

Marketing and the Impacts of Chinese Culture
A Business Guide From a Macro to Micro Perspective
An Honors Thesis Proposal

Background and Significance

Some regard the concept of “globalization” as being older than 5,000 years,¹ but as for the word itself, it is extremely difficult to identify who used globalization for the first time.² In truth, civilizations have interacted with one another and exchanged ideas and products since the beginning of recorded history. Due to technological advancements, the interactions between societies have continued to increase and global markets have expanded.

It is commonly believed that as markets become more widespread and similar, globalization would be the key to unlock all doors.³ In the 1989 Harvard Business Review, Kenichi Ohmae stated that “large companies must become more global if they hope to compete. They must change from companies that treat their foreign operations as secondary, to companies that view the entire world as a single borderless market.⁴” Despite these bold pronouncements of the 1980s, new idealists of the 1990s proclaimed the need for “localization,” the belief that “altering and adjusting the marketing mix determinants are essential and vital to suit local tastes, meet special needs and consumers’ non-identical requirements.⁵”

With case study after case study, researchers and companies have spent the past several decades learning that both ideologies were necessary and the true path to success is a little more complex: niche markets and competitive advantages are realized by finding a

¹ Naghi, R.I., & Para, J. (2013) . The Effects of Globalization on Marketing. *GSTF Journal on Business Review (GBR)*, 2(3), 168-173. doi:10.5176/2010-4804_2.3.234

² Shamsuddoha, Mohammad (2008). Globalization to Glocalization: A Conceptual Analysis. *SSRN Electronic Journal*. doi:10.2139/ssrn.1321662

³ Levitt, T. (1983). The globalisation of markets. *Harvard Business Review*. 92-102.

⁴ Ohmae, K. (1989). Managing in a borderless world. *Harvard Business Review*, May/June. 152-161.

⁵ Czinkota, M. and Ronnenken (1995). *International Marketing* (2nd ed.). Chicago, IL: Dryden Press.

properly balanced ratio between globalization and localization unique to the circumstances of one’s own company and future goals. Why? Global and continental importance grows simultaneously with the increase of regional and local prominence; “local spaces are shaped and local identities are created by globalized contacts as well as by local circumstances.” The influence of both global and local levels are interconnected and grow ever more so each day.⁶

A deeper review of relevant literature shows that this concept, “glocalization” (i.e. a linguistic hybrid that combines both globalization and localization), along with the phrase “think globally, act locally” has actually been around for almost the last 50 years; but, as indicated above, the significance wasn’t fully realized on a large scale until much later.

Time has proven the need for customized strategies, and thousands of business and research articles have been written about its importance; however, even now, despite “glocalization” clinging to the lips and strategy boards of many prominent businessmen, companies are still struggling with this concept. According to the 2015 Harvard Business Review, few companies actually succeed at going global. A recent analysis showed that “it takes 10 years to reach a modest +1% [return on assets] and only 40 percent of companies turn in more than 3 percent.”⁷ Although no company’s experience is identical to another, some of the main reasons highlighted regarding the failure of firm performance is due to local differences and improper global-scale-growth preparation (company logistics of going global). In another article published the same year, titled “The Most Common Mistakes Companies Make with Global Marketing,” all of the six major mistakes listed revolve around the same issues: A balance between global and local cultural customizations and global-scale logistics; one about

⁶ Blatter, Joachim (2013). Glocalization. In *Encyclopædia Britannica online*. Retrieved from <https://www.britannica.com/topic/glocalization>

⁷ Hautz, J., Mayer, M., & Standler, C. (2015, June). Few Companies Actually Succeed Going Global. *Harvard Business Review*. Retrieved from <https://hbr.org/2015/03/few-companies-actually-succeed-at-going-global>

global-scale logistics, and five regarding a balance between global and local cultural customizations.

In fact, it can be said that calculating the proper global to local ratio is the true underlying factor for all of the major mistakes listed above; this is because it helps answer three main questions regarding the decision of global growth and the logistics involved: (a) how much available opportunity is in the market?, (b) how well does the company and its products or services fit the market?, and (c) how difficult is it to enter the market and maintain profitable business? In order to more efficiently overcome the mistakes of the past, companies need to have a better understanding of the balance between global and local ideologies and apply it as they develop into new ecosystems.

The majority of current literature on this topic is either very broad (i.e., lists general cultural concepts associated with multiple countries or is non-country specific) or very specific (i.e., focuses on a single specific industry trait or analyzes a single company's failure or success; which includes well-known examples such as McDonald's and KFC). The few articles or books that discuss the marketing mix in China are not very extensive and lump culture as its own separate category rather than something that affects the entire mix. Due to this, and considering the fact that many companies already have a decent grasp of how to run their global business with a focus on economic factors, my thesis will aid western companies by addressing the cultural aspects of China's local biome.

While many businesses vary on their definition of cultural aspects, my analysis interprets culture according to the following:

Broadly, social heritage of a group (organized community or society). It is a pattern of responses discovered, developed, or invented during the group's history of handling problems which arise from interactions among its members,

and between them and their environment. These responses are considered the correct way to perceive, feel, think, and act, and are passed on to the new members through immersion and teaching. Culture determines what is acceptable or unacceptable, important or unimportant, right or wrong, workable or unworkable. It encompasses all learned and shared, explicit or tacit, assumptions, beliefs, knowledge, norms, and values, as well as attitudes, behavior, dress, and language.⁸

China was chosen as the country of focus in my thesis because it has a population of more than 1.3 billion people, and ever since the opening of its doors in 1978, China has been the fastest-growing economy in the world with many believing it to exceed the US as number one in the upcoming decade or two.⁹ As such, it has been regarded as a prospective “golden” opportunity in the eyes of many businesses and economists. However, despite its incredible promise, China is still a cultural conundrum to most of the western world.

Statement of Intent

For my thesis, I will assess how the marketing mix is affected by relevant cultural aspects in China as defined above. While some businesses regard the marketing mix as being more complex and including the 7P's as well as the 4C's¹⁰, my thesis will view these as more well-defined details of the original 4P's; i.e., product, price, place, and promotion. In order to better aid companies in evaluating their best-fit global to local ratio, as well as to more efficiently illustrate culture's effect on the Chinese market, my thesis will assess cross-cultural research

⁸ Culture (n.d.). In *BusinessDictionary.com* website. Retrieved from <http://www.businessdictionary.com/definition/culture.html>

⁹ Tian, X. (2016). *Managing International Business in China*, New York, NY: Cambridge University Press.

¹⁰ The 7P's consist of product, price, place, promotion, process, people, and physical environment. The 4C's include communication, cost, convenience, and customer value.

between the West (specifically the U.S.) and China by comparing the two cultures from a macro to micro perspective while including real-life business examples from the past 15 years.

Methodology/Procedures

My research will be carried out by analyzing relevant cultural aspects in China from a macro to micro perspective. First, I will compare national culture in the U.S. and China using Hofstede's *Cultural Dimension Theory*. This comparison will include specific business examples from each country to better illustrate the meaning behind Hofstede's study. At the same time, I will review limitations of Hofstede's study as well as how levels compare to other similar well-known cross-cultural research literature and updated versions of Hofstede's work.

Second, my thesis will analyze Chinese culture through key localization focuses derived from cultural conflicts often faced or forgotten by businesses when entering foreign markets. Each focus will review aspects related to western business success or failure using case studies in China within the last 15-years.

Third and finally, culture in the Chinese marketing industry will be assessed; i.e., I will pinpoint common themes in China's marketing industry. This will be accomplished in three ways: (a) reviewing data published by current marketing professionals, (b) utilizing previous research I completed comparing the differences between Chinese and Western advertising, and (c) assessing my personal experience while interning at a Chinese, digital marketing consulting company in Shanghai from March-July 2017.

Approval

This project does not require IRB or IACUC approval.

Preliminary Outline

As noted above, I plan to organize my thesis by evaluating culture beginning from a macro perspective to a micro perspective. These perspectives will assess the cultural aspects that affect how companies should customize the marketing mix; different cultural aspects affect what consumers want and why, as well as show how products and services are marketed to the consumer.

I. Introduction

- A. Background and Significance
- B. Statement of Intent
- C. Methodology/Procedures

II. Marketing

- A. Marketing Strategy and the 4P Marketing Mix
- B. Cross-Cultural Research and Literature Comparisons
 - 1. U.S. vs. China: Hofstede's Cultural Dimensions Theory
 - a) Individualism vs. Collectivism
 - b) Masculinity vs. Femininity
 - c) Long-term Orientation vs. Short-term Orientation
 - d) Uncertainty Avoidance Index
 - e) Power and Distance Index
 - f) Indulgence vs. Restraint
 - 2. Hofstede vs. GLOBE Model
 - 3. Limitations and Updates

III. Localization Focuses

- A. Value Placement

- B. Communication
 - C. Education
 - D. Religion and Beliefs
 - E. Operational Methods
 - F. Laws and Regulations
 - G. Mindset
- IV. China-Specific Marketing Themes
- A. Usage of Individualism vs. Collectivism
 - B. Forms and Methods of Expression
 - C. Incorporation of KOLs
 - D. Marketing Platforms
- V. Successful Case Study
- VI. Conclusion

Preliminary Research

Based on my experiences growing up in a culturally diverse home, studying multiple languages, and experiencing life abroad, I have always been fascinated by the interconnectedness between culture and communication. Later, as I learned more about business, I realized that “successful” marketing is simply a highly efficient form of communication. Marketers have to know the target market in and out in order to connect with consumers; otherwise value isn’t transferred, consumer needs go unmet, and businesses fail. When I realized this, and noticed the struggle for success that many western businesses have in China because of cultural issues, I wanted to utilize my Chinese experience and understanding of Chinese culture to contribute to current research and aid businesses.

I began researching by reviewing case studies in my business textbooks and reading articles that focused on cross-cultural marketing, localization, and business models of companies that have entered or tried to enter the Chinese market. Most articles outside of my textbooks were found using BYU Library databases, Google Scholar and Baidu Xueshu.¹¹ I hoped to use this data to more efficiently pinpoint aspects of Chinese culture that many businesses do not understand or often overlook.

Ge, W. S. and Gu, X. J. (2012). Kua wenhua yingxiao: qiye ruhe yingdui wenhua chongtu [Cross-Cultural Marketing: How do Firms Deal with Cultural Conflicts]. *Jingying yu guanli*.

This article discusses six-cultural conflicts that companies often face when doing cross-cultural marketing. Ge and Gu analyze how cultural differences affect overall marketing strategies and how firms can better prepare to enter the target market. In addition to introductory and background information on my topic, I will be using the six-cultural differences listed in this article (i.e., value placement, communication, religion and beliefs, operational methods, and education) as part of the guiding outline for the localization focuses about Chinese culture.

Kelly, N. (September 2015). Mistakes Companies Make with Global Marketing. *Harvard Business Review*. Retrieved from <https://hbr.org/2015/09/the-most-common-mistakes-companies-make-with-global-marketing>

¹¹ Similar to Google Scholar, Baidu Xueshu is an academic research platform of Chinese and English resources that include reports, academic journals and books, conference papers, theses and dissertations.

Kelly pinpoints the six major mistakes made when doing global marketing. Each of the mistakes listed can be summarized as the two following problems: global-scale logistics and a balance between global and local cultural customization. I am using this article to illustrate how a lot of business blunders can be overcome by companies having a greater grasp of local culture and thus being able to more accurately designate the best-fit global to local ratio for their specific company.

Hautz, J., Mayer, M., & Standler, C. (2015, June). Few Companies Actually Succeed Going Global. *Harvard Business Review*. Retrieved from <https://hbr.org/2015/03/few-companies-actually-succeed-at-going-global>

The research and case studies reviewed in this article indicate the troubles of many businesses attempting to grow globally. Despite the tempting promises of growing one's business internationally, few companies actually gain real returns for their efforts because of their failure to properly assess local conditions and review internal data for global growth. I will be using this source to highlight the momentous problem and need for gaining a better understanding of foreign target markets. I hope that this data will emphasize how an in-depth knowledge of local culture is an essential asset to businesses if they choose to go global.

Naghi, R.I., & Para, J. (2013) . The Effects of Globalization on Marketing. *GSTF Journal on Business Review (GBR)*, 2(3), 168-173. doi:10.5176/2010-4804_2.3.234

In this article, the authors compare the ideals and theories behind both globalization and localization. They pinpoint the benefits and limitations of both concepts. Due to globalization, the marketing mix (the 4P's) is affected and needs to be customized. The authors indicate, based on their analysis, that competitive advantages in a global market are achieved by combining

both global and local elements. I am using research from this article to illustrate the significance and value of finding an appropriate balance between global and local customizations to one's business. I will also indicate how culture is an underlying factor of why the 4P's are affected and need to be properly adjusted.

Prange, Christiane (Ed.) (2016). *Market Entry in China: Case Studies on Strategy, Marketing, and Branding*. Springer International Publishing. doi:10.1007/978-3-319-29139-0

This book consists of research from multiple contributors and compiles a series of case studies on different western companies in China. Each case study is categorized by different industries and emphasizes challenges of the Chinese market and pinpoints the major reasons of failure in market entry strategies. Content presents issues and solutions of both large and small businesses with a special focus on three key perspectives: (a) marketing, (b) positioning, and (c) branding. I will be using the relevant real-life examples in this book to stress the importance of the specific cultural focuses described in my thesis.

Shamsuddoha, Mohammad (2008). Globalization to Glocalization: A Conceptual Analysis. *SSRN Electronic Journal*. doi:10.2139/ssrn.1321662

This source is a conceptual analysis that examines how the concept of globalization evolved and transformed into the present-day buzzword "glocalization." The paper not only reviews the history and development of the term, but also investigates commonly used concepts, theories, and principles of glocalization as viewed from a business perspective. Content from this paper is important to my thesis because I will be able to use it to illustrate how business marketing ideologies have changed and the effects it has had on global market strategies, or how global strategy needs to be enhanced to more accurately fit global needs.

Vignali, C. (2001). McDonald's: "think global, act local" - the marketing mix. *British Food Journal*, 103(2), 97-111. Retrieved from

<https://search-proquest-com.erl.lib.byu.edu/docview/225127715?accountid=4488>

This article is one of many papers written on McDonald's famous strategies and success in the global market, emphasizing the relevance of the well-known phrase, "think global, act local." In this specific case study, Vignali reviews the debate between globalization and localization, then analyzes McDonald's specific marketing mix (defined as the 7P's; i.e., product, place, price, promotion, people, process, and physical) and how the company has altered each area to better fit local preferences. Vignali concludes that McDonald's success is attributed to the company's capability to utilize the concept of glocalization as it continues to expand into international markets. Although I do not want to give a lot of attention to a business that is already widely known for distinguishing a balanced ratio of global to local elements, this article is important because it gives credibility to my thesis and the fact that paying attention to local culture matters.

Wang, J. and Shi, X.. (2011). Cultural Distance between China and US across GLOBE Model and Hofstede Model. *International Business & Management*, 2(1), 11-17.

This study directs its analysis on the comparison of cultural distance between China and US utilizing Hofstede's Model and the GLOBE Model (i.e., the Global Leadership and Organizational Behaviour Effectiveness Model). The paper introduces both models; GLOBE contains nine dimensions while Hofstede has five. These are then used to compare cultural distances between China and US. Analyses are given for any of the different results yielded between the two models, as well as limitations of both and possibilities for future research. I am

utilizing this study in order to describe a more accurate depiction of Chinese culture from a macro perspective. This is done by reviewing the main research studies in this area, comparing them for similarities and differences in results and limitations, and analyzing the possible reasons behind them all.

Tian, X. (2016). *Managing International Business in China*, New York, NY: Cambridge University Press.

This book was written as a guide on managing transnational corporations in China for postgraduate students. It reviews Chinese history and the country's evolution into an economic giant, explaining the reasons why China attracts millions of entrepreneurs and investors from all over the world. The author acknowledges the challenges of transnational corporations doing business in China and thus discusses key issues that should be accounted for when making decisions involving the 4P's of marketing management. The book focuses on aiding businesses achieve strategic objectives in regards to cost reduction, local differentiation, and strengthening a corporation's core competencies in its unique functional area or industry. Although, content heavily emphasizes economic aspects of China, it is useful for analyzing the localization focuses in my thesis, especially in the areas of business operational methods and legalities.

Wu, S. J., & Zhang, D. (2014). Achieving Successful Business in China: Assessing the Changing Chinese Culture. *Journal Of Asia-Pacific Business*, 15(4), 307-323.
doi:10.1080/10599231.2014.965955

This paper examines Hofstede's cultural dimensions theory and his original analysis of China. Zhang and Wu discuss the limitations of Hofstede's original work on accurately assessing present-day Chinese culture based on impacts of significant economic changes in the

country. Additional research was conducted to account for these changes and are compared to Hofstede's original scores. Cultures adapt and change, and due to being very complex, no single cultural research theory works completely on its own. If businesses want to better understand Chinese culture on a national level and how it affects behavior and standards of value, they will gain a more accurate picture by reviewing multiple studies and how they compare against one another.

Qualifications of Investigator

I am a Chinese Flagship graduate with a major in Chinese and two minors, one in business management and the other in global business and literacy. I am a soon-to-be-graduating senior in the Chinese program and have completed almost all of the requirements needed for both of my business minors. Classes I've taken that are applicable to the research I will be doing are as follows:

BUS M 241 : Marketing Management

CHIN 326 : Intro to Chinese Linguistics

CHIN 345R : Chinese Culture

CHIN 347 : Business Chinese

IAS 399R : Academic Internship

CHIN 490R : Individual Study in Chinese (Chinese Flagship Research)

CHIN 490R : Individual Study in Chinese (Chinese Flagship Overseas Research)

CHIN 490R : Individual Study in Chinese (Chinese Flagship Overseas: Direct Enrollment in NJU Business Marketing)

Of special note are my qualifications in Chinese, as well as research and experience gained through the Chinese Flagship Program:

I have completed all of the courses required for the Chinese major, and have a score of "advanced high" proficiency on the international language (Chinese) OPI test. As a Chinese Flagship graduate I possess (a) professional-level language proficiency, (b) significant experience abroad utilizing advanced cultural skills while immersed in both the local education system and working environment, and (c) intercultural insights used in global businesses, non-government organizations, and government positions. Over the past two-years, classes in Formal and Advanced Writing, Modern Literature and Media, and Flagship's special studies have enhanced my ability to understand scholarly Chinese texts in a variety of topics and to effectively communicate those ideas in formal essays, debates, and speeches. I applied these skills in direct-enrollment classes at Nanjing University, as well as in my research of Chinese scholarly articles to write two 5,000-character thesis projects and two 30-minute presentations on intercultural-marketing in China. This thesis is an English translation, as well as an expansion and continuation of the preliminary research I did on these projects. My final paper will also include hands-on experience and knowledge I gained while interning at a Chinese marketing and consulting company in Shanghai.

Qualifications of Faculty Advisor

My adviser, Dr. David B. Honey, is the former head of the Chinese Language department. He specializes in Classical Chinese Scholarship, Philology, and Sinology. I am currently his Teaching Assistant for this fall semester and I have worked under his supervision multiple times in the past on various research projects. Such projects include analysis of traditional Chinese philosophical texts for the application of modern day global leadership. Dr. David B. Honey has

written several books and journal articles, and has presented at numerous conferences in the U.S., China, and Taiwan.

Qualifications of Faculty Reader

My Reader, Dr. Matthew B. Christensen, is the current director of the Chinese Flagship Program and has been working with the program since its inception. He specializes in Chinese linguistics and pedagogy, particularly in the analysis of the interaction between language and culture, and intercultural communication. I have taken multiple courses from him and been his Teaching Assistant in past semesters. He has written and published several books, several of which revolve and or include topics on cultural sensitivity and Chinese culture.

Prospective Schedule

- September 5, 2017: Submit thesis proposal to approval committee
- September 15, 2017: Finish translating needed sections from my previous research
- September 22, 2017: Finish U.S.-China specific research examples regarding Hofstede's theory
- September 29, 2017: Finish U.S.-China specific research localization focus examples
- October 7, 2015: Finish Chinese-unique marketing platforms and KOL research
- October 14, 2017: Start editing my thesis
- November 3, 2017: Have the final draft of my thesis done and turned into the thesis committee, my advisor, and reader
- Sometime in November 2017: Defend

Expenses/Budget

I do not require additional funding for this project.