Developing and Marketing New Products in the Multicultural Global Environment: Recognizing and Managing Risks

GREGORY KIVENZOR
Rivier University,
Nashua, New Hampshire, USA

About the author

Dr. Gregory Kivenzor is an Associate Professor of Business at Rivier University, USA. He is an educator, researcher, and entrepreneur with the broad educational background and global experience in high tech industries. His scholarly research focuses on the cultural transition in emerging markets and, particularly, BRICS countries. He is an author of over 50 published papers and international presentations, and 15 patented inventions.
Abstract

The goal of this study is to help a multidisciplinary audience - product designers, engineers, business managers, marketers, etc. - better understand why the culture factor plays such an important role in contemporary marketing and why a development process of every new product - tangible or intangible - has to include cultural analyses of future customers. The paper reviews extant literature, discusses various concepts in cross-cultural research and connects them to the processes of development and marketing of innovative products. The study examines sources of business risks and socio-economic costs of new product development and introduction to global markets and formulates propositions for future research. It focuses on the challenges presented by the multicultural global environment related to differences in business ethics, negotiation styles, power of personal networks and the needs of diverse consumers. Analysis of B2B, B2G and B2C markets is illustrated by examples from high tech and consumer goods industries, and serves as a basis for managerial implications.

Keywords: Marketing; New product development; Cultural environment; Globalization; Business ethics

Introduction

Development and marketing of new products is a risky business. Risk is associated with many factors determining acceptance or rejection of the new goods and services by prospective customers. Before a new product is designed, marketers identify customers’ needs and wants, determine a future product features, feel and touch, and develop strategies to seize market opportunities and mitigate potential risks. There is a common perception that new product development and marketing are mostly creative and intuitive processes. This view discounts the importance of an analytical side of human beings, the so-called System 2 (Kahneman et al, 2011), and, if taken at face value, causes judgment lapses and may lead to costly business mistakes. Socio-economic costs of the flawed new product strategies may include a tarnished brand reputation, lost sales, needs to introduce greater price discounts and allowances, etc.

Successful entrepreneurs build their businesses starting with the market research to uncover and recognize unmet customer needs and wants, operationalize them via new product development, and then deploy marketing strategies to reach out to the chosen market segments. As Peter Drucker (1967), a business guru, said: “The aim of marketing is to know and understand the customer so well the product or service fits him and sells itself.”

Culture is one of the game-changing factors, which weigh heavily on a success or failure of a new product. This is particularly true when a new product is introduced to a new market. Due to the cultural differences, the risk of failure exists whether a product is developed for a business-to-business (B2B), business-to-government (B2G) or business-to-consumer (B2C) market. Culture affects customer perception of the new goods or services, their attention to competitive product attributes and rate of adoption. Marketers must understand cultural nuances to effectively communicate with perspective customers to ascerta
the new products. Therefore, to succeed in business, firms have to understand customer values affected by culture. To achieve this goal, they need to conduct market research and adapt their products and marketing communications to the local cultural environments.

Marketers long ago learned that, in a global marketplace, one of the primary differentiators separating a product success from failure is neither a political system nor currency exchange rate, but culture. If cultural factors - whether bold or nuanced - are misunderstood, the result can be detrimental to a product and brand reputation (Agarwal et al, 2010). In contrast, brands are strengthened and sales thrive when cultural values are taken into account and linked to a main marketing message conveyed via public relations, advertising, packaging and customer service.

Among many reasons for global marketers to learn cultures, are the following:

- Understanding needs and expectations of their existing and potential customers
- Understanding customer purchasing decision-making processes in B2B, B2G and B2C markets
- Developing effective marketing strategies and integrated cross-cultural communications
- Managing a culture factor in business negotiations and transactions.

Understanding needs and expectations of their existing and potential customers Understanding customer purchasing decision-making processes in B2B, B2G and B2C markets Developing effective marketing strategies and integrated cross-cultural communications Managing a culture factor in business negotiations and transactions.

The present study concerns itself with the consideration of a frequently underestimated effect of the cultural factor on development and marketing of new products. We posit that, without a comprehensive cultural analysis, the market research and product development process may be flawed, which increases business risks and socio-economic costs of the new product introduction. Based on the analysis of extant literature and companies’ reports, we point out that, when expectations of the business customers or consumers are misconstrued due to the “culture blindness”, product innovation may become a liability rather than asset because a product cannot effectively and efficiently meet true customer needs. Finally, we discuss an important connection between respective value orientations of buyers and sellers, and the effect of cultural differences on business ethics and personal networks in the business-to-business, business-to-government and business-to-consumer markets.

**Culture and Its Role in Development and Acceptance of New Products**

**Culture Defined**

Over the years, culture and various cultural phenomena were studied by sociologists, anthropologists, psychologists, and marketers. More recently, culture also attracted attention of behavioral economists. Different researchers provided their definitions of culture based on the concepts central to their field. For example, T.S. Eliot (1949) stated that “the term culture has different associations according to whether we have in
mind the development of an individual, of a group or class, or of a whole society” (italics in the original text).

Culture may be viewed as a “shared meaning system, found among those who speak a particular language dialect, during a specific historic period, and in a definable geographic region. It functions to improve the adaptation of members of the culture to a particular ecology, and it includes the knowledge that people need to have in order to function effectively in their social environment” (Triandis, 1972). Culture can be also defined as “the collective programming of the mind that distinguishes the members of one group or category of people from others” (Hofstede, 1983). Yet another definition of culture focuses on “the rich complex of meanings, beliefs, practices, symbols, norms, and values prevalent among people in a society. These value emphases express shared conceptions of what is good and desirable in the culture, the cultural ideals” (Schwartz, 2006). Linking these concepts to life and business, culture can be also seen as “a way in which a group of people solves problems and reconciles dilemmas” (Trompenaars & Hamden-Turner, 1998).

Marketing theory absorbed many findings for the cross-cultural research and connected them with core questions particularly concerning marketers:

- Which particular consumption patterns are affected by a culture?
- How consumers and business customers arrive at a purchasing decision?
- How the process of the market segmentation and targeting are affected by cultural patterns?
- Which signals may connect with cultural values, attracting customers and motivating consumption?
  
  In contrast, which signals shall be avoided?
- How to use integrated marketing communications to build a bridge between a customer value orientation and product/service offering?

To answer these and related questions, we need to understand how cultures can be analyzed and measured because “what gets measured, gets managed” (Drucker, 1967). For centuries, most people grew up, lived and died in the same place their ancestors did. Very few people traveled due to perils of travel, and even fewer moved to other places. This situation predicated the formation of local cultures, which were associated with a stable geographic location, language or dialect, and - most importantly - acceptable behavioral patterns in the society. Behavioral patterns further shaped by the religion, social conditions and influence of political leaders, gradually became social norms, which were carried from generation to generation to form the bases of local cultures.

Over the course of the 20th century and even more so in the 21st century, human mobility exponentially increased being supported by advancements of transportation technology - fast trains, long-range ships and aircraft, - and growing international trade. Voluntary global migration at peaceful time was stimulated by economic reasons - better jobs, growth potential. Sadly, multiple wars led to involuntary displacement of population running for safety. As a result, most regions around the world represent multicultural societies with diverse mixes of ethnicities, languages and religions, this frequently leads to a confusion regarding consumer social and cultural identities (Roccas and Brewer, 2002).

Being brought up in a family belonging to a particular social group, people absorb associated cultural
customs, habits and behavioral norms as easily as the air they breathe. To understand peculiarities of one’s own culture, people have to compare it with other cultures to better grasp cross-cultural differences. For marketers, this comprehension and appreciation of the cultural diversity becomes a key factor separating business success from failure.

**National Culture Concept**

Many researchers used a concept of “national culture” assigning a set of cultural patterns and dimensions to the whole nation or country. This approach gained a lot of traction due to its simplicity, it assumes that each nation state can be characterized by a steady set of cultural dimensions; therefore, all representatives of a given nation are expected to demonstrate similar behavioral patterns (e.g., Parsons and Shils, 1962; Triandis, 1972; Hofstede, 1983; de Mooij, 2004; Ralston et al, 2008; Trompenaars and Hampden-Turner, 1998).

With its roots going back to at least the 18th century, this concept was initially developed by anthropologists who, at that time, had only a limited access to other cultures, and dominance of monoethnic societies justified their perception of national cultures. In the second half of the 20th century, this approach was further expanded by social psychologists and sociologists who developed and expanded it using methods of empirical research - surveys, questionnaires and contemporary statistical tools. A pivotal contribution to the national culture concept was a research conducted by Hofstede based on an IBM survey of its global employees conducted in 1960-s.

Hofstede (1983) suggested a theory of generalized measurement of cultural characteristics and introduced the definitions of the four cultural dimensions: power distance, masculinity vs. femininity, long vs. short-term orientation and individualism vs. collectivism (the latter dimension was initially proposed and researched by Triandis (1972, 1989). As ensuing research provided more insights into the diversity of the world cultures, two more dimensions of uncertainty avoidance and indulgence vs. restraint were added to this list. The total of six dimensions are defined below according to Hofstede (2011):

- **Power Distance.** This dimension expresses the degree to which the less powerful members of a society accept and expect that power is distributed unequally. The fundamental issue here is how a society handles inequalities among people. People in societies exhibiting a large degree of power distance accept a hierarchical order in which everybody has a place and which needs no further justification. In societies with low power distance, people strive to equalize the distribution of power and demand justification for inequalities of power.

- **Individualism vs. Collectivism.** The high side of this dimension, called individualism, can be defined as a preference for a loosely-knit social framework in which individuals are expected to take care of only themselves and their immediate families. Its opposite, collectivism, represents a preference for a tightly-knit framework in society in which individuals can expect their relatives or members of a particular in-group to look after them in exchange for unquestioning loyalty. A society’s position on this dimension is reflected in whether people’s self-image is defined in terms of “I” or “we.”
Developing and Marketing New Products in the Multicultural Global Environment: Recognizing and Managing Risks

- **Masculinity vs. Femininity.** The masculinity side of this dimension represents a preference in society for achievement, heroism, assertiveness and material rewards for success. Masculine societies are more competitive. Its opposite, femininity stands for a preference for cooperation, modesty, caring for the weak and quality of life. Feminine societies are more consensus-oriented.

- **Uncertainty Avoidance.** The uncertainty avoidance dimension expresses the degree to which the members of a society feel uncomfortable with uncertainty and ambiguity. The fundamental issue here is how a society deals with the fact that the future can never be known: should we try to control the future or just let it happen? Societies exhibiting strong uncertainty avoidance maintain rigid codes of belief and behavior and are intolerant of unorthodox behavior and ideas. Weak uncertainty avoidance societies maintain a more relaxed attitude in which practice counts more than principles.

- **Long-Term vs. Short-Term Orientation.** This dimension describes societies’ time horizon. Long-term oriented societies attach more importance to the future. They foster pragmatic values oriented towards rewards, including persistence, saving and capacity for adaptation. In short-term oriented societies, values promoted are related to the past and the present, including steadiness, respect for tradition, preservation of one’s face, reciprocation and fulfilling social obligations. (Note: this additional dimension was first called Confucian Dynamism, and recently renamed one more time to Pragmatic vs. Normative).

- **Indulgence vs. Restraint.** Indulgence stands for a society that allows relatively free gratification of basic and natural human drives related to enjoying life and having fun. Restraint stands for a society that suppresses gratification of needs and regulates it by means of strict social norms.

When companies expand to various global markets, those cultural dimensions are widely used to identify goods and services appropriate for target countries and effective ways to market these products to prospect customers. The following are some interesting examples.

- Japanese culture is characterized by Hofstede as having long-term orientation. Therefore, important decisions are deferred to higher-ups who make them with respect to the multi-year strategic intentions of a firm. Matsushita Corporation follows its 250-year plan developed by the company’s founder. When a new product or service is designed, it should comply with the mission and enhance the long-term strategy.

- In America, CEOs of public companies are awarded bonuses based on a quarterly performance. Therefore, time orientation of top management is skewed towards “quarterly thinking” - a very short-term orientation combined with uncertainty avoidance. Therefore, companies establish milestones and deadlines for new product development on a quarterly basis to achieve high certainty in planning. Such approach frequently causes significant problems when the development process involves collaborators from the cultures such as Brazilian or South Korean characterized with long-term orientation and low uncertainty avoidance.

- In China, the local GM plant manufactures very popular Buick sedans, and most of them are painted black. The reason behind this stems from an implicit association of the black color with social power:
since 1950-s in the People’s Republic of China, large black cars were issued only to high-level party or government officials. High power distance in the Chinese culture upholds a traditional perception of black cars as symbols of power into contemporary times, and black luxurious Buicks play into this perception quite well.

- In India, many people exercise restraint regarding meat consumption. In addition, cows are considered sacred, and it is important to know and comply with this cultural taboo. As a clear display of sensitivity to local culture, McDonald’s replaced beef items on the menu with lamb or chicken, and also added vegetarian food to meet explicit and implicit cultural expectations of Indian consumers. In addition, the famous Big Mac was appropriately rebranded for Indian markets as Chicken Maharaja Mac.

While the “national culture” theory stimulated cross-cultural research and resulted in useful findings, its shortcomings gradually became more and more noticeable (Blodgett et al, 2008). Cultural dimensions developed for national cultures are helpful metrics, but are only applicable under an assumption that the vast majority of a nation demonstrates similar cultural traits, and shares the same beliefs and behavioral norms. Limitations of this view are particularly pronounced in the contemporary multicultural societies formed and enhanced due to extensive globalization processes: intensive population migrations due to local wars, ethnic conflicts, political and economic problems exacerbates culture mixing process in many regions around the world.

One of the core dimensions - individualism/collectivism orientation - may significantly deviate among subcultures coexisting in the same country (e.g., Erez and Earley, 1993; Lenartowicz and Roth, 2001; Ralstone et al., 2008; Oyserman and Lee, 2008). For example, within the same nation, there might be distinct subcultural pockets, reflecting ethnic origins of inhabitants, like the Tibet region in China; Chechen Republic in Russia; or Cashmere region in India. At the same time, such huge urban conglomerates as Beijing, Moscow, New Deli, or Rio de Janeiro are homes to multicultural clusters, which constantly evolve. In many emerging markets, economic status affects the “root culture” (e.g., ethnicity, family, etc.) and consumer value orientation: within the same country, poor people typically exhibit stronger collectivistic trends than their wealthy compatriots (Hirschman and Rothschild, 1973).

**Multicultural Environment and Value Orientation**

Multicultural societies nowadays are much more typical than monocultural ones, which weakens the relevance and applicability of the “national culture” theory. Large and small countries located on all continents demonstrate a growing cultural diversity (Demangeot et al, 2013). For example, within the spectrum of “American culture,” the subculture of Latino population in Texas is quite different from that of Alaskan Eskimos, uptight Bostonians espouse different cultural norms than those of relaxed inhabitants of Silicon Valley. In Italy, people identify themselves with a culture of a particular province they came from, and there are significant variations of cultural norms and beliefs among Lombardians in the north and Sicilians in the south. Such a small country as Belgium has two distinct parts - Francophone and Flemish - where people speak their respective languages and follow noticeably different cultural norms. South Africa, a
Developing and Marketing New Products in the Multicultural Global Environment: Recognizing and Managing Risks

multicultural society calling itself a “Rainbow Nation,” has multiple official languages and its subcultural groups are characterized by the mixed ethnic and cultural heritage.

To address the multiculturalism, marketers more and more frequently use Schwartz’s (1999, 2006) theory based on the cultural value orientation: “Value emphases are implicit standards: evaluate and promote actions, norms, policies in everyday settings.” This theory specifies the three bipolar culture value dimensions - embeddedness vs. autonomy, hierarchy vs. egalitarianism, and mastery vs. harmony (Schwartz, 2006):

- In the cultures with an emphasis on embeddedness, people are viewed as entities embedded in the collectivity. Meaning in life comes largely through social relationships, through identifying with a group, participating in its shared way of life, and striving toward its shared goals. Embedded cultures emphasize maintaining the status quo and restraining actions that might disrupt in-group solidarity or the traditional order. Important values in such cultures are social order, respect for tradition, security, obedience, and wisdom.

- In the autonomy cultures, people are viewed as autonomous, bounded entities. They cultivate and express their own preferences, feelings, ideas, and abilities, and find meaning in their own uniqueness. Important values include pleasure, exciting life, and varied life.

- Cultural hierarchy relies on hierarchical systems of ascribed roles to insure responsible, productive behavior. It defines the unequal distribution of power, roles, and resources as legitimate. People are socialized to take the hierarchical distribution of roles for granted and to comply with the obligations and rules attached to their roles. Values like social power, authority, humility, and wealth are highly important in hierarchical cultures.

- Cultural egalitarianism seeks to induce people to recognize one another as moral equals who share basic interests as human beings. People are socialized to internalize a commitment to cooperate and to feel concern for everyone’s welfare. They are expected to act for the benefit of others as a matter of choice. Important values in such cultures include equality, social justice, responsibility, help, and honesty.

- Mastery cultures encourage active self-assertion in order to master, direct, and change the natural and social environment to attain group or personal goals. Values such as ambition, success, daring, and competence are especially important in mastery cultures.

- Cultures with an emphasis on harmony accentuate fitting into the world as it is, trying to understand and appreciate rather than to change, direct, or to exploit. Important values in harmony cultures include world at peace, unity with nature, and protecting the environment.

The published research demonstrates that Schwartz’s approach provides effective tools to characterize cultures at an individual and national level, which is increasingly important for multicultural societies (Craig and Douglas, 2006; Herdin, 2012; Strizhakova et al, 2012). Measuring value orientations, marketers can analyze societies and more precisely identify social groups as market segments, which might be most interested in new products. They can then develop PR campaigns and advertising properly addressing customer needs in accordance with the cultural norms of a target market segment. For example, in Brazil, ads featuring...
scantily clad women will successfully attract attention to an advertised product because in the Brazilian culture “sex sells.” However, such approach would be condemned and outright banned in the Middle East countries due to the strict cultural norms.

When consumers arrive at purchasing decisions, their individual intentions and subsequent behavior are somewhat affected by the national culture, but, to a greater degree, by the cultural ecology - a subculture of a social group to which an individual belongs (Bearden and Etzel, 1982; Kitayama and Park, 2012; Kivenzor, 2014). Thus, it is important for marketers to understand both: the societal cultural level, to determine general marketing strategies, and group level, to identify and target particular consumer clusters, and develop marketing tactics. Analysis and understanding of cross-national and cross-cultural differences became a crucial tool for effective market segmentation and targeting (Agarwal et al, 2010).

When marketing managers sift through the new ideas which may eventually become new products, they need to carefully consider not only an appropriateness of a product for a perspective market, but also a cultural fit between the future product characteristics, on one hand, and consumer habits, behavior and cultural preferences, on the other hand. It is equally important to analyze and take into account explicit consumer cultural taboos and implied beliefs while planning product packaging, advertising and service. Finally, in different countries there are distinctive norms of presentation of the new, existing or prospective products to various customers in B2B, B2G and B2C markets, respectively.

**Marketing to Corporations and Governments: Culture Factor**

The aforementioned definitions of culture as a “shared meaning system,” or “collective programming of the mind,” or “complex of meanings, beliefs, practices, symbols, norms, and values prevalent among people in a society” indicate that cultures are simultaneously inclusive and exclusive. People who understand and embrace culture-specific meanings and practices are included into the inner circle and treated as “friends.” People who either misunderstand or do not follow culture-specific norms and values are considered outsiders unworthy of serious attention (Roccas et al, 2008).

For the marketing managers engaged in business contract negotiations or establish personal relationships with foreign corporations and governments, it is important to keep in mind cultural norms of their customers. Many cultural challenges or even shocks are awaiting marketers in a global marketplace. Among the most challenging topics, frequently overlooked or not given proper consideration, are the following: a) differences in ethical principles; b) role of personal networks in business transactions; and c) disparities of negotiation styles.

**Challenge: Understanding Differences in Business Ethics**

When marketing managers plan to conduct business with corporate executives or government officials belonging to another culture, differences in ethics and perceptions of appropriate and inappropriate actions frequently become sticky points in communications and contract negotiations (Ardichvili and Kuchinke, 2002).
Developing and Marketing New Products in the Multicultural Global Environment: Recognizing and Managing Risks

Ethical standards in contemporary societies vary widely among nations, ethnicities and social groups even within the same country and more so across different parts of the world. Learning those standards and treating them with respect and caution helps understand customer needs, the ways customers do business, and their preferred communication vehicles (mail, personal presentations, e-mail, etc.) - all of this must be done at the early stages of market research that precede actual engagement with potential customers. Without proper attention to the cultural norms and business etiquette, market signals can be easily misinterpreted and customer expectations misunderstood. This, in turn, may lead to a misalignment of product design and advertising with market realities (de Mooij, 2004; Jafari and Goulding, 2013).

Another important topic in business ethics relates to the cultural norms defining conduct of multinational corporations, which offer their products globally. In many cultures, ways and means of doing business vary widely based on the dominant value standards - actions acceptable in some cultures may be viewed as deplorable in other ones. According to Trompenaars and Hampden-Turner (2012), individuals espousing particularistic values emphasize importance of relationships with particular people and are willing to bend some rules to support such relationships. In contrast, individuals subscribing to universalistic values are guided by the universal standards, rules and laws, and apply them regardless of the social relationships. In countries with universalistic cultures, norms of conduct are established by the legal system and shall be followed globally. In particularistic cultures, standards of ethical conduct may vary depending on a situation or particular circumstances.

Cultural research categorizes the cultures in the US, Germany and most countries in northern Europe as predominantly universalistic (Trompenaars and Hampden-Turner, 2012). For example, all US citizens must report their income and pay US taxes even if they reside in other countries. Similarly, the 1977 Foreign Corrupt Practices Act, the law targeting corruption, applies to the US corporations and citizens worldwide, i.e., regardless of the country or nation where bribes were given or accepted. Similar practices exist in Germany. Thus, instances of bribery happening half the world away can be later investigated and prosecuted in the domicile country.

In contrast, in many particularistic cultures around the world, e.g., in some Middle Eastern and Latin American countries, bribery, although formally outlawed, historically was viewed as a natural part of doing business either with the governments or in a corporate world. Such cultures even developed multiple informal names for the bribes: gift, gratuity, envelope, hush money, present, grease, etc. Russians even have a proverb summarizing the purpose of a bribe: “No grease, no ride.”

To avoid the appearance of impropriety and stigma of monetary bribes, more subtle approaches are used. Among them are gifting items of luxury ranging from a bottle of expensive liquor to gold jewelry or providing luxurious cars for “temporary use.” Typically, such “gifts” are offered to the corporate executives and government officials who are either the decision makers or influencers when a large contract is at stake. Stealth bribes may be given in a form of the favorable car loans or hefty “consulting” fees. Some of such practices, when they come to light, are investigated and severely punished, as demonstrated by the following examples.

- In 2008, Siemens AG, the Europe’s largest engineering company, agreed to pay $800 million to the
U.S. and $814 million to German authorities as part of a crackdown on their bribery practices. Later, Wal-Mart was accused of spending $24 million in bribes and $16 million in “donations” to Mexican local governments and is being currently investigated by the U.S. government (Voreacos and Dudley, 2014).

- In 2010, Daimler-Benz admitted giving money and providing lavish gifts to win lucrative contracts in the countries including China, Russia, Thailand, Greece, and Iraq; the company agreed to pay a $185 million fine and fired dozens of employees involved in criminal conduct (BBC News, 2010).
- As a consequence of the reinforced Chinese government anti-corruption policies, several high-level political figures in China accused of bribery were prosecuted and executed or jailed. Remy Martin cognac, a luxury brand, frequently used by businessmen as an expensive “gift” masking bribes, was targeted by Chinese authorities, and sales of this brand plummeted 52% (Matlack, 2013).
- In an ongoing investigation, the US Securities and Exchange Commission is looking into hiring practices of large banks which allegedly hired relatives and friends of the Chinese elite members to land lucrative deals. Such practices may amount to a covert bribery (Curran and Eaglesham, 2014).

Considering the ethical standards of potential customers, marketers need to be well informed and prepared ahead of the customer engagement; they have to recognize and respect local cultural norms, and reconcile them with their own ethical standards. While there is no universal recipe for the marketers developing business globally, the above examples indicate that an unethical and unlawful behavior may backfire soon or even years afterward. Furthermore, when marketers are stuck with cultural dilemmas, they need to resolve them avoiding the contradictions with domestic and international laws. Alternatively, they have to draw the line and leave particular markets if the risk of an ethical failure is too big.

This consideration allows us to formulate the following research proposition:

RP1. In the global organizations engaged in B2B and B2G markets, short-term business risks and long-term socio-economic costs increase if their marketing and sales representatives lack intercultural training.

Challenge: Underestimating the Power of Personal Networks

Cultural impact on the way people conduct business in different countries is particularly pronounced during the pre-purchase period when a deal is still a work in progress. There are substantial variations among cultures determining the length of this period and a need of personal involvement and communications between participants of a business transaction.

In some Western societies scoring high on individualism, like the US and UK, companies frequently perform business transactions without attempting to establish personal contacts. Due to the customer protection mechanisms built into the strong legal and financial systems, companies are willing to deal with perfect strangers if a business deal has a profit potential. Only sizeable and highly customized orders are preceded with personal visits and sales presentations, and only upon a lengthy period of cooperation, individual employees representing buyers and sellers care to develop personal relationships.

In the emerging markets, the situation is quite different. Most times, before business transactions are con-
summatied, both buyers and sellers are expected to engage in personal communications, frequently involving a face-to-face acquaintance (Ralston et al, 2008; Sheth, 2011). Partially, the reasons for such exploratory steps lie in the weaknesses of the respective legal and financial systems in emerging markets where the protection of business interests is assumed a responsibility of the owners. Another important reason stimulating an establishment and nourishment of the personal ties before doing business together stems from the cultural norms and traditions of predominantly collectivistic societies in emerging markets.

As Bowden (2013) suggested, before a deal is consummated, a salesperson needs to get accepted into the “tribe”, i.e., become a known member of a potential buyer’s inner circle. In many cultures, this process frequently includes a personal introduction by or referral from a trusted member of a personal network. In some cases, contract negotiations are preceded by such a powerful bonding stage as meal sharing - a centuries-old custom. In Italy, such a meal usually includes a bottle of good wine, while in Russia, both sides are expected to toast each other while drinking vodka. Becoming a member of an internal network is not an easy task. It requires the willingness to understand cultural differences, honestly embrace a counterpart’s culture, and consistently build the mutual trust. Internal networks became a glue holding together social groups in all human societies. Triandis (1989) suggested that, in individualist cultures, people are more or less free to join or leave multiple networks or abstain from them if they prefer so. In collectivistic cultures, most individuals are strongly associated with their respective social groups, kinship, political clans or professional organizations, and remain staunchly loyal to them. Cultural researchers found that this aspect particularly affects the dominant way companies and individuals conduct business in the countries of East Asia, Middle East and South America.

Michailova and Worm (2003) discussed the nature of the Chinese phenomenon “guanxi” and the Russian phenomenon “blat.” Chinese personal networks “guanxi” develop a long-term bondage among their members. Individuals belonging to a particular “guanxi” have a moral responsibility of supporting other members who are in need. Therefore, they contribute to the overall good cause of their network and do this without expectations of an immediate reciprocity or payback. However, in a long run, each “guanxi” member in need may receive the necessary support regardless of his or her prior contribution to a network.

Russian “blat” represents a different phenomenon. It is based on a short-term - sometimes immediate - exchange of favors such as bartering services for the goods, money or reputation. Usually, that means an explicit or implicit favoritism related to getting an unearned promotion, receiving a business contract on preferential terms, etc. “Blat” business networks are likely to treat business offers based on the potential of personal gains for the decision makers or key influencers. Building strong personal relationships with major players in emerging markets bears a great long-term potential. To realize such potential, marketers need to pay utmost attention to cultural peculiarities of their potential clients, their decision-making process and personal network composition. This approach is vastly different from more straightforward buy-sell deals common in some Western cultures. However, if properly tended, it leads to competitive advantage over rivals who misunderstand or undervalue the importance of personal networks and their powerful meaning in business.

Thus, we can formulate the following research proposition:
RP2. In the global organizations engaged in B2B and B2G markets, short-term business risks and long-term socio-economic costs decrease if their marketing and sales representatives are accepted into the loosely defined personal networks of their customers.

Challenge: Misconceptions of The Negotiation Styles

The large players in the B2B or B2G markets around the world establish well-structured procurement guidelines, which need to be followed for potential acceptance of the existing products, while for the new product offering additional requirements apply. If a new product matches main specifications of a customer, then the price and lead time may become the key determinants of further negotiation process. However, in so many societies, such factors as the country of origin, perceived value of future product support and cross-cultural communications can make or break a negotiated deal. Every negotiation is a series of steps taken by both sides, and its pace, positions taken by each side, information exchanged in a process, and all particular details are determined by the cultural norms and expectations of each participant (Adair et al, 2001).

A good example of cross-cultural business negotiations is discussed below:

Michaels (2003) describes a multi-month multi-party negotiation of a multi-million aircraft purchase and provides details of planning process of the top management of Spanish Iberia Airlines considering a sizable purchase of the next generation of jetliners. A marketing and sales contest involves two archrivals - American Boeing Corporation and European Airbus Industrie owned by the French-German conglomerate EADS. Managers of both aircraft makers belonged to the cultures characterized by high levels of uncertainty avoidance and relative short-term goal orientation. They aimed at making the sale “now” and thus tried to immediately affirm the terms and conditions of a negotiated contract. Spanish management, on the opposite, espoused long-term orientation in their decision-making and happily dealt with uncertain situations, gradually pushing both bidders towards the price reduction and preferential terms for the after-sale aircraft service. In the end, this negotiation strategy allowed Iberia to reach a purchasing agreement with Airbus on the terms even better than Iberia’s management had expected initially. The progression of negotiations, their outcome and behavior of participants were very much affected by the respective cultural norms and beliefs at the social and corporate level.

Research and understanding of cultural norms and beliefs of a negotiation partner is a necessary step that should precede any negotiations. Getting to know cultural traits, such as time orientation, high vs. low context, and decision-making style of all participants significantly bolsters the chances of a positive outcome in negotiations with either corporate or government customers in the global marketplace.

The following research propositions stem from the above consideration:

RP3a. In the global organizations negotiating with B2B and B2G customers, short-term business risks and long-term socio-economic costs decrease if their representatives observe the cultural value orientation of their customers and conform to respective cultural norms.

RP3b. In the global organizations negotiating with B2B and B2G customers, short-term business risks and long-term socio-economic costs further decrease if the negotiating parties reconcile their differences in
uncertainty avoidance and perception of time.

Marketing to Global Consumers: Culture Factor

While global B2B and B2G markets are diverse, there is at least some structure and order in their purchasing process and decision-making. A totally different picture awaits marketers targeting impulsive and spontaneous global consumers. Among the key challenges for the marketers operating in B2C markets are:

- There are more than seven billion potential consumers in the world, which means there are 7,000,000,000+ various tastes, preferences, and budgets
- Consumer needs and wants are extremely volatile and keep constantly changing
- In contrast to the B2B and B2G buyers, consumers rarely plan ahead their shopping process and make many purchasing decisions on a whim
- The latest trend or an outright fad may cause sweeping changes of consumers tastes and purchasing preferences depending on the prevailing cultural norms and mores
- Consumers are susceptible to the groupthink, rumors and sometimes speculative information posted in social media, e.g., Facebook, Twitter, Web communities and blogs
- Individual consumers have lesser resources than businesses and governments; therefore, they buy in smaller quantities but demand a broader variety of goods and services
- Consumers are always on a lookout for the best deal - “more for less” - and spread a word about available deals at a wildfire speed
- Information about consumer behavior is overwhelming in size, but scattered and hard to analyze even with the latest availability of Big Data methods.

Challenge: Underestimated Diversity of Consumer Needs and Wants

Since the early stages of human society maturation, people considered products for the barter or purchase only when they could satisfy some of their previously unmet needs or wants. In Christensen’s (2003) words, “people don’t buy products, they ‘hire’ products to do the job.” Nowadays, the same logic governs the development of new goods and services: developers have to identify a gap between consumer expectations, on one hand, and features of the products already available on the market, on the other hand. As French say - “cherchez le creneau” or “look for the gap.” If a new product satisfactorily fills such a gap, it stands a good chance to succeed. It may stand an even better chance of becoming a hit, if it targets both current and future needs and wants of consumers, whether they are explicit or implicit.

Research shows that consumer needs, wants, expectations, and degree of satisfaction largely depend on the cultural environment in the social groups to which consumers belong (e.g., Howell and Hill, 2009; Iyer and Masters, 1999; Illin, 2005). People choose which clothing to wear, which cars to drive or which parties to go to, and their choices are frequently based on the perceived values of their reference groups. Thus, in-group cultural norms influence tastes of its members and sometimes, outright prescribe the consumption choices.
For example, for mature consumers, a place for vacation may be only “recommended” by their friends or colleagues; on the opposite, a high school crowd frequently dictates choices to every kid, proclaiming a particular movie as “must see” entertainment or a particular brand to wear to be accepted by a desired group.

In the early part of the 20th century, the classic marketing theory paid relatively little attention to the culture as one of the key factors shaping consumer behavior. Cultural research was considered a domain of anthropologists and sociologists (Parsons and Shils, 1962). Growing globalization of the business environment led to realization of an important role played by the cultural attributes of prospective customers and applying cultural dimensions to identify addressable market segments and projections for the new product acceptance. For example, Sengun and Townsend’s (2003) research demonstrated that power distance and uncertainty avoidance may hinder the acceptance of new products while consumer individualism may have an opposite effect. Nowadays, companies in B2C markets actively conduct cross-cultural research before they enter new markets and intertwine cultural content into their product packaging, advertising and PR. Still, in spite of this attention to the cultural norms and preferences, failures are abound.

To illustrate some important issues regarding the problem of consumer choice and purchasing decision making, it will be useful to look into two distinct types of consumer markets: one associated with high technologies and the other related to the fast moving consumer goods.

**Challenge: Social Groups and Subcultural Motivations in High Tech World**

Since 1990-s high tech goods and services became the dominant components of the global market. Expansion of the Internet fueled an exponential growth of the product volume and reach across continents. This process led to the formation of multi-billion multinational businesses serving global consumers and striving to satisfy their demands. To succeed, those businesses needed to resolve the following dilemma:

1) To make the business more profitable, products have to be as uniform as possible, and production and distribution have to be global.
2) To keep consumers happy and loyal, goods and services have to be customized to satisfy unique demands of the local consumers.

Upon many trials and errors, businesses embraced a philosophy of glocalization - an umbrella definition used for different approaches to the said dilemma, and the companies continuously look for various combinations supporting their respective business models (e.g., Strizhakova et al, 2012). In the high tech world, this philosophy leads to a synthesis of hardware and software solutions meeting customer needs and keeping investors happy. Such solutions provided a fertile ground of innovations in product design and business processes. Let us examine this subject in more detail using as an example one of the most researched high tech products - smartphones.

When the first cell phones became commercially available, they were just devices providing the phone service on the go, which temporarily “untied” their owners from the landlines. As such, the phones had to be convenient to use, lightweight to carry, and provide an acceptable quality of the signal reception.
In early 2000s, a new product named Blackberry, the first smartphone, became an immediate success. It dominated the upper crust of the global markets - the most profitable segment, and particularly benefited from its broad acceptance by the large corporations and government agencies because it provided secure e-mail service. Being the only available smartphone at that time, it was embraced by consumers in many countries who used it for both personal and business purposes (Gillette et al., 2013). In fact, at that time, Blackberry ownership became a tale-telling symbol of a substantial personal wealth or high-level corporate position (for business-issued devices). However, RIM - Blackberry maker - focused mostly on the satisfaction of the then-current customer expectations - as many near-monopolies do. The phone hardware customization remained the same except for different language-specific buttons, while the software provide more choices. An advancement of the phone design and features in newer models was only enough to keep the existing customers happy and attract the new ones without “rocking the boat.” This rest-on-laurels policy worked for some time, peaking in 2008, when quarterly shipments reached 15 million units, but only until the arrival of a new competitor.

When Apple introduced its iPhone to the market in 2007, it was enthusiastically embraced by global consumers because it met many of their existing explicit needs in a new way and held a promise for future satisfaction of their implicit desires (sometimes indiscernible). It is important to mention a symbolic cultural meaning of the new device with an Apple logo - an expensive iPhone became a powerful emblem of wealth in emerging markets where societies remain in a process of the cultural transition from collectivism to individualism. iPhone owners proudly demonstrated their phones as a sign of a newly acquired higher social status - a badge of arrival. All those innovative features and business potential of an iPhone as a mobile market disruptor were initially misunderstood and even laughed at by competitors, such as RIM, Microsoft and Motorola, who did not believe that iPhone had any future. In contrast to those misconceptions, more than 500 million units of iPhone lineup were sold to loyal customers all over the world (Pressman, 2014).

Since then, a lucrative smartphone market is a battlefield of various brands, manufacturers and operating systems. iPhone continues to command the premium end of the market, however, its position was successfully challenged by Samsung. More recently, manufacturers like HTC, LG, Huawei, etc., designed and produced innovative smartphones powered by an open source Android platform. This free-to-use platform is supported and maintained by Google on behalf of the vast online community comprised of global developers, consumers and business customers. During this period, the market share of the former high-flier Blackberry shrunk from 20% in 2008 to a meager 1% in 2013, and financial analysts put it into a nondescript category “Other” (Llamas et al, 2014).

According to the various reports, in 2013 shipments of smartphones for the first time exceeded one billion units. This means that a huge and ever growing number of users around the world transition from the traditional cell phones to smart devices. In addition, millions of existing smartphone users are looking for a phone replacement or upgrade. Such an active and fluid market bears a significant upward potential for the existing and new players. Among the key matters concerning marketing managers and new product developers are the following:

- What motivates consumers to buy their first smartphone?
• Which internal or external factors propel consumers to dump perfectly working smartphones and spend money on the newer models?
• Do buyers demonstrate brand loyalty, and what is the subject of loyalty - hardware (e.g., iPhone, Galaxy) or software platform (e.g., iOS, Android) or design aesthetics?
• Which primary drivers affect consumer choice associated with a phone and service provider?
• How the cultural value orientation of consumers affects their purchasing decision-making?
• Finally, how can product designers convince their management that new products will enjoy high demand and generate profit?

Not surprisingly, answers to these questions are even more diverse than product types and features. For marketers, the most important is a true meaning behind those answers when they poll consumers belonging to various cultures. Some consumers may buy a new product because they are innovators or early adopters of technology; some others - out of the necessity to replace an old clunky device or poor quality service; yet some may buy for purely prestige reasons - to show off their social status or newly gained wealth (Kivenzor, 2007; Goneos-Malka et al, 2012). Without understanding of the consumer value orientation and true purchasing motivations development of the new products becomes a guesswork with very little chance to succeed.

This consideration allows us to formulate the following research propositions:

**RP4a.** In the global marketing organizations engaged in B2C markets, short-term business risks and long-term socio-economic costs decrease if a new product introduction targets specific social groups rather than a nation/state in general.

**RP4b.** In the global marketing organizations engaged in B2C markets, short-term business risks and long-term socio-economic costs decrease if a new product PR and advertising campaigns address the subcultural value orientation particular to target social groups.

**Challenge: Wild Disparity of Individual Tastes**

The Latin proverb “De gustibus non est disputandum” translates as ”In matters of taste, there can be no disputes” and is fully applicable to the markets of consumer packaged goods, particularly, of food products. For the companies successful in selling packaged food products globally, further expansion seems to be a viable opportunity. Campbell Soup Company - a 150-year old conglomerate whose products are sold in 120 countries around the world - aimed at such an expansion into the potentially lucrative new markets.

The story of Campbell Soup’s attempt to penetrate the soup-loving Chinese and Russian markets proved that even big companies with substantial marketing budgets might not succeed if their products do not fit local cultural values and their marketing communications do not touch the hearts of consumers. The Wall Street Journal published with a four-year interval two articles, both penned by Jargon (2007, 2011). The first article covered a Campbell Soup’s foray, with much fanfare, into the Russian and Chinese markets in 2007. The second article described a gloomy closing of Russian operations in 2011 which led to heavy monetary losses, staff layoffs and tarnished the reputation of the company. Why did this all happen?

According to the statistics, Chinese and Russians eat soup, on average, more than five times a week...
compared with Americans’ once-a-week habit. In Russia, every year people consume 32 billion bowls of
different kinds of soup, compared with just 14 billion soup servings in the U.S.

Campbell Soup hired cultural anthropologists to study the soup-making habits of consumers in Russia.
They spent two years watching consumers preparing and eating soups, concluding that “Russians consider
themselves the foremost experts on soup in the world, and they have words they only use for soup, which
tells you how ingrained it is in the culture” (Jargon, 2007). Campbell Soup found that soup recipes were a
matter of pride for most housewives in Russia and many recipes were passed down from one generation to
another. In fact, many Russian women were proud of having prepared soups with unique taste, and the way
soup was prepared and served became a part of a family tradition deeply embedded into the cultural fabric.

To make their products more appealing to potential customers, Campbell produced a series of the custom
condensed soups under the new brand called “Domashnyaya Klassika” (“Home Classics”). Those products
were marketed as a base for soup making rather than ready-to-eat soups. However, this approach was cultur-
ally “foreign” for Russian housewives who were used to make soup from scratch. In addition, the Campbell’s
marketing and advertising campaigns were underfunded, and consumers perceived them as "halfhearted".

Burdened by increasing losses, Campbell Soup Company has announced in 2011 that it had exited from
the Russian market, eliminating 770 positions and writing off a hefty amount of $75 million (Jargon, 2011).
Their China business remains tepid.

The new product development process usually includes the stages of market research, preconception,
and development - all of them happening before it is marketed, sold and shipped to customers. At every
stage, the process is heavily influenced by the personality traits of creators - people who come up with new
ideas and develop new products. Those personality traits are shaped in a cultural environment in which
those creators grew up and live, therefore, the new product design is impacted by their “culture code” (a
term introduced by Clotaire (2007), which signifies cultural associations with the particular products or
product categories. If their future customers espouse a substantially different culture code, the new product
acceptance may suffer. For example, according to Clotaire (2007), in American culture, automobiles are
associated with freedom; while in German culture, cars are associated with engineering perfection. Hence,
the culture-induced motivations of American and German consumers affecting their car evaluation and
purchasing decision-making are materially different. The lack of attention to this factor may dramatically
increase business risks and socio-economic costs of car designers and manufacturers. An unsuccessful merger
of Daimler-Benz and Chrysler demonstrated the scope of such risks and costs, it was followed by a painful
“divorce” and huge financial losses.

As one can see, consumer markets present a particular challenge to marketing strategists due to the
diversity of consumer needs, disposable income and, cultural preferences and taboos. Culture remains a
powerful, but frequently overlooked, factor affecting a new product success or failure. Companies need to
assess business risks when designing a new product for an existing consumer market or customizing an
existing product for a new market. However, the greatest hurdles and highest risks are associated with an
introduction of a new product to a new market because consumer motivation and purchasing decision-making
may be influenced by many complex factors.
This consideration allows us to formulate the following research proposition:

**RP5.** In the global marketing organizations engaged in B2C markets, short-term business risks and long-term socio-economic costs increase if the value orientation of the new product developers differs from that of consumers in the target market due to misunderstanding of purchasing motivations.

**Culture Factor and the Fifth “P” of Global Marketing**

In a classic marketing theory, marketing mix is comprised of 4Ps: Product, Price, Place, and Promotion. When it comes to the global marketing, an additional component becomes omni-important. This component is “People” - the fifth “P” of the marketing mix: people with their cultures, behaviors, and attitudes (McEwen, 2001).

As demonstrated above, cultures of the marketplace participants, whether they are buyers or sellers, marketers or prospective customers bear a lot of weight. Examples from the B2B, B2G and B2C markets confirm that a success or failure of each business transaction between the two sides depends on an understanding and acceptance of the cultural differences of all participants at the stages preceding such transaction, during transaction and upon its consummation. When a company conceives a new product, whether it is a tangible good, intangible service or a combination of both, it is imperative to take into account cultural values, preferences, and taboos of the prospective customers.

Attempts to ignore or downgrade the role of culture while designing a new product and its packaging or choosing the advertising and distribution channels will almost certainly backfire. In contrast, a close attention to the cultural preferences of the target business customers or consumer groups will support and enhance the product acceptance rates, customer satisfaction and loyalty. In the aforementioned example, McDonald’s, particularly known for its beef burgers around the world, completely redesigned its menu for India where cows are sacred. Showing respect to the cultural beliefs of Indian consumers, it offers lamb, chicken, and vegetarian dishes. As a stunning example of cultural sensitivity, the McDonald’s restaurant located in close proximity of a shrine in New Deli offers a completely vegetarian menu, including McVeggies and Veg Supreme McMuffins (McDonald’s India, 2014). Building marketing strategies with the consumer culture in mind, McDonald’s gained loyal following among the growing number of middle-class consumers who feel that their customs and preferences are respected and well attended.

Many companies, selling products to the environmentally conscientious European consumers make sure that goods are wrapped in easily recyclable packaging materials and their parts are manufactured out of recyclable components. Royal Philips, a Dutch conglomerate with the global reach, became one of most powerful proponents of the circular economy, which “aims to decouple economic growth from the use of natural resources and ecosystems by using those resources more effectively” (Koninklijke Philips, 2014). This strategy won hearts (and pockets) of many consumers and business customers who want to be associated with sustainable consumption as a way of life.

Another important area for consideration are marketing activities heavily influenced by the cultural exchange, namely, integrated marketing communications, including advertising, public relations, and social media marketing.
For example, in the northern European cultures, it is common to communicate with straightforward statements, openly and honestly expressing one’s opinion and criticism. In contrast, such a style is perceived as rude and unacceptable in East Asia where communications are less direct and should provide an opportunity to “save face” to all participants. Thus, a company has to be highly sensitive not only to the content, but even more so to the framing of a message before it is made public by a marketing executive or spokesperson. For this purpose, advertising departments need to recognize the differences between the low-context, e.g., Dutch and high-context cultures, e.g., South Koreans. In the low context cultures, a message is typically constructed to deliver an explicit meaning through its text - regardless of the communication channels. In the high context cultures, the message meaning is deciphered not from its precise verbiage, but from a manner it is communicated and delivered by a particular person or media type. In this case, subtle implicit details serve as key modifiers allowing the culture bearers to interpret an underlying message.

When it comes to advertising of goods and services across cultures, it is hard to count multiple gaffes frequently happening when a product is introduced to a new market. If a particular advertisement proved its effectiveness in one market, some companies might be tempted to re-use it in other markets in spite of the cultural differences, and this may lead to disastrous results.

Trompenaars and Hampden-Turner (1998) described a situation in Belgium where one of the agencies developed a TV advertisement for a car manufacturer. It depicted a family where the wife came back home and found in a yard a new shiny car bought by her husband. The ad was initially designed for the Belgian Flemish consumers (western part of Belgium) and was enthusiastically accepted by them. However, when the same video was simply translated to French for the Francophones populating the eastern part of the same country, it failed miserably. A situation normal in an individualist Flemish subculture - the husband single-handedly makes an important decision, buying a family car - was totally unacceptable for Belgian Francophones. In their collectivistic subculture, such an important decision had to be made jointly by both spouses, and only upon a thorough discussion and consideration of available options.

In the global PR, there are frequent issues related to the power distance (sometimes identified as social distance), which characterizes the social hierarchy and determines the propensity of uneven treatment of the people belonging to different social ranks. In the US culture, the power distance is relatively low; employees frequently address their CEOs and presidents using diminutive forms of his or her first name (e.g., Bill, Liz or Joe) and may openly criticize public figures. In the East Asian and Middle Eastern cultures, on the opposite, the power distance is high; people address persons of a higher social rank using respectful solicitations (e.g., Dr. Prahalad, President Zhang or Tosuhiro-san) and treat them with appropriate deference. Individuals, occupying powerful positions in their own country, might not be willing to get engaged into the business negotiations with the counterparts coming from another country and having a perceived lower rank. In many cultures, the rank perception may be also affected by the gender and age differences. PR managers have to be particularly sensitive to the power distance to avoid open or hidden conflicts with the stakeholders.

Another effect of the fifth “P” factor pertains to the relatively novel, but very powerful, trends of social media marketing. Disclosure of the personal information in different networks is highly impacted by the cultures of participants, their personal attitudes and influence of the social groups, to which they belong.
Generational and gender differences also affect the level of disclosure. Younger people in many cultures are more open to the public disclosure of details of their personal lives, tastes and preferences. Lesser known are the facts related to the information privacy policies formulated and executed by the companies running social networks and Big Data aggregators.

During the 2014 Conference on Marketing and Public Policy organized by the American Marketing Association, the consumer privacy in the era of Big Data was a subject of particular attention. A special session “The Value of Consumer Information: Traditional and Digital Industry Perspective” was focused on the ways companies collect, aggregate and use consumer data. The panel discussion provided interesting glimpses into the privacy decision-making process when new services and apps are developed. It appears that the definitions of privacy vary widely among service developers and providers. Many companies have lengthy and verbose privacy notices and disclaimers; written in legalese, they are hard to understand by the lay consumers who have to accept them anyway if they want to use a service. Those privacy agreements claim to limit and protect the personally identifiable data about the consumer behavior. However, on practice, a true decision of what types of data is labeled as private and protected vs. the types of data that can be made public is frequently in the hands of a young programmer - code developer. Discussion participants mentioned that this engineer frequently makes a decision about the kind of information disclosure he or she is personally comfortable with and then proceeds with respective coding. Such an observation further confirms an importance of the frequently underestimated human factor in the new product development.

In addition to the core marketing principles expressed in a 4Ps marketing mix matrix, marketers have to focus on the fifth “P” - People. This is particularly true for the new product development process. For each product, the decisions regarding its features, price, place of sale, and promotional activities, depend on the cultural and personal traits of the people who develop this product and pertinent marketing strategies. To succeed, the product characteristics, pricing, distribution and marketing strategies have to meet expectations of the target customers and properly tend to their cultural norms and habits.

**Conclusion, Managerial Implications, Limitations and Future Research Directions**

The present study discusses an important, but frequently underestimated, role, which the culture factor plays in the development and marketing of new products in the contemporary multicultural environment. It invokes and analyzes the examples from different industries to address one of the core problems of the new product development - the lack of attention to a cultural factor leading to increased business risks and socio-economic costs (Earley and Peterson, 2004). The study strives to demonstrate that processes of the new products development and marketing have to include a comprehensive cultural analysis of prospective customers.

We recognize the fact that the stated customer needs are diverse, while the unstated customer wants and expectations are even more disparate. In addition, individual perceptions of a new product are largely
shaped by the subcultures of social groups to which they belong and, therefore, may frequently change. New product designers and manufacturers have to understand and properly address the cultural preferences and purchasing motivations of their prospective customers, thus increasing the probability of product acceptance and mitigating business risks.

The paper addresses several areas of marketing and new product development in which culture plays a particularly important role and discusses relevant examples from B2B, B2G and B2C markets. At the same time, we recognize that the scope of this discussion is limited by the size of the paper. Different industries may provide multiple examples of the new product development and marketing practices affected by the cultural research or lack of such. A more comprehensive analysis is planned as a part of the future research.

The present discussion and respective research propositions provide a basis for managerial implications. They particularly aim at the product managers and developers of the new products as well as the marketing managers responsible for market research, advertising and promotion of the new products. Managers can benefit from a more in-depth understanding of the cultural research as a methodology reducing short-term business risks and long-term socio-economic costs of the new product development, introduction to new markets and lifetime management.

The future empirical research shall quantify the effect of the cultural impact of innovation in contemporary societies. Translating the above research propositions into the working hypothesis shall establish a more precise relationship between the customer cultural preferences and new products acceptance rates. Basing new product characteristics on the value orientation of prospect customers shall reduce the socio-economic costs of doing business in new markets, and mitigate respective business risks.

References

Adair, W. L., Okumura, T. and Brett, J.M., 2001. “Negotiation Behavior When Cultures Collide: The United States and Japan.” Journal of Applied Psychology, Vol. 86, No. 3, pp. 371-385.

Agarwal, J., Malhotra, N. K. and Bolton, R.N., 2010. “A Cross-National and Cross-Cultural Approach to Global Market Segmentation: An Application Using Consumers’ Perceived Service Quality.” Journal of International Marketing, Vol. 18, No. 3, pp. 18-40.

Ardichvili, A. and Kuchinke, K.P., 2002. “Leadership Styles and Cultural Values among Managers and Subordinates: A Comparative Study of Four Countries of the Former Soviet Union, Germany, and the US.” Human Resource Development International, Vol. 5, No. 1, pp. 99-117.

Bearden, W. O. and Etzel, M.J., 1982. “Reference Group Influence on Product and Brand Purchase Decisions.” Journal of Consumer Research, Vol. 9, No. 2, pp. 183-194.

Blodgett, J. G., Bakir, A. and Rose, G.M., 2008. “A Test of the Validity of Hofstede’s Cultural Framework.” Journal of Consumer Marketing, Vol. 25, No. 6, pp. 339-349.

Bowden, M., 2013. Winning Body Language for Sales Professionals: Control the Conversation and Connect with Your Customer –without Saying a Word. New York, USA: McGraw-Hill.

Christensen, C. M., 2003. The Innovator’s Dilemma: The Revolutionary Book that Will Change the Way
Craig, C. S. and Douglas, S.P., 2006. “Beyond National Culture: Implications of Cultural Dynamics for Consumer Research.” International Marketing Review, Vol. 23, No. 3, pp. 322-342.

Curran, E. and Eaglesham, J., 2014. “Regulators Step Up Probe Into Bank Hiring Overseas.” The Wall Street Journal. Retrieved on Nov. 10, 2014 from http://online.wsj.com/news/articles/SB100014240527023023417104579546190553220338.

BBC News, 2010. “Daimler Agrees to Pay $185m after Admitting Bribery.” Retrieved on June 24, 2014 from http://news.bbc.co.uk/2/hi/business/8600241.stm.

Demangeot, C., Adkins, N. R., Mueller, R. D., Henderson, G. R., Ferguson, N. S., Mandiberg, J. M., Roy, A., Johnson, G. D., Kipnis, E., Pullig, C., Broderick, A. J. and Zúñiga, M.A., 2013. “Toward Intercultural Competency in Multicultural Marketplaces.” Journal of Public Policy & Marketing, Vol. 32, pp. 156-164.

De Mooij, M., 2004. “Translating Advertising: Painting the Tip of an Iceberg.” Translator, Vol. 10, No. 2, pp.179-198.

Drucker, P. F., 1967. The Effective Executive. London, UK: Heinemann.

Drucker, P., 2007. The Essential Drucker. London, UK: Elsevier

Earley, P. C. and Peterson, R.S., 2004. “The Elusive Cultural Chameleon: Cultural Intelligence as a New Approach to Intercultural Training for the Global Manager.” Academy of Management Learning & Education, Vol. 3, No. 1, pp. 100-115.

Eliot, T. S., 1949. Notes Towards the Definition of Culture. New York, USA: Harcourt Brace.

Erez M. and Earley P.C., 1993. Cultures, Self-identity and Work. New York, USA: Oxford University Press.

Gillette, F., Brady, D. and Winter, C., 2013. “The Rise and Fall of BlackBerry: An Oral History.” BloombergBusinessweek. Retrieved on Nov. 10, 2014 from http://www.businessweek.com/ articles/2013-12-05/the-rise-and-fall-of-blackberry-an-oral-history.

Goneos-Malka, A., Strasheim, A. and Grobler, A., 2012. “Segmentation Analysis of Mobile Phone Users based on Frequency of Feature Use.” In Kirk Plangger (Ed.), Thriving in a New World Economy - Proceedings of the 2012 Academy of Marketing Science World Marketing Congress, pp. 193-196.

Herdin, T., 2012. “Deconstructing Typologies: Overcoming the Limitations of the Binary Opposition Paradigm.” International Communication Gazette, Vol. 74, No. 7, pp. 603-618.

Hirschman, A. O. and Rothschild, M., 1973. “The Changing Tolerance for Income Inequality in the Course of Economic Development.” The Quarterly Journal of Economics, Vol. 87, No. 4, pp. 544-566.

Hofstede, G., 1983. “National Studies in Four Dimensions: A Research-Based Theory of Cultural Differences among Nations.” Journal of International Studies of Management & Organization, Vol. 13, No. 1-2, pp. 46-74.

Hofstede, G., 2011. “Dimensionalizing Cultures: The Hofstede Model in Context.” Online Readings in Psychology and Culture, Vol. 2, No. 1, pp. 1-26.

Howell, R. T. and Hill, G., 2009. “The Mediators of Experiential Purchases: Determining the Impact of Psychological Needs Satisfaction and Social Comparison.” Journal of Positive Psychology, Vol. 4, No. 6, pp. 511-522.
Iyer, G. R. and Masters, L.A., 1999. “The Emergence of Markets and Marketing Systems in Transition Economies of Europe and Central Asia.” Journal of East-West Business, Vol. 5, No. 1-2, pp. 5-23.

Illin, V. I., 2005. “Consumer Society: Theoretical Model and Russian Reality.” Mir Rossii, Vol. 2, pp. 3-40.

Jafari, A. and Goulding, C., 2013. “Globalization, Reflexivity, and the Project of the Self: A Virtual Intercultural Learning Process.” Consumption Markets & Culture, Vol. 16, No. 1, pp. 65-90.

Jargon, J., 2007. “Can M’m, M’m Good Translate? Campbell Rethinks Soup As It Prepares to Enter Russia and China.” The Wall Street Journal. Retrieved on Nov. 10, 2014 from http://online.wsj.com/news/articles/SB118394213751460475.

Jargon, J., 2011. “Campbell Soup to Exit Russia.” The Wall Street Journal. Retrieved on Nov. 10, 2014 from http://online.wsj.com/news/articles/B10001424052702304447804576414202460491210

Kahneman, D., Lovallo, D., and Sibony, O., 2011. “Before You Make That Big Decision.” Harvard Business Review, Vol. 89, No. 6, pp. 50-60.

Kitayama, S. and Park, J., 2012. “Culture and the Self: Implications for Consumer Behaviour.” In A. A. Ruvio & R. W. Belk (Eds.), The Routledge Companion to Identity and Consumption, pp. 28-43. New York, USA: Routledge.

Kivenzor, G. J., 2007. “Brand Equity Aberrations: Heritage Brand Perception Effects in Russian Markets.” Academy of Marketing Science Review, Vol. 10, No. 12, pp. 1-20.

Kivenzor G., 2014. “Culture Matters: Developing and Marketing New Products to Global Consumers.” In Kivenzor G. (Ed.). Marketing and New Product Development, pp. 126-146. New York, USA: McGraw-Hill.

Koninklijke Philips N.V., 2014. Circular Economy. Retrieved on Nov. 10, 2014 from http://www.philips.com/sites/philipsglobal/about/sustainability/ourenvironmentalapproach/greeninnovation/circulareconomy.page.

Lenartowicz, T. and Roth, K., 2001. “Does Subculture Within a Country Matter? A Cross-Cultural Study of Motivational Domains and Business Performance in Brazil.” Journal of International Business Studies, Vol. 32, No. 2, pp. 305-325.

Llamas, R., Reith, R. and Shirer, M., 2014. “Android and iOS Continue to Dominate the Worldwide Smartphone Market with Android Shipments Just Shy of 800 Million in 2013.” Retrieved on Nov. 10, 2014 from http://www.idc.com/getdoc.jsp?containerId=prUS2467641.

Matlack, Carol, 2013. “For Cognac Makers, the Chinese Party is Over.” Business Week. Retrieved on Nov. 10, 2014 from http://www.businessweek.com/articles/2013-11-26/for-cognac-makers-the-chinese-party-is-over.

McDonald’s India, 2014 . Retrieved on Nov. 10, 2014 from http://www.mcdonaldsindia.com/menu.html.

McEwen, W. J., 2001. “The Power of the Fifth P.” Gallup Management Journal, March, pp. 1-5. Retrieved on June 15, 2014 from http://www.edl.nova.edu/ie/ice/forms/the\_power\_of\_the\_5th\_p.pdf.

Michaels, D., 2003. “Airbus and Boeing Duke It Out To Win Lucrative Iberia Deal.” The Wall Street Journal. Retrieved on Nov. 10, 2014 from http://online.wsj.com/news/articles/SB1047243854826319840 or http://faculty.washington.edu/sundar/MM-BBUS320/Fun-READINGS/
Michailova, S. and Worm, V., 2003. “Personal Networking in Russia and China: Blat and Guanxi.” European Management Journal, Vol. 21, pp. 509-519.

Oyserman, D. and Lee, S.W.S., 2008. “Does Culture Influence What and How We Think? Effects of Priming Individualism and Collectivism.” Psychological Bulletin, Vol. 134, No. 2, pp. 311-342.

Parsons, T. and Shils, E.A., 1962. Values, Motives, and Systems of Action. In T. Parsons and E. A. Shils (Eds.), Toward a general theory of action: Theoretical Foundations for The Social Sciences, pp. 247-275. New Jersey, USA: Transaction.

Pressman, A., 2014. “Apple Competitors Still Smarting from iPhone Blow.” Yahoo Finance. Retrieved on Nov. 10, 2014 from http://finance.yahoo.com/news/apple-competitors-still-smarting-from-iphone-blow-213403868.html

Ralston, D. A., Holt, D. H., Terpstra, R. H. and Kai-Cheng, Y. 2008. “The Impact of National Culture and Economic Ideology on Managerial Work Values: A Study of the United States, Russia, Japan, and China.” Journal of International Business Studies, Vol. 39, No. 1, pp. 8-26.

Clotaire, R. 2007. The Culture Code: An Ingenious Way to Understand Why People around the World Buy and Live as They Do. New York, USA: Random House.

Roccas, S. and Brewer, M.B., 2002. “Social Identity Complexity.” Personality and Social Psychology Review, Vol. 6, No. 2, pp. 88-106.

Roccas, S., Sagiv, L., Schwartz, S., Halevy, N. and Eidelson, R., 2008. “Toward a Unifying Model of Identification with Groups: Integrating Theoretical Perspectives.” Personality and Social Psychology Review, Vol. 12, No. 3, pp. 280-306.

Sengun, Y. and Townsend, J.D., 2003. “Does Culture Explain Acceptance of New Products in a Country? – An Empirical Investigation.” International Marketing Review, Vol. 20, No. 4, pp. 377-396.

Schwartz, S. H., 1999. “A Theory of Cultural Values and Some Implications for Work.” Applied Psychology, Vol. 48, No. 1, pp. 23-47.

Schwartz, S. H., 2006. “A Theory of Cultural Value Orientations: Explication and Applications.” Comparative Sociology, Vol. 5, No. 2-3, pp. 137-182.

Sheth, J. N., 2011. “Impact of Emerging Markets on Marketing: Rethinking Existing Perspectives and Practices.” Journal of Marketing, Vol. 75, No. 6, pp. 166-182.

Strizhakova, Y., Coulter, R. A. and Price, L.L., 2012. “The Young Adult Cohort in Emerging Markets: Assessing Their Glocal Cultural Identity in a Global Marketplace.” International Journal of Research in Marketing, Vol. 29, Issue 1, pp. 43-54.

Triandis, H. C., 1972. The Analysis of Subjective Culture. Oxford, UK: Wiley.

Triandis, H. C., 1989. “The Self and Social Behavior in Differing Cultural Contexts.” Psychological Review, Vol. 96, pp. 506-520.

Trompenaars, F. and Hampden-Turner, C., 1998. Riding the Waves of Culture: Understanding Diversity in Global Business. New York, USA: McGraw-Hill.

Trompenaars, F. and Hampden-Turner, C., 2012. Riding the Waves of Culture: Understanding Diversity in
Global Business. New York, USA: McGraw-Hill.
Voreacos, David and Dudley, Renee, 2014. “Wal-Mart Says Bribe Probe Cost $439 Million in Two Years.” BloombergBusinessweek. Retrieved on Nov. 10, 2014 from http://www.bloomberg.com/news/2014-03-26/wal-mart-says-bribery-probe-cost-439-million-in-past-two-years.html.