their markets, and the recent popularity of market segmentation illustrates the belief that no culture is homogeneous. One does not have to rely, however, only on our belief as marketers, since the concept of subcultures is indicative of the same phenomena. Subculture — the part of the given total culture which is distinctive of a segment of society, e.g. an ethnic group, age, or even socio-economic groups — has been often among the most popular bases of market segmentation. Hence, one can assume that different subcultures have different response patterns to marketing variables, and that the attributes of a culture and its subcultures affects consumer purchase behavior.

Complicating the issue of culture, subculture and purchase behavior is the possibility that members of a subculture who belong to two distinct cultures can have similar responses to marketing variables, similarity which is greater than can be found in the response of two subcultures, of a given culture. An example of the Japanese and U.S. teenage subculture as opposed to the Puerto Rican and Scandinavians in U.S.A. illustrates this apparent situation.

Given such plausible situation, it might seem that an international marketer aiming at the Japanese, English and U.S. teenage market might have less problems in hitting his target market with the "right" marketing program than a domestic marketer trying to cope with two ethnic subcultures.

If such is the case, is the concern with cross-cultural analysis of consumer behavior only within the domain of the international marketer? The answer is obviously NO! It seems therefore, that the emphasis of international marketers on cultural differences is primarily due to the unfamiliarity with and strangeness of "different" "foreign" cultures. One can not expect to eliminate this strangeness, but by employing relevant concepts and methods which were developed in domestic marketing operations, one is likely to achieve a more realistic marketing approach to foreign cultures.

CULTURE, PURCHASING BEHAVIOR, AND INTERNATIONAL MARKETING MANAGEMENT

Given the premise that cultural and subcultural attributes are among the determinants of purchase behavior one is likely to derive the conclusion that cultural and inter-cultural understandings can help the domestic and international marketing managers in their efforts to cope successfully with their marketing tasks. The question is, however, not whether one can expect to improve his marketing decisions by advancing his cultural understanding but how can the latter lead to the former. Most advocates of cultural-bound purchase behavior concentrate on how specific cultural knowledge, the awareness of cultural patterns and themes, and understanding of the implicit and explicit culture, can better explain differences among cultures and hence shed some light on individual response to marketing variables.

Domestic marketers quite frequently utilize subcultural knowledge, at a high level of aggregation of consumer behavior, as a possible basis of market segmentation. Yet there have been no attempts to use cultural characteristics as a basis for segmenting the world market. Should international marketers be concerned over this situation? Attempting to answer this question requires a separation of two questions: (1) why should one segment the world market? (2) is culture a good basis for segmenting the world market?

Market segmentation as a basic marketing strategy presupposes the design and pursuit of different marketing programs for different segments, if the segments differ from each other with respect to their response to the firm's marketing variables. Employing the "right" strategy of marketing segmentation like following the route of price discrimination, increases the firm's probability of greater profits. Hence there is no theoretical rationale why one should not attempt to segment the world markets and gain the profits of segmentation.

Assuming the need for segmenting the world market, the question remains: is culture appropriate as the basis for segmentation? Evaluating this issue should be made in light of the criteria for segmentation. The primary criterion is that the segments of the total market should be mutually exclusive groups which have a response to controllable marketing variables that is homogeneous within the group but differentiated between groups. Furthermore, to be ultimately useful the segments should be measurable, accessible and substantial.

Given these criteria, is culture a good basis for segmentation? The previous analysis of the relation between culture, subculture and purchase behavior suggested the dominance of heterogeneous purchase behavior within any given culture. This leads to the suggestion that culture is probably a poor basis for segmentation, despite the fact that a culturally bound segmentation by national political boundaries, is accessible, relatively easy, and in most cases leads to substantial segments. Some questions arise, as to its measurability, but the critical reason for rejecting this basis of segmentation is lack of homogeneity in the response, to marketing variables of the given culture's members. More specifically, culture will be an adequate basis of segmentation only if the difference in the response of members of two cultures (the variance between segments) will be greater than the differences in response among members of a given culture (variance within segments). In order to

[2] A. L. Kroeber, & Clyde Kluckhohn, *Culture: A Critical Review of Concepts and Definitions.* (Cambridge, Mass., Papers of the Peabody Museum, Vol. XLVII No. 1, 1952).

[3] Ernest Dichter, "The World Customer," *Harvard Business Review*, Vol. XL (July-Aug. 1962), pp. 113-122.

establish this criterion and hence evaluate the usefulness of culture as a basis for market segmentation, an operational approach to cross cultural analysis of consumer behavior is proposed next.

AN OPERATIONAL APPROACH TO CROSS-CULTURAL ANALYSIS OF CONSUMER BEHAVIOR

Cross-Cultural Analysis refers to those methods which are designed to discover similarities and differences among cultural patterns in a number of societies. At a more specific level market segmentation is directed at dividing the world cultures into parts based on the response to marketing variables. The segmentation of the world market is based on the assumption that the market for a product is made up of heterogeneous groups of customers with heterogeneous demand characteristics. By converting this heterogeneous market into a set of markets which are internally more homogeneous, the firm can tailor its marketing effort to each market segment and increase its profits if the cost of this effort does not exceed the benefits. Similarly, such a strategy might also increase the benefits for the consumers.

The grouping of the heterogeneous world customers into a set of homogeneous market segments should be made, however, on the basis not of cultural similarities or arbitrary national boundaries, but on similarities in market response to the firm's marketing variables. This criterion for determing the structure of the segments is the crucial difference between the traditional cross-cultural and comparative marketing analyses and the strategy of market segmentation as applied to the world market.

From the international marketer point of view, the segmentation strategy is preferable since it is directly related to his marketing variables, whereas using findings from cross-cultural analysis requires the reliance on the link between cultural similarities and similarities of customer behavior. Since there is no conclusive empirical evidence to establish the validity of this link, international marketers will be better off directly using a strategy of segmentation.

Accepting this premise, international marketers are still faced with the operational question of *how to segment the world market*. The similarity of domestic and international market segmentation suggests that the same techniques which are being used in domestic market segmentation can be used in international segmentation. Among these techniques, some of the more useful and operational ones seem to be clustering of micro-segments (as proposed by Claycamp and Massy)[4] and multidimensional scaling as developed in the Marketing Science Institute's MAPP (Mathematical Analysis of Perception and Preferences) project.[5]

It is reasonable to assume that the techniques for segmentation are identical whether applied to a domestic or international market. Yet the basis for segmentation might differ significantly. Hence a careful design of the segmentation scheme should be undertaken for each specific marketing problem.

CONCLUSIONS: SOME MANAGERIAL IMPLICATIONS

Whereas comparative marketing and traditional treatments of cross-cultural analysis center on the identification and analysis of common factors and difference in marketing systems, cultures, and other cultural-enduring attributes among various societies, the approach suggested in this paper groups cultures (countries) based on customer's responses to a firm's specific marketing variables. When cultures are grouped into clusters based on the similarity of some of their enduring characteristics the marketing manager has no way of assessing from this data the response to his total marketing efforts. This suggests the potential usefulness of the market segmentation strategy when aiming at the world market.

Employing the strategy of segmenting the world market does not necessarily lead to the grouping of countries, it is quite likely that a grouping will be based on subcultures of various countries or even be limited to parts of one culture. Such a result, generally acceptable in domestic marketing, has been frequently overlooked in international marketing due to the implicit assumption of cross-cultural analysis that each culture is a homogeneous unit. The market segmentation approach identifies the relevant segments within a culture, and enables management to design a separate marketing program for each segment, since it is not very likely that a common marketing strategy would apply to a cluster of countries. On the other hand if the segmentation leads to clusters composed of a number of countries, the international marketer, when aiming at such segment, might benefit from some economies of scale.

Up to this point it has been assumed that culture can be measured as one unambiguous entity. The problems of an operational definition of culture are numerous; hence, a segmentation approach which provides an operational, clear-cut criterion for stratifying the world market has an added advantage over the traditional cross-cultural analysis.

The effect of cultural change on purchase behavior can be taken into explicit account when utilizing an operational segmentation strategy. Segmentation based on response to marketing variables is, unless proven otherwise, generic product-bound, i.e., different generic products might lead to the establishment of different market segments. Hence when employing a market segmentation strategy a manager knows that he has to design a different segmentation scheme for different products at different periods of time which in turn accounts for cultural changes. On the other hand when a manager relies in his international marketing operations on comparative marketing or traditional cross-cultural study the dynamics of cultural changes might escape him and result in the use of inaccurate data.

In view of the above discussion it is clear that, from the practical point of view of the international marketing manager, market segmentation strategy is preferable to the traditional approach of comparative marketing and cross-cultural analysis. It is my hope that these remarks will stimulate some practical application of market segmentation to the world market especially since the techniques needed for segmentation, including the needed computer programs, exist and await their utilization in the growing field of international operations. The segmentation concept which is the crux of this approach to cross-cultural analysis of consumer behavior provides no panacea for the international marketers' market classification problem; yet it is operational, marketing oriented, and potentially more useful than any of the currently used classification techniques. As such it deserves some more attention and deserves a test of its usefulness for international business operations.

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[4] Henry J. Claycamp & William F. Massy, "A New Approach to Market Segmentation" Graduate School of Business, Stanford University, Working Paper No. 104, June 1965.

[5] Paul E. Green, Frank J. Cormone and Patrick J. Robinson, MAPP; *Mathematical Analysis of Perception and Preference in Marketing Behavior*, Preliminary draft, Marketing Science Institute, 1967.