

Cross-Cultural Mistakes by Renowned Brands – Evaluating the Success and Failures of Brands in Host Nations

Dr. Mohan Dass¹, Dr Sree (Sunny) Vinnakota²

¹Dean, ²Program Director

Academies Australasia Polytechnic, 628 Bourke St, Melbourne VIC 3000, Australia

ABSTRACT

Cross-cultural management is the utmost challenge being faced by the organisations when the plan to work in the host nations. Mistakes are part and parcel of the businesses, and even big giant companies make a blunder as they often fail to get all the needed insights to capture the particular market in the host nation. The research paper examines the Cross-cultural mistakes by renowned brands; this has been explained by the help of stances of various brands that failed and also the ones that succeeded. In the paper, the use of qualitative research method has been used that involves reviewing the existing data available on the topic under consideration. The findings of the study showed brands like KFC, Coca-Cola, IKEA, etc. are the top MNCs (Multi-National Corporations) that faced cross-cultural severe issues when it comes to entering the host countries.

1. INTRODUCTION

Globalisation is at its peak, offering immense opportunities to businesses to expand their operations in host nations (Hung et al. 2011). As stated by De Mooij (2010), understanding one's culture is vital for firms to avoid any hassle in host countries. Working in host countries is as tricky as starting up a new business in an entirely different nation, where people are different; culture is not familiar and has numerous uncertainties and pressures.

According to De Mooij (2013), culture is an important aspect which puts pressure on the companies to change their strategies accordingly. Cheung (2010) has stated that companies have to examine the market in which they planned to enter by gaining valuable marketing insights. There is no doubt that for succeeding in today's environment, it is essential for the marketers to gain market insights by having a 360-degree view of the context of the host country. By this, Akaka & Alden (2010) has signified on the concept of following cultural values of the host nation for successfully establishing in the market which is entirely new for the countries. On the other hand, Reisinger & Crofts (2010) negated and averred that not every company is successful in expanding its operations in host countries because marketers and strategic planners often misunderstood the concept of cultural adaptation. They think contemplating cultural value is all they have to follow, rest everything will stay the same for capturing the market; this is where they are wrong.

The following research paper is based on gaining an in-depth understanding of Cross-cultural mistakes by renowned brands for evaluating the success and failures of brands in Host nations. This will be done qualitatively as insights from various sources will be discussed with the help of examples of the renowned brand to know their success and failures. The study is significant in nature as it offers a bird's eye view and will help in providing a lesson to the marketers by putting forwarding evidence of brands where they went wrong" why and what consequences they faced. The primary objective of the study revolves around discussing the concept of cross-cultural communication which then broadens the discussion to cross-cultural communication and examples from the global world.

2. Literature review

2.1 Culture

Croucher *et al.* (2012) define culture as social norms and behaviour of the individuals in a particular society. Culture is deemed to be the central notion in the anthropology, which encompasses ranges of the phenomena which are transferred via social learning to the individuals in the society. Chaney & Martin (2013) considers culture as the central whole of society as the whole. Culture is not inherited instead it is being learned from those around us. According to Bochner (2013), culture is learned with the help of social interaction.

On the other hand, it is also mentioned that culture is something that is always shared and thus includes customs, beliefs and values.

In contrast to this, culture varies from society to society. Kim *et al.* (2011) via their study stated organisations study different cultures before making a market entry to any of the region. If companies in the host nations failed to understand the requirements of the culture; their brand fails as well.

2.2 Cross-Cultural Communication

Cross-cultural communication holds strategic importance for the companies to grow in the global business environment. According to Aneas & Sandín (2009), CCM is essential for those companies that seek to have a diverse workforce or has a plan for conducting business in a competitive global environment. As defined by Reisinger & Crofts (2010), cross-cultural communication is gaining a complete understanding of how people belonging to different cultures work, communicate and how they perceive the surroundings around them. Successful organisations as stated by Frankel et al. (2012) are the ones that tend to work efficiently by understanding the culture of the host country in which they work because they grasp every element of the host nation's culture. It deals with the understanding of beliefs, customs as well as communication strategies. Ways of communication, high and low context culture and other dimensions imposes a significant influence of sufficient flow of discussion because there are differences in perceiving things. Every culture; differs in one way or the other. Shamim & Mohsin Butt (2013) argued on the differences in languages and stated

language is the top barrier faced by the companies when they plan to work in the global market that is why English is considered as the standard language to be pursued.

2.3 Hofstede's Cultural Dimensions

2.3.1 Hofstede theory

According to Jackson (2011), the cultural dimensions model by Dr Geert Hofstede was published in the 1970s. At the initial stage, the model comprised of four dimensions which were helpful in distinguishing between one culture and another. Later, with the cooperation of Dr Michael H. Bond and Dr Michael Minkov added fifth and sixth dimension to the model. The dimensions in the model are:

2.3.2 Power Distance Index

Taras et al. (2010) define this as the level of inequality that is present and is accepted among the people with power and without power both. Furthermore, explains that a high level of PDI indicated that the society gave acceptance to the stratified distribution of power and also that the people of the society know their place in the overall system. On the other hand low, PDI score explains that the power is shared and is extensively diffuses and moreover people are not ready for accepting the situations where unequal distribution of power is done.

2.3.3 Individualism versus Collectivism (IDV)

According to Hofstede (2011), IDV refers as the power of the ties that the individuals have within each other in the society. High DIV score indicated an unsteady social connection between those people who are not considered as part of the family. At this level, less responsibility was taken by people for the actions and outcomes of each other. In addition to this Minkov and Hofstede (2011) stated that in a collectivist society, a group of people which belong to each other are supposedly loyal to each other and in return to this the group will contend the interest of the individual. Usually, the group is larger in size and take responsibility for good beings of each other.

2.3.4 Masculinity versus Femininity (MAS)

De Mooij and Hofstede (2010) mentioned that this dimension referred to men and women roles distribution. In a masculine society, it has been seen the role of men and women overlap at a low rate, and it is expected that men behaviour should be assertive. However, in a feminine society, the overlap between the role of men and women is observed at a high level.

2.3.5 Uncertainty Avoidance Index (UAI)

This dimension helps in explaining how well people deal with an anxiety issue. People attempted to make life controllable in a society that scores high in uncertainty avoidance. Countries which have a low UAI scoring people over there are inclusive, relaxed and open.

2.3.6 Pragmatic versus Normative (PRA)

Minkov and Hofstede (2012) stated that this dimension refers to the level at which people needs to describe the inexplicable and are actively linked to nationalism and religiosity. Countries which have a high score in PRA have people who are frugal, pragmatic, long-term oriented and modest. On the other hand in the low scoring countries, people are more nationalistic and religious.

2.3.7 Indulgence versus Restraint (IVR)

The impact of increased IVR on the society can be seen as people's emotions, and the need to enjoy life is welcomed with open arms Society will low IVR score have stricter norms in the society and emphasis more on suppressing people enjoyment.

2.4 Standardisation versus Adaptation

As per stated by Vrontis *et al.* (2009), general adaptation approach seeks to shed light on the importance of the customisation. The fundamental basis for this approach discusses the fact that when expanding the businesses to the foreign market, the companies must take in consideration all the essential factors including climate, language, education, race, cultures etc.

On the other hand, Minkov and Hofstede (2012) defined standardisation as a practice of considering identical characteristics of a product or services; also the uniformity is known to be one size fits all approach.

From the marketing perspective, product standardisation strategy is the uniform presentation of the product features including its material, quality which is used. It further includes the packaging of the products to all the markets regardless of location across the globe (Kemp et al. 2012). Chung (2009) argued on the challenges organisation faces in the host nations because while internationalising the operations, standardisation and adaptation are the two key challenges which affects the adoption of marketing strategy in the host country. In contrast is the product adaptation, which amalgamates modifications and changes that are considered for adjusting in each of the markets. Adaptation in simple words is the modification of the products to meet the increased demands of the host country in which firm plans to function. Adaptation is made to meet the needs of international markets to match the regional requirements. For explaining adaptation by example, Red Bull is one of the best stances to be included in here. Referring to the figure below, Red Bull accordingly adjusts to two different regions that are North America and China. On the other hand, standardised products are marketed in the same way as they are in all the regional markets in which the company operates (Reinartz *et al.* 2011).



2.5 Research Gap

The concept of cross-cultural communication has been explored much for knowing the importance of this very aspect. However, very few studies are found on highlighting the mistakes that are done by the big giants in the host nations. One of the studies by Van Dyck *et al.* (2005) has examined the impact of cross-cultural communication on performance of the organization, another survey by Yoo *et al.* (2000) has contemplated the aspect of cross-cultural communication in examining efforts marketing efforts but none of them talked about the cultural blunders by the brands. However, the current study will cover this gap, and the discussion will purely be qualitative by comparing and contrasting the mistakes by brands and also the brands that have been successful while working in the host country.

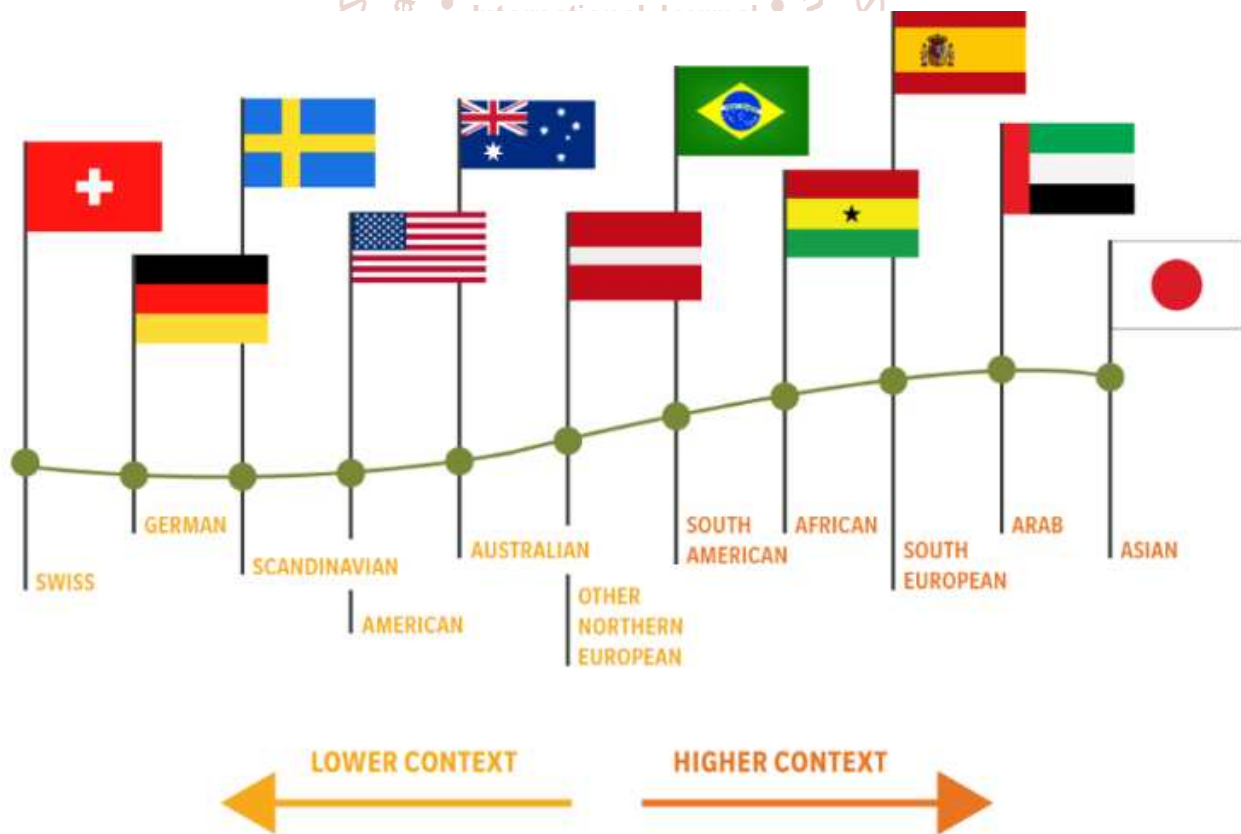
3. Research Methodology

The research methodology is the roadmap that is being followed for accomplishing the set propositions (Neuman, 2013). As far as the current study is concerned, the use of inductive as the approach will be made to discuss the examples of brands that have been successful and that failed in host nations. The data collected will be qualitative in nature as no collection of quantitative data is aligned with the study. In addition to it, the use of explanatory research strategy has been used because the variables being examined exist in the environment in which the study is conducting. Moreover, the secondary data is collected for which journal articles are reviewed, and also various online

sites are reviewed to extract the material on the topic under question.

4. Results

According to Ramamurti (2012), failure is contagious, and brands, in general, observe the acts of one another and take efforts to replicate them. The former VP of Starbucks has controversially accepted that consumer's do not contemplate the point that products are different which is why emotional ties need to be established with consumers. Emotions are not something to be messed with instead the brands to be careful and should deal with care. Keller *et al.* (2011) in their study has proven that culture is the primary concern which enables the firms to mould themselves in the respective ways. In the view of Townsend *et al.* (2009), comparability is one of the critical issues that is perceived from a cross-cultural marketing perspective. It is essential for the marketing researchers to consider equivalence of construct as well as measures to be taken across cultures. Narula (2012) in negation to this averred understanding of the cross-cultural difference is a critical skill which affects way companies tend to enjoy the competitive edge over rival firms in the international business. Javalgi *et al.* (2011) discussed high and low context cultures and stated there is indirect communication in the high context cultures; physical space is regarded integral as communication can be held standing close to one another. Such regions include Greece, Japan etc. On the other hand, Low context cultures have dramatic and open communication, privacy is the main concern, and personal space is highly valued.



4.1 IKEA's Failure in US Market

IKEA is one of the most excellent companies operating in various regions successfully. However, such big giants also make some mistakes while considering their operations globally. It has faced severe challenges when making its market entry to the US. The IKEA marketing was smart

enough that they planned to simulate the existing marketing strategies to the US as well however all efforts go in vain as IKEA lag behind in satisfying its US consumers. It would have considered the aspect of customisation to offer products to US consumers.

Moreover, when it finally entered the US, the consumers put forward their demands for the furniture that is larger in size. They further demanded bigger closets and beds. IKEA marketers may or may not consider extensive market research on the US before entering this very region.

Nevertheless, they followed the same strategy which leads to the biggest failure. Similar to this, Americans prefer comfortable sofa sets, the sofa sets launched by IKEA in US were hard enough that they were unable to sit comfortably; curtains launched also did not meet the needs of American households as they were small in size. Sauter *et al.* (2010) added on the importance of culture and averred that culture is the key issues because none of the two things is alike. There are even differences in the non-verbal communication in various regions, so marketers while creating an ad for their products should also consider this aspect.

4.2 Vicks and its Blunder in Germany

Vicks is another renowned firm, operating successfully in the international markets. It then expanded its operations to Germany by launching cough drops and thus, faced severe issue which was in the form of wrong pronunciation as per the German language. Vicks is the brand name, and in

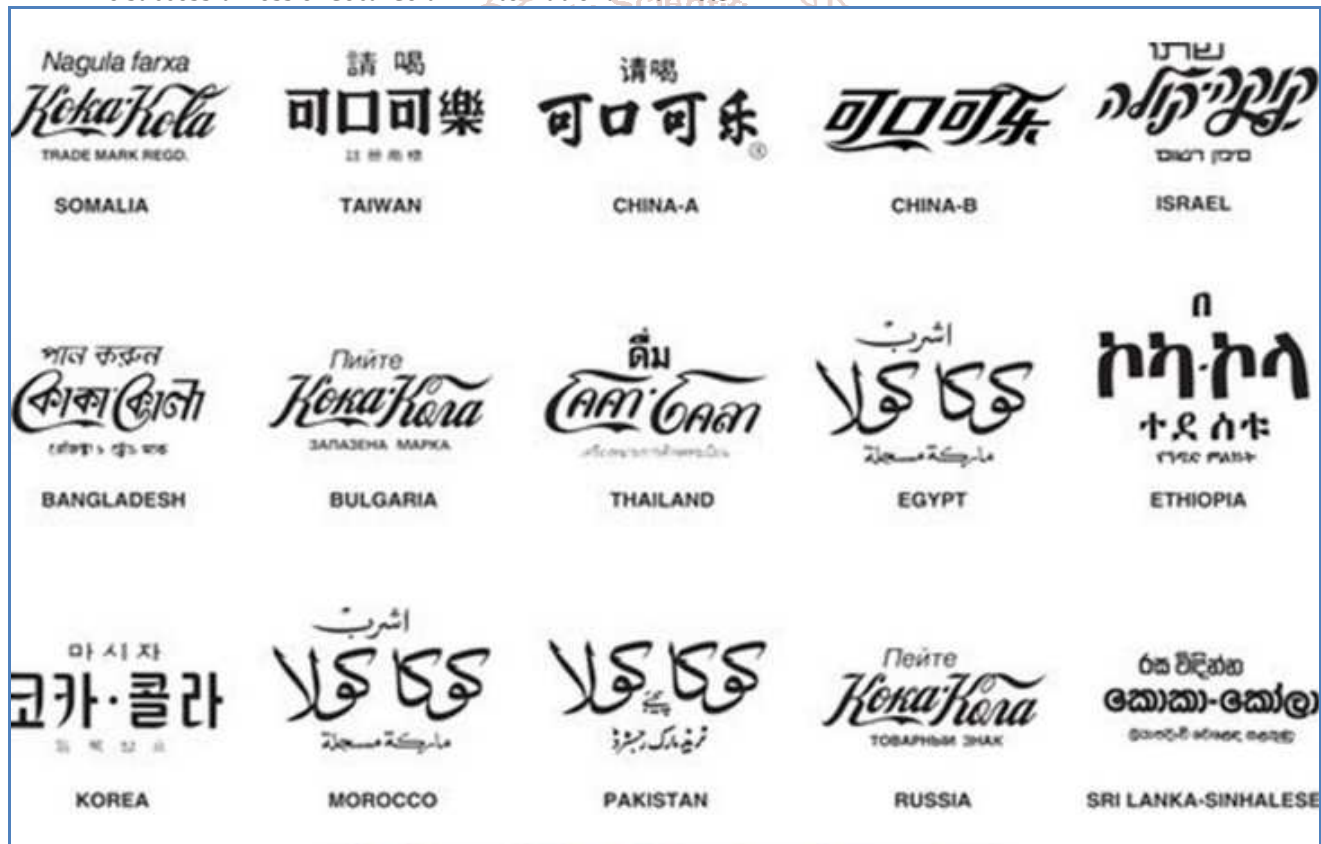
German, the “V” is pronounced as “F”, which in Germany is considered as Sexual Penetration. Vicks thus failed in the German market (Steenkamp, 2017).

4.3 Pepsi and KFC in China

Pepsi, a big MNC that expanded to China entered with the slogan “Pepsi brings Back to Life” which was translated in a very different manner as Chinese considered that phrase to be “Pepsi bringing their ancestor back from the death”. This was quite a funny mistake from the end of Pepsi; however, this was through a huge mistake at such a global scale (Reid, 2003).

On the other hand, the biggest fast-food chain that is KFC also made serious blunders. When it considered expansion to China, their slogan was “Finger Lickin Good” which was translated in the Chinese language as “Eating fingers off”. Nonetheless, KFC in the 1980s, when it planned to launch itself in Hong Kong, they made the use of chicken that as being fed and raised in China. It is observed that Chinese fed fish to their chickens, thus, the taste doesn’t matches with that of America’s KFC. The consequences were even worse as KFC had to shut down its operations and did not open its stores for ten years (Paul Dana, 1999).

4.4 The successfulness of Coca-Cola in international markets



The successfulness of Coca-cola is quite evident by the figure above. The company has considered adaptation in every region it is functioning because it shows the level of adjustment and customisation it has considered in regions like Pakistan, Russia, China, Korea etc.

4.5 The success of McDonald's

According to Maude (2011), MNCs have to consider numerous factors that are integral to their expansion in other regions. One of the best stance to be quoted here is of

McDonald's which has been successful and is highly recognised brand functioning in global markets. Keeping in mind the overarching consistency of the brand across the globe, McDonald's considered global marketing efforts because it adjusts itself by local needs. McDonald's believes in devising its strategies accordingly and develops the region-specific menu. In 2003, it launched McArabia which is a flatbread sandwich in its Middle East restaurants. Similarly, it also launched its Macarons for its menu in France.

From the stances above, it is entirely clarified that such big giants also make some mistakes because not every brand will be successful every time. As elucidated by Maude (2011), there are various mergers and acquisitions as well which are failed due to lack of preferences and failure to gain understanding about the culture of the region in which firms considered an entry for M&A in question.

5. Discussion

With the help of results, light has been shed on mistakes made by the renowned brands in the host countries where they made their market entry for expansion of their business. The cases discussed have proved that such large companies do make mistakes as they often failed to get valuable marketing insights. As stated by Sauter *et al.* (2010), the use of appropriate marketing strategy depends on how accurate the firm has analysed its host nation's environment and also the rivalry within the industries. It is essential for the marketers to work according to the host nation's culture because there are vast differences in the working environments. Moreover, the research has proven that big giants even fail, it's not their decision is wrong rather their approach and decision between understanding standardization or adaptation are wrong. However, understanding of the cross-cultural issues is very crucial as proven by the following study.

6. Conclusion

The research papers conclude an essential element which went wrong by various companies as they failed to understand the requirements and needs of the host country's culture. Companies like IKEA, Vicks, KFC and others, their actions have elucidated how essential understanding of the culture is. The findings of the study have demonstrated the accomplishment of set propositions that was based on evaluating the cross-cultural mistakes made the renowned brands.

7. Acknowledgement

I would like to dedicate this research paper to my coworkers/spouse/son, who has been supportive and was the motivation behind my work. I am also very thankful to my mentors who offered me knowledge which allowed me to work on such research papers.

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