

TABLE 14.1 The World's Most Valuable Brands

RANK	BRAND	2004 BRAND VALUE (\$BILLIONS)
1	Coca-Cola	67.4
2	Microsoft	61.4
3	IBM	53.8
4	GE	44.1
5	Intel	33.5
6	Disney	27.1
7	McDonald's	25.0
8	Nokia	24.0
9	Toyota	22.7
10	Marlboro	22.1

Note: Only includes brands that obtain at least one-third of their earnings outside of their home country.

Source: Diane Brady, Robert D. Hof, Andy Reinhardt, Moon Ihlwan, Stanley Holmes, and Kerry Capell, "The Top 100 Brands," *Business Week*, August 2, 2004, 68.

According to *Business Week*, Coca-Cola is the most valuable brand in the world, with a brand value of about \$65 billion. Table 14.1 presents a list of the world's 10 most valuable brands.

Acquiring exposure to other cultures

As more and more consumers come in contact with the material goods and lifestyles of people living in other parts of the world, they have the opportunity to adopt these different products and practices. How consumers in one culture secure exposure to the goods of other people living in other cultures is an important part of consumer behavior. It impacts the well-being of consumers worldwide and of marketers trying to gain acceptance for their products in countries that are often quite different from their home country. After all, by the time you read this, there may be five models of automobiles available for you to purchase that were made in China, thanks to a deal between Chery Automobiles of China and Malcom Bricklin, chairman of Visionary Vehicles.⁵

Consider Mexico, America's neighbor to the South. While the Mexican culture shares many similarities with those of Central and South American nations, consumers in Mexico differ when it comes to attitude—they have an affinity for American values. Mexican consumers use brands to display status, making conspicuous consumption a part of life, even for the poor. For example, a working class household might keep a large American refrigerator in the living room, instead of the kitchen, because it is viewed as a sign of financial success. Still further, the largest market for Martell cognac outside of France is Mexico, because the product allows the affluent to display their success and wealth.⁶

A portion of consumers' exposure to different cultures tends to come about through consumers' own initiatives—their travel, their living and working in foreign countries, or even their immigration to a different country. Additionally, consumers obtain a "taste" of different cultures from contact with foreign movies, theater, art and artifacts, and most certainly, from exposure to unfamiliar and different products. This second major category of cultural exposure is often fostered by marketers seeking to expand their markets by bringing new products, services, practices, ideas, and experiences to potential consumers residing in a different country and possessing a different cultural view. Within this context, international marketing provides a form of "culture transfer."

Country-of-origin effects

When consumers are making purchase decisions, they may take into consideration the countries of origin (COO) of their choices. Researchers have shown that consumers use their knowledge of where products are made in the evaluation of their purchase options.⁷ Such a country-of-origin effect seems to come about because consumers are often aware that a particular firm or brand name is associated with a particular country. For example, a Volkswagen's "Fahrvergnügen" campaign touted German engineering, and Land-Rover's advertising conveys a sophisticated British image. In contrast, Jaguar does not tend to play on its British heritage when marketing its cars in the United States. And then there's Chevrolet, the General Motors division responsible for over half of GM's vehicle sales. Over the years, Chevrolet has used slogans such as "See the U.S.A. in your Chevrolet," and it is currently using the theme "An American Revolution" to introduce 10 new cars and trucks.⁸

In general, many consumers associate France with wine, fashion clothing, and perfume and other beauty products; Italy with pasta, designer clothing, furniture, shoes, and sports cars; Japan with cameras and consumer electronics; and Germany with cars, tools, and machinery. Moreover, consumers tend to have an established *attitude* or even a preference when it comes to a particular product being made in a particular country. This attitude might be positive, negative, or neutral, depending on perceptions or experience. For instance, a consumer in one country might positively value a particular product made in another country (e.g., affluent American consumers may feel that an English Thomas Pink dress shirt or a Bosch dishwasher from Germany are worthwhile investments). In contrast, another consumer might be negatively influenced when he learns that a television set he is considering is made in a country that he does not associate with fine electronics (e.g., a TV made in Costa Rica). Such country-of-origin effects influence how consumers rate quality and which brands they will ultimately select. Recent research suggests, though, that when consumer motivation is high and when a specific model of a product is being evaluated (as opposed to a range of products manufactured in a particular country), then consumers are *less* likely to base judgments on country-of-origin information.⁹ However, when consumers are less familiar with foreign products, COO becomes an important extrinsic cue.¹⁰

Refining the country-of-origin concept, a study that contrasted U.S. and Mexican consumers decomposed country-of-origin into three separate entities: country of design (COD), country of assembly (COA), and country of parts (COP). Of the three, country of parts (COP) had the strongest influence on product evaluations.¹¹ The study also found that COD was a more important cue in the United States than in Mexico, and that younger Mexicans exhibited a stronger COO effect than older Mexicans.

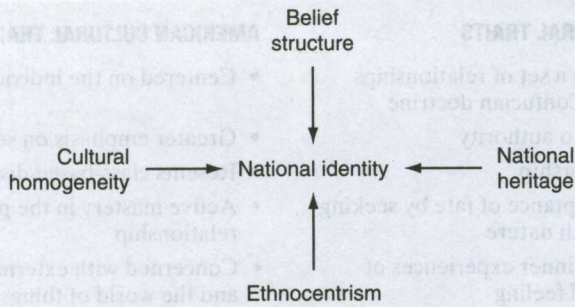
Beyond perceptions of a product's attributes based on its country of manufacture, research evidence exists that suggests that some consumers may refrain from purchasing products from particular countries due to animosity. A study of this issue found that *high-animosity consumers* in the People's Republic of China owned fewer Japanese products than *low-animosity consumers* (during World War II, Japan occupied parts of China). Although some Chinese consumers might consider Sony to be a high-end, high-quality brand (or perceptions of the product itself might be very positive), they might nevertheless refuse to bring a product manufactured in Japan into the home. Similarly, some Jewish consumers avoid purchasing German-made products due to the Holocaust, and some New Zealand and Australian consumers boycott French products due to France's nuclear tests in the South Pacific.¹²

What is national identity?

One way to explain why a consumer prefers buying products made in one country and does not wish to buy products made in another, or why consumers in different countries exhibit different behaviors, is the existence of a "national identity." As presented in Figure 14.1, national identity consists of four dimensions (for each dimension a sample item from a scale to measure it is included, the entire measure is composed of 17 items):

FIGURE 14.1

Dimensions of National Identity



belief structure (e.g., “A true American would never reject their religious belief”), *cultural homogeneity* (e.g., “People frequently engage in activities that identify them as American”), *national heritage* (e.g., “Important people from the country’s past are admired by people today”), and *consumer ethnocentrism* (e.g., “Only those products that are unavailable in the USA should be imported”). Using the national identity scale, research has studied consumers in South Korea, Taiwan, Thailand, and Singapore.¹³ The research, for example, revealed that Thailand had the strongest national identity and Singapore the weakest. Generally, countries with a weak sense of national identity, coupled with low ethnocentric tendencies, are suitable for use as places to launch new products, because foreign firms are not viewed as threats.

cross-cultural consumer analysis

To determine whether and how to enter a foreign market, marketers need to conduct some form of **cross-cultural consumer analysis**. Within the scope of this discussion, cross-cultural consumer analysis is defined as the effort to determine to what extent the consumers of two or more nations are similar or different. Such analyses can provide marketers with an understanding of the psychological, social, and cultural characteristics of the foreign consumers they wish to target, so that they can design effective marketing strategies for the specific national markets involved.

In a broader context, cross-cultural consumer analysis might also include a comparison of subcultural groups (see Chapter 13) within a single country (such as English and French Canadians, Cuban Americans and Mexican Americans in the United States, or Protestants and Catholics in Northern Ireland). For our purposes, however, we will limit our discussion of cross-cultural consumer analysis to comparisons of consumers of *different* countries.

Similarities and differences among people

A major objective of cross-cultural consumer analysis is to determine how consumers in two or more societies are similar and how they are different. For instance, Table 14.2 presents at least a partial depiction of the differences between Chinese and American cultural traits. Such an understanding of the similarities and differences that exist between nations is critical to the multinational marketer who must devise appropriate strategies to reach consumers in specific foreign markets. The greater the similarity between nations, the more feasible it is to use relatively similar marketing strategies in each nation. On the other hand, if the cultural beliefs, values, and customs of specific target countries are found to differ widely, then a highly *individualized* marketing strategy is indicated for each country. To illustrate, in addition to IKEA furniture company’s generic global Web site that uses English, the firm also offers 14 localized Web sites

FIGURE 14.1
Dimensions of
National Identity

TABLE 14.2 A Comparison of Chinese and American Cultures

CHINESE CULTURAL TRAITS	AMERICAN CULTURAL TRAITS
<ul style="list-style-type: none"> • Centered on a set of relationships defined by Confucian doctrine • Submissive to authority • Ancestor worship • Passive acceptance of fate by seeking harmony with nature • Emphasizes inner experiences of meaning and feeling • A closed worldview, prizing stability and harmony • Culture rests on kinship ties and tradition with a historical orientation • Places weight on vertical interpersonal relationships • Values a person's duties to family, clan, and state 	<ul style="list-style-type: none"> • Centered on the individual • Greater emphasis on self-reliance • Resents class-based distinctions • Active mastery in the person-nature relationship • Concerned with external experiences and the world of things • An open view of the world, emphasizing change and movement • Places primary faith in rationalism and is oriented toward the future • Places weight on horizontal dimensions of interpersonal relationship • Values the individual personality

Source: Adapted from Carolyn A. Lin, "Cultural Values Reflected in Chinese and American Television Advertising," *Journal of Advertising* 30, no. 4 (Winter 2001): 83-94.

cross-cultural consumer analysis

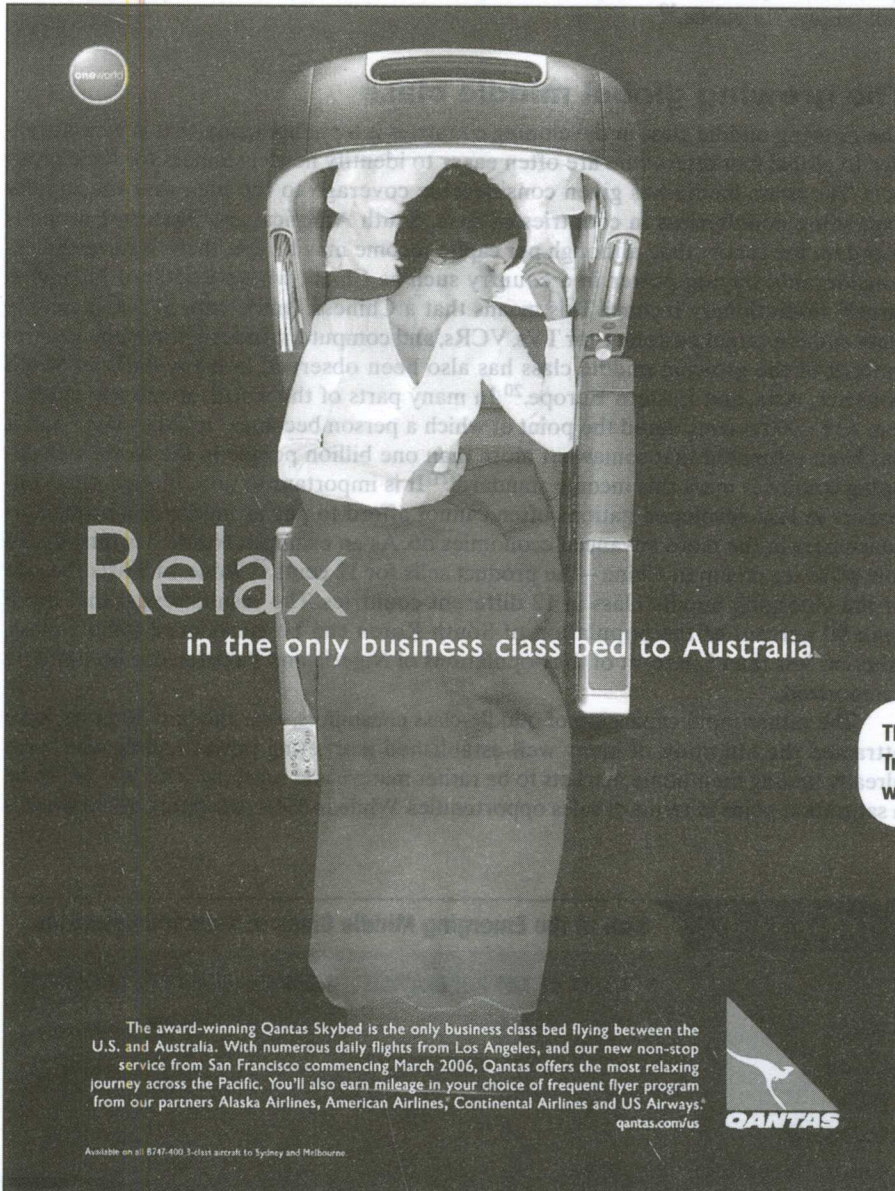
(in selected languages) and 30 minisites (in more languages) that only provide contact information. And whereas the IKEA Italian Web site shows a group of people frolicking on their IKEA furniture (nudity is acceptable and commonplace in Italian advertising), the Saudi Arabian Web site uses extremely conservative photographs (www.ikea.com).¹⁴ As another example, while 88 percent of adults in both France and Germany drink mineral water, French consumption is strongly associated with concern over the quality of tap water, while German consumption is closely linked to vegetarians.¹⁵

A firm's success in marketing a product or service in a number of foreign countries is likely to be influenced by how similar the beliefs, values, and customs are that govern the use of the product in the various countries. For example, the worldwide TV commercials of major international airlines (American Airlines, Continental Airlines, Air France, Lufthansa, Swissair, United Airlines, and British Airways) tend to depict the luxury and pampering offered to their business-class and first-class international travelers. The reason for their general cross-cultural appeal is that these commercials speak to the same types of individuals worldwide—upscale international business travelers—who share much in common (Figure 14.2). In contrast, knowing that "typical" American advertising would not work in China, Nike hired Chinese-speaking art directors and copywriters to develop specific commercials that would appeal to the Chinese consumer within the boundaries of the Chinese culture. The resulting advertising campaign appealed to national pride in China.¹⁶ Yet another example of cultural differences necessitating a change in marketing would be the efforts of Western banks to attract Muslim customers. The shari'ah (the sacred law of Islam based on what is written in the Koran) forbids Muslims from charging interest, and prohibits such Western-type financial transactions such as speculation, selling short, and conventional debt financing. Consequently, Western banks in the United Kingdom that want to appeal to that country's two million Muslim residents must develop a new range of products for this group of target consumers.¹⁷

luxury product, a woman in Hong Kong might carry a Fendi handbag (a visible and conspicuous item), but is not likely to be receptive to luxury lingerie because it is not an item

FIGURE 14.2

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Further supporting the importance of cultural differences or orientation, consider that Southeast Asia is frequently the largest market for prestige and luxury brands from the West, and that luxury brand companies such as Louis Vuitton, Rolex, Gucci, and Prada are looking to markets such as Hanoi and Guangzhou when they are thinking of expanding their market reach. Indeed, in fine-tuning their marketing, these luxury-brand marketers need to be especially responsive to cultural differences that compel luxury purchases in the Asian and Western markets. To this end, research suggests that while Western consumers tend to “use” a prestige item to enhance their sense of individualism or serve as a source of personal pleasure, for Southeast Asian consumers the same prestige item might serve to further bond the individual with others and to provide visible evidence of the person’s value to others.¹⁸ Still further, within the scope of a visible

FIGURE 14.3

Source: © Dallas Airways
Used with permission.

luxury product, a woman in Hong Kong might carry a Fendi handbag (a visible and conspicuous item), but is not likely to be receptive to luxury lingerie because it is not an item that “shows” in public.¹⁹

The growing global middle class

The growing middle class in developing countries is a phenomenon that is very attractive to global marketers who are often eager to identify new customers for their products. The news media has given considerable coverage to the idea that the rapidly expanding middle class in countries of Asia, South America, and Eastern Europe is based on the reality that, although per capita income may be low, there is nevertheless considerable buying power in a country such as China, where \$1,500 of income is largely discretionary income. This means that a Chinese family with \$1,500 is middle class and is a target customer for TVs, VCRs, and computers. Indeed, this same general pattern of the growing middle class has also been observed in many parts of South America, Asia, and Eastern Europe.²⁰ In many parts of the world, an income equivalent to \$5,000 is considered the point at which a person becomes “middle class,” and it has been estimated that somewhat more than one billion people in the world’s developing countries meet this income standard.²¹ It is important to note though, that consumers in less-developed nations often cannot afford to pay as much for a product as consumers in the more advanced economies do. As an example, Nestlé has introduced low-price ice cream in China—the product sells for 12 cents.²² Table 14.3 lists the size of the emerging middle class in 12 different countries. The results reveal that more than 90 percent of the population of South Korea can be considered middle class, whereas less than 5 percent of the populations of Nigeria and Pakistan can be similarly categorized.

The rather rapid expansion of middle-class consumers, over the past 50 years, have attracted the attention of many well-established marketing powerhouses, who were already finding their home markets to be rather mature and reaching what was felt to be a saturation point in terms of sales opportunities. While in 1960 two-thirds of the world’s

TABLE 14.3 Size of the Emerging Middle Class in Selected Countries

	PERCENT OF THE POPULATION	NUMBER OF PEOPLE (MILLIONS)
Brazil	35	57.9
China	23	290.4
India	9	91.4
Indonesia	10	21.0
Korea, Republic of	93	44.0
Malaysia	46	10.7
Mexico	46	45.1
Nigeria	<5	<6.3
Pakistan	<5	<6.9
Peru	27	6.9
Philippines	25	18.9
Russian Federation	45	65.5

Source: Benjamin Senauer and Linda Goetz, “The Growing Middle Class in Developing Countries and the Market for High-Value Food Products,” Prepared for the Workshop on Global Markets for High-Value Food, Economic Research Service, USDA, Washington D.C., February 14, 2003, 13, accessed at www.farmfoundation.org/documents/ben-senauerpaper2-10-3-13-03_000.pdf

TABLE 14.4 Measured Global Progress 1950–2050

	1950	2000	2050
Global Output, Per Capita (\$)	586	6,666	15,155
Global Financial Market Capitalization, Per Capita (\$)	158	13,333	75,000
Percent of Global GDP			
Emerging Markets	5	50	55
Industrial Countries	95	75	45
Life Expectancy (years)			
Emerging Markets	41	64	76
Industrial Countries	65	77	82
Daily Caloric Intake			
Emerging Markets	1,200	2,600	3,000
Industrial Countries	2,200	3,100	3,200
Infant Mortality (per 1000)			
Emerging Markets	140	65	10
Industrial Countries	30	8	4
Literacy Rate (per 100)			
Emerging Markets	33	64	90
Industrial Countries	95	98	99

Sources: Bloomberg, World Bank, United Nations, and author's estimates. Output and financial market capitalization figures are inflation-adjusted. Peter Marber, "Globalization and Its Contents," *World Policy Journal* (Winter 2004/05): 30.

middle class lived in industrialized nations, by the year 2000, some 83 percent of middle-class citizens were living in developing countries. These changes strongly suggest that more people are now living longer, healthier, and better lives—literacy rates in developing countries have risen dramatically in the past 50 years, and today two-thirds, rather than only one-third of the people living in these nations are literate.²³ Table 14.4 captures the global progress over the past 50 years and projects it to year 2050. Note how in 1950 the caloric intake in emerging markets was only 55 percent of industrial countries, while today it is more than 80 percent.

Although a growing middle class provides a market opportunity for products like Big Macs and fries, it should always be remembered that the same product may have different meanings in different countries. For example, whereas a U.S. consumer wants his or her "fast food" to be fast, a Korean consumer is more likely to view a meal as a social or family-related experience. Consequently, convenient store hours may be valued more by a Korean consumer than shorter service time.²⁴ In China, despite a traditional emphasis on "fresh" (just picked or killed) food, the emerging middle class, with rising incomes and rising demands on their time, are often willing to spend money to save time, in the form of alternatives to home-cooked meals.²⁵

Regulations in different countries may preclude the use of some of the marketing practices that a firm employs in the United States. For example, German advertising rules do not allow an ad to compare one brand to another, nor do they permit Lands' End to offer a "lifetime guarantee." And whereas consumers in the United States like to buy with charge cards, the French prefer an invoice and the Germans prefer COD.²⁶

Many transnational corporations (a company that had direct foreign investments and owns or controls activities in more than one nation) think in terms of regions as

markets, or even the entire world as their market. For example, Nestlé, a giant Swiss firm, generates only 2 percent of its sales in Switzerland, and bases only 4 percent of its workers there. Whenever possible, transnational firms try to avoid having products identified with a particular country, rather they seek to make their product feel “local and natural” to their target customers. Of course, there are exceptions to such strategy. In particular, we might speculate that people throughout the world might generally be expected to prefer a precision Swiss wristwatch, to a wristwatch that is made in their own country. Also fashion clothing items, made in France or Italy, are also likely to be perceived to be more desirable than locally made clothing.

The bottom line, though, is that more consumer goods are sold each year because of the growth of the world’s middle-class population, and a marketer would do well to focus more on the emerging middle class in other nations than on people who cannot afford to buy its products in its home market. As a recent article concluded, “Coke is the global soft drink, Macs the global fast-food, and CNN the global television. These are the commodities of a new global middle-class.”²⁷

The global teenage market

As part of growth of the world middle class, there has been a parallel growth in an affluent global teenage and young adult markets. To be expected, these youthful markets have attracted the attention of marketers. Within reason, these teenagers (and their somewhat older brothers and sisters—“the young adult segment”) appear to have quite similar interests, desires, and consumption behavior no matter where they live. Therefore, in response to this perspective, consumer researchers have explored the makeup, composition, and behavior of this segment(s). One particular study considered the fashion consciousness of teenagers in the United States, Japan, and China.²⁸ The research revealed that American and Japanese teens were highly similar, differing only in that the Japanese teens were more likely to choose style over comfort (most likely because of the importance, in the Japanese Confucian society, of meeting the expectations of group members). In contrast, Chinese teens were less fashion conscious than both the American and Japanese teens, which supports the idea that differences exist between highly developed and less high-developed nations with respect to teen fashion consciousness. Table 14.5 presents the four-item scale employed in the study to measure fashion consciousness; each item was measured using a 7-point Likert-type scale (1=“strongly disagree” and 7=“strongly agree”) with the mean score for each question shown.

TABLE 14.5 Fashion Consciousness Scale Results for Chinese, Japanese, and U.S. Teenagers

ITEM	CHINA (μ)	JAPAN (μ)	USA (μ)	GRAND (μ)
1. I usually have one or more outfits that are of the very latest style	3.06	4.23	4.53	4.17
2. When I must choose between the two, I usually dress for style, not comfort	2.49	4.26	3.57	3.57
3. An important part of my life and activities involves dressing stylishly	2.24	3.72	3.34	3.26
4. Fashionable, attractive styling is very important to me	2.60	3.96	3.77	3.62

Source: R. Stephen Parker, Charles M. Hermans, and Allen D. Schaefer, “Fashion Consciousness of Chinese, Japanese and American Teenagers,” *Journal of Fashion Marketing and Management* 8, no. 2 (2004): 181.

Acculturation is a needed marketing viewpoint

Too many marketers contemplating international expansion make the strategic error of believing that if its product is liked by local or domestic consumers, then everyone will like it. This biased viewpoint increases the likelihood of marketing failures abroad. It reflects a lack of appreciation of the unique psychological, social, cultural, and environmental characteristics of distinctly different cultures. To overcome such a narrow and culturally myopic view, marketers must also go through an *acculturation process*. They must learn everything that is relevant about the usage or potential usage of their products and product categories in the foreign countries in which they plan to operate. Take the Chinese culture, for example. For Western marketers to succeed in China, it is important for them to take into consideration *guo qing* (pronounced “gwor ching”), which means “to consider the special situation or character of China.”²⁹ An example of *guo qing* for Western marketers is the Chinese policy of limiting families to one child. An appreciation of this policy means that foreign businesses will understand that Chinese families are open to particularly high-quality baby products for their single child (or “the little emperor”).³⁰ One result of this one-child policy is that in the large cities in China, children are given more than \$3 billion a year by their parents to spend as they wish and influence approximately 68 percent of their parents’ spending. These Chinese children are also less culture bound than their parents and are, therefore, more open to Western ideas and products.³¹

In a sense, cross-cultural **acculturation** is a dual process for marketers. First, marketers must thoroughly orient themselves to the values, beliefs, and customs of the new society to appropriately position and market their products (being sensitive to and consistent with traditional or prevailing attitudes and values). Second, to gain acceptance for a culturally new product in a foreign society, they must develop a strategy that encourages members of that society to modify or even break with their own traditions (to change their attitudes and possibly alter their behavior). To illustrate the point, a social marketing effort designed to encourage consumers in developing nations to secure polio vaccinations for their children would require a two-step acculturation process. First, the marketer must obtain an in-depth picture of a society’s present attitudes and customs with regard to preventive medicine and related concepts. Then the marketer must devise promotional strategies that will convince the members of a target market to have their children vaccinated, even if doing so requires a change in current attitudes.

Distinctive characteristics of cross-cultural analysis

It is often difficult for a company planning to do business in foreign countries to undertake **cross-cultural consumer research**. For instance, it is difficult in the Islamic countries of the Middle East to conduct Western-style market research. In Saudi Arabia, for instance, it is illegal to stop people on the streets, and focus groups are impractical because most gatherings of four or more people (with the exception of family and religious gatherings) are outlawed.³² American firms desiring to do business in Russia have found a limited amount of information regarding consumer and market statistics. Similarly, marketing research information on China is generally inadequate, and surveys that ask personal questions arouse suspicion. So marketers have tried other ways to elicit the data they need. For example, Grey Advertising has given cameras to Chinese children so they can take pictures of what they like and do not like, rather than ask them to explain it to a stranger. Moreover, AC Nielsen conducts focus groups in pubs and children’s playrooms rather than in conference rooms; and Leo Burnett has sent researchers to China to simply “hang out” with consumers.³³

Applying research techniques

Although the same basic research techniques used to study domestic consumers are useful in studying consumers in foreign lands (see Chapter 2), in cross-cultural analysis an

TABLE 14.6 Basic Research Issues in Cross-Cultural Analysis

FACTORS	EXAMPLES
Differences in language and meaning	Words or concepts (e.g., “personal checking account”) may not mean the same in two different countries.
Differences in market segmentation opportunities	The income, social class, age, and sex of target customers may differ dramatically between two different countries.
Differences in consumption patterns	Two countries may differ substantially in the level of consumption or use of products or services (e.g., mail catalogs).
Differences in the perceived benefits of products and services	Two nations may use or consume the same product (e.g., yogurt) in very different ways.
Differences in the criteria for evaluating products and services	The benefits sought from a service (e.g., bank cards) may differ from country to country.
Differences in economic and social conditions and family structure	The “style” of family decision making may vary significantly from country to country.
Differences in marketing research and conditions	The types and quality of retail outlets and direct-mail lists may vary greatly among countries.
Differences in marketing research possibilities	The availability of professional consumer researchers may vary considerably from country to country.

additional burden exists because language and word usage often differ from nation to nation. Another issue in international marketing research concerns scales of measurement. In the United States, a 5- or 7-point scale may be adequate, but in other countries a 10- or even 20-point scale may be needed. Still further, research facilities, such as telephone interviewing services, may or may not be available in particular countries or areas of the world.

To avoid such research measurement problems, consumer researchers must familiarize themselves with the availability of research services in the countries they are evaluating as potential markets and must learn how to design marketing research studies that will yield useful data. Researchers must also keep in mind that cultural differences may make “standard” research methodologies inappropriate. Table 14.6 identifies basic issues that multinational marketers must consider when planning cross-cultural consumer research.

alternative multinational strategies: global versus local

Some marketers have argued that world markets are becoming more and more similar and that standardized marketing strategies are, therefore, becoming more feasible. For example, Exxon Mobil has launched a \$150 million marketing campaign to promote its brands (Exxon, Esso, Mobil, and General), and the firm wants all the ads to carry the same look and feel, regardless of which one of the 100 countries in the world the ad will appear.³⁴ In contrast, other marketers feel that differences between consumers of various nations are far too great to permit a standardized marketing strategy. In a practical

sense, a basic challenge for many executives contemplating multinational marketing is to decide whether to use *shared needs and values* as a segmentation strategy (i.e., to appeal to consumers in different countries in terms of their “common” needs, values, and goals) or to use *national borders* as a segmentation strategy (i.e., to use relatively different, “local,” or specific marketing strategies for members of distinctive cultures or countries).

Favoring a world brand

An increasing number of firms have created **world brand** products that are manufactured, packaged, and positioned in exactly the same way regardless of the country in which they are sold. It is quite natural for a “world class” upscale brand of wristwatches such as Patek Philippe to create a global or uniform advertising campaign to reach its sophisticated worldwide target market (see Figure 14.3). Although the advertising copy is in specific target languages, one might speculate that many of Patek Philippe’s affluent target customers do read and write English. Nevertheless, to maximize their “comfort zone,” it is appropriate to speak to them in their native languages.

Marketers of products with a wide or almost mass-market appeal have also embraced a world branding strategy. For instance, multinational companies, such as General Motors, Gillette, Estée Lauder, Unilever, and Fiat, have each moved from a local strategy of nation-by-nation advertising to a global advertising strategy.

Still other marketers selectively use a world branding strategy. For example, you might think that Procter & Gamble (P&G), which markets hundreds of brands worldwide, is a company with an abundance of world brands. Recently, though, it was revealed that of its 16 largest brands, only three are truly global brands—Always/Whisper, Pringles, and Pantene. Some of P&G’s other brands, such as Pampers, Tide/Ariel, Safeguard, and Oil of Olay, are just starting to establish common positioning in the world market.³⁵

Are global brands different?

According to a 12 nation consumer research project, global brands are viewed differently than local brands, and consumers, worldwide, associate global brands with three characteristics: *quality signal*, *global myth*, and *social responsibility*. First, consumers believe that the more people who purchase a brand, the higher the brand’s quality (which often results in a global brand being able to command a premium price). Still further, consumers worldwide believe that global brands develop new products and breakthrough technologies at a faster pace than local brands. The second characteristic, global myth, refers to the fact that consumers view global brands as a kind of “cultural ideals,” and their purchase and use makes the consumer feel like a citizen of the world, and gives them an identity (i.e., “*Local brands show what we are; global brands show what we want to be*”). Finally, global companies are held to a higher level of corporate social responsibility than local brands, and are expected to respond to social problems associated with what they sell. For the 12 nations studied in this research, the importance of these three dimensions was consistent, and accounted for 64 percent of the variation in the overall brand preferences (quality signal accounts for 44 percent of the explanation, global myth accounts for 12 percent of the explanation, and social responsibility accounts for 8 percent of the explanation).³⁶

Additionally, while there was not much variation across the 12 nations studied, there were intracountry differences, which resulted in the conclusion that there were four major segments in each country with respect to how its citizens view global brands. *Global Citizens* (55 percent of the total respondents) use a company’s global success as an indication of product quality and innovativeness, and are also concerned that the firm acts in a socially responsible manner. *Global Dreamers* (23 percent of the total

FIGURE 14.3

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in the next
24 hours?

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respondents) view global brands as quality products, and are not particularly concerned about the social responsible issue. *Antiglobals* (13 percent of the total respondents) feel that global brands are higher quality than local brands, but they dislike brands that preach U.S. values and do not trust global companies to act responsibly. Generally, they try to avoid purchasing global brands. Lastly, *Global Agnostics* (8%) evaluate global brands in the same way they evaluate local brands.³⁷

Multinational reactions to brand extensions

Just because a brand may be global in character does not mean that consumers around the world will necessarily respond similarly to a brand extension. A recent study examined reactions to brand extensions among Western culture (U.S.) and Eastern culture (India) consumers, hypothesizing that the Eastern holistic way of thinking (which focuses on the relationships between objects), rather than the Western analytic style of thinking (which focuses on the attributes or parts of objects and on category-based induction) would affect the manner in which consumers judge the “fit” of a brand extension. Indeed, the research results confirmed this hypothesis—low-fit extensions (McDonald’s chocolate bar and Coke popcorn) received more positive evaluations from the Eastern culture subjects, while moderate-fit extensions (Kodak greeting cards and Mercedes Benz watches) garnered equal responses from both cultural groups. For the Eastern culture participants, liking Coke products, and the fact that Coke and popcorn were complementary products, in that they can be consumed together, was enough to make the brand extension acceptable. The American subjects, in contrast, saw little product class similarity between Coke and popcorn.³⁸

Adaptive global marketing

In contrast to the marketing communication strategy that stresses a common message, some firms embrace a strategy that adapts their advertising messages to the specific values of particular cultures. McDonald’s is an example of a firm that tries to localize its advertising and other marketing communications to consumers in each of the cross-cultural markets in which it operates, making it a “glocal” company. For example, the Ronald McDonald that we all know has been renamed Donald McDonald in Japan, because the Japanese language does not contain the “R” sound. Additionally, the McDonald’s menu in Japan has been localized to include corn soup and green tea milkshakes.³⁹ And in Sweden McDonald’s developed a new package using woodcut illustrations and a softer design to appeal to the interest the consumers of that nation have in food value and the outdoors.⁴⁰

Like McDonald’s, Levi’s and Reebok also tend to follow multilocal strategies that calculate cultural differences in creating brand images for their products. For instance, Levi’s tends to position its jeans to American consumers, stressing a social-group image, whereas it uses a much more individualistic, sexual image when communicating with European consumers.⁴¹ Still further, Yahoo!, one of the most successful Web sites on the Internet, modifies both its content and communications for each of its 23 country-specific Web sites. Moreover, in a number of Coke’s 140-plus markets, what we know as Diet Coke is called Coca-Cola Light, because the word *diet* has an undesirable connotation or no relevance.⁴² Similarly, Coke’s best-selling beverage in Japan is not Coke Classic—it’s Georgia Coffee—packaged in a can and available in more than 10 versions (e.g., black, black with sugar, with milk and sugar, and so on). Other marketers, too, feel that the world brand concept may be going too far. Specifically, when it comes to the marketing of Tiger Woods, one of the premier golfers of our time. In the United States, he is seen as an example of African American success, in Asia he is a sports star with Asian heritage, and in Europe he is seen as a great young athlete who regularly beats older golfers.⁴³

When it comes to the design of e-commerce Web sites, a five-nation research study suggests that consumers react best when content is adapted to their local needs.

While in the past some companies felt that local adaptation involved no more than simply translating Web pages into the local language, it is now felt that special attention must also be paid to a number of other factors, including local time and date formats, units of measurement, addresses and telephone numbers, layout and orientation of Web pages, icons, symbols, color, and aesthetics.⁴⁴ Still further, one study of American and German Internet users reveals that German users were more likely to withhold or alter personal information on the Internet than American users. Analysis suggests that the German personality has a large private space and a small public space, which translates into a great sense of personal privacy; whereas the opposite is true of the American personality.⁴⁵

Combining global and local marketing strategies

Some firms follow a mixed or combination strategy. For instance, Unilever, Playtex, and Black & Decker have augmented their global strategies with local executions. In taking such an adaptive approach, global advertisers with a knowledge of cross-cultural differences can tailor their supplemental messages more effectively to suit individual local markets. For example, a study has indicated that while U.S. consumers focus more on the product-related claims made in advertisements, Taiwanese consumers focus more on the appropriateness of the ad, such as its aesthetic qualities.⁴⁶ There is also some evidence to suggest that Spanish ads may contain a larger proportion of affiliation appeals than U.S. ads do because of Spain's cultural inclination toward femininity in its societal norms (U.S. societal norms tend to reflect masculinity).⁴⁷ Because concepts and words often do not easily translate and many regions of the country have their own language, advertisements in China are likely to be more effective if they rely heavily on symbols rather than text.⁴⁸ A recent study dealing with visual standardization in print ads concluded that "the standardized approach to global advertising may be able to convey a degree of uniformity in meaning when relying on visually explicit messages. . . . This suggests that there is an ability to create a general consensus of meaning across various cultures by using strong visual images whose fundamental message is highly apparent."⁴⁹ It is also important to note that consumers in different countries of the world have vastly different amounts of exposure to advertisements. For instance, the daily amount of advertising aimed at Japanese consumers, at almost \$6 a day, is 14 times the amount aimed at the average Laotian consumer over the course of an entire year.⁵⁰

A recent study of foreign advertisers in China found that 11 percent employed a standardized (or global) strategy, 12 percent used a localized strategy, and the remaining 77 percent favored a combination strategy. Of the seven advertising components that were studied, localizing language to blend with the local culture was considered to be the most important, followed by the need to localize product attributes, models, colors of ads, humor, scenic background, and music.⁵¹ Additionally, it has been reported that many of the Western companies that have not been successful in China have acted as if what had worked well in other parts of the world would also prove successful in China. This is a too common mistake.

Perhaps the latest creative hotbed for advertising is Thailand, a nation that generally requires a different advertising focus than most other countries. While over 90 percent of the population is literate, Thais tend not to read as a leisure activity. Consequently, advertisements are designed to visually catch the attention of consumers, and are typically original, humorous, and often slapstick. An example is an ad in which Coke is paired with kung fu, which is not how Coke would be advertised in other markets.⁵²

Frameworks for assessing multinational strategies

Multinational marketers face the challenge of creating marketing and advertising programs capable of communicating effectively with a diversity of target markets. To assist in this imposing task, various frameworks have been developed to determine the degree

TABLE 14.7

A Product Recognition Continuum
for Multinational Marketing

FACTORS	EXAMPLES
Stage One	Local consumers have heard or read of a brand marketed elsewhere but cannot get it at home; a brand is “alien” and unavailable but may be desirable [e.g., Rover (English autos), Havana cigars (made in Cuba), or medicine not approved by the FDA but sold in Europe].
Stage Two	Local consumers view a brand made elsewhere as “foreign,” made in a particular country but locally available (e.g., Saab autos, French wine). The fact that the brand is foreign makes a difference in the consumer’s mind, sometimes favorable, sometimes not.
Stage Three	Local consumers accord imported brand “national status”; that is, its national origin is known but does not affect their choice (e.g., Molson beer in the United States, Ford autos in southern Europe).
Stage Four	Brand owned by a foreign company is made (wholly or partly) domestically and has come to be perceived by locals as a local brand; its foreign origins may be remembered but the brand has been “adopted” (“naturalized”). Examples are Sony in the United States, Coca-Cola in Europe and Japan.
Stage Five	Brand has lost national identity and consumers everywhere see it as “borderless” or global; not only can people not identify where it comes from but they never ask this question. Examples include the Associated Press and CNN news services, Nescafé, Bayer aspirin.

Source: Adapted from George V. Privoles, “How to Turn National European Brands into Pan-European Brands.” Working paper, Hagan School of Business, Iona College, New Rochelle, NY.

to which marketing and advertising efforts should be either globalized or localized, or mixed or combined.

To enable international marketers to assess the positions their products enjoy in specific foreign markets, Table 14.7 presents a five-stage continuum that ranges from mere awareness of a foreign brand in a local market area to complete global identification of the brand; that is, the brand is accepted “as is” in almost every market, and consumers do not think about its country of origin—“it belongs.”

Table 14.8 presents a framework that focuses on four marketing strategies available to a firm contemplating doing business on a global basis. A firm might decide either to standardize or localize its product and either standardize or localize its communications program (thus forming a two-by-two matrix). The four possibilities that this decision framework considers range from a company incorporating a **global strategy** (or standardizing both product and communications program) to developing a completely **local strategy** (or customizing both the product and communications program) for each unique market. In the middle there are two *mixed strategies*. All four cells may represent growth opportunities for the firm. To determine which cell represents the firm’s best strategy, the marketer must conduct cross-cultural consumer analysis to obtain consumer reactions to alternative product and promotional

TABLE 14.8 A Framework for Alternative Global Marketing Strategies

PRODUCT STRATEGY	COMMUNICATION STRATEGY	
	Standardized Communications	Localized Communications
Standardized Product	Global Strategy: Uniform Product/ Uniform Message	Mixed Strategy: Uniform Product/ Customized Message
Localized Product	Mixed Strategy: Customized Product/ Uniform Message	Local Strategy: Customized Product/ Customized Message

executions. To illustrate the strategic importance of product uniformity, Frito-Lay, the U.S. snack-food giant, has been standardizing quality and reducing the many local brand names of potato chip companies that it owns throughout the world. This effort is moving the company along a common global visual appearance that features the Lay's logo as a global brand. Its efforts are driven by research that reveals that potato chips are a snack food that has widespread appeal throughout much of the world.⁵³

Another orientation for assessing whether to use a global versus local marketing strategy concentrates on a high-tech to high-touch continuum. **Product standardization** appears to be most successful for high-involvement products that approach either end of the high-tech/high-touch continuum. In other words, products that are at either extreme are more suitable for positioning as global brands. In contrast, low-involvement products in the midrange of the high-tech/high-touch continuum are more suitably marketed as local brands, using market-by-market executions.⁵⁴ To illustrate, on a worldwide basis, consumers interested in high-involvement, high-tech products share a common language (such as “bytes” and “microprocessors”), whereas advertisements for high-involvement, high-touch products tend to use more emotional appeals and to emphasize visual images. In either case, according to this perspective (high-involvement products that are either high-tech or high-touch), such products are candidates for global promotional communications.

Some researchers have written that globalization (or standardization) and localization should be viewed as two ends of a continuum and that often the key to success is to “be global but to act local.” It is also generally an error to assume that demographic segments in other nations would want to be or act like Americans. When looking for success in a foreign market, it has been suggested that a company should remember the following 3 P’s—place, people, and product. Table 14.9 presents the specific elements of these 3 P’s and cites the appropriate marketing strategy when using a standardization approach and when using a localization approach.⁵⁵

When marketing high-tech products abroad, it is important to note that many industrialized nations lag behind the United States in computer usage. For example, although more than 90 percent of U.S. white-collar workers use a PC, only 55 percent of Western European white-collar workers do so. Often the goal in many European firms is to rise to a high enough position in the company so you do not have to use a PC (i.e., not using a PC as a status symbol).⁵⁶ Moreover, approximately 68 percent of all existing Web pages are in English, 6 percent are in Japanese, 6 percent are in German, and 4 percent are in Chinese (these are the top four languages on the Internet).⁵⁷

Perhaps because of the dominance of English-language pages on the Internet, specific non-English-speaking European nations appear to be out to distinguish themselves and their cultures by designing Web sites that in some way or other

TABLE 14.9 Degree of Fit Between Marketing Strategies and the 3 P's

THE 3 P'S	SPECIFIC ELEMENTS	MARKETING STRATEGIES	
		STANDARDIZATION	LOCALIZATION
Place	Economy	Prosperous	Struggling
	Partners	Few	Plentiful
	Competition	Low	Intense
People	Tastes	Little preference	High preference
	Sophistication	High	Low
	Segments	Few	Many
	Classification	Industrial/consumer durables	Consumer nondurables
Products	Technology	High	Low
	Culture bound	Low	High
	Reputation	Sterling	Poor or unknown
	Product perception	High	Low

Source: Sangeeta Ramarapu, John E. Timmerman, and Narender Ramarapu, "Choosing Between Globalization and Localization as a Strategic Thrust for Your International Marketing Effort," *Journal of Marketing Theory and Practice* 7, no. 2 (Spring 1999): 101. Reprinted by permission.

reflect their countries and specific cultures. So German Web sites might employ bright colors and a geometrical layout to give it a "German feel"; a French Web site might have a black background; a Dutch Web site might offer video downloads; and a Scandinavian Web site might provide a variety of images of nature.⁵⁸ Indeed, a recent study of global American brands examined how these brands standardize their Web sites in Europe (U.K., France, Germany, and Spain). The study found that while manufacturers' Web sites did have a minimal level of uniformity with respect to color, logo, and layout, the textual information and visual images were dissimilar from one market to the next. Still further, as with traditional advertising media, standardization for durable goods was higher than for nondurables.⁵⁹ In yet another study, researchers examined the domestic and Chinese Web sites of U.S.-based multinational companies. Findings show that the Internet is not a culturally neutral medium, but is full of cultural markers that allow country-specific Web sites to possess a feel and a look that is unique to the local culture. For example, while Web sites intended for the U.S. consumer often contained patriotic phrases and references to September 11th, Chinese Web sites were loaded with Chinese cultural symbols (e.g., the Great Wall of China, Chinese festivals). The managerial implication of the research is that consumers relate best to Web sites that have a local feel because it reduces the anxiety associated with the Internet (it is a relatively new medium) and makes navigation easier.⁶⁰

cross-cultural psychographic segmentation

The paradox in cross-cultural consumer research is that although worldwide consumers may be similar in many ways (e.g., the increased number of women who work outside of the home), any differences in attitudes or behavior can be crucial in determining satisfaction and may provide an opportunity for segmenting consumers in terms of cultural differences. For example, although more than 50 percent of Japanese

and American women work outside of the home (which enhances the need for many convenience and time-saving products), Japanese women have been slower to embrace the liberated attitudes of their counterpart working women in the United States.⁶¹ Seen in this light, the determination of whether or not to market a time-saving cleaning device as a world brand is a critical strategic decision. Some firms might attempt to establish a global branding strategy, whereas others would design an individual or local marketing strategy—one that treats Japanese and American working women differently. One marketing authority aptly summed up the issues years ago by stating: “The only ultimate truth possible is that humans are both deeply the same and obviously different. . . .”⁶²

This book endorses the same thesis. Earlier chapters have described the underlying similarities that exist between people and the external influences that serve to differentiate them into distinct market segments. If we believe in tailoring marketing strategies to

TABLE 14.10 Six Global Consumer Market Segments

SEGMENT NAME	GLOBAL SIZE	DESCRIPTION
Strivers	23%	Value wealth, status, ambition, and power, and products like cellular telephones and computers. They consider material things extremely important.
Devouts	22%	Have more traditional values, like faith, duty, obedience, and respect for elders. Least involved with the media and least likely to want Western brands. Concentrated in the Mideast, Africa, and Asia.
Altruists	18%	Very outer focused—interested in social issues and causes. Generally well educated, older (median age 44), and more female than the norm. Found in Russia and Latin America.
Intimates	15%	These are “people people,” and focus on relationships close to home, such as spouses, significant others, family, and friends. Often found in England, Hungary, the Netherlands, and the United States. Very heavy users of media—gives them something to talk about to others.
Fun Seekers	12%	The youngest group. They value excitement, adventure, pleasure, and looking good, and spend time at bars, clubs, and restaurants. The group loves electronic media and is more global in its lifestyle, especially in music.
Creatives	10%	Dedicated to technology, knowledge, and learning, and are the highest consumers of media, especially books, magazines, and newspapers. Members of this group are global trendsetters in owning and using a PC and in surfing the Web.

Source: Stuart Elliott, “Research Finds Consumers Worldwide Belong to Six Basic Groups That Cross National Lines,” *New York Times*, June 25, 1998, D8. Copyright © 1998 The New York Times. Reprinted by permission.

specific segments of the American market, it follows then that we also believe in tailoring marketing strategies to the needs—psychological, social, cultural, and functional—of specific foreign segments.

Global psychographic research often reveals cultural differences of great importance to marketers. For example, Roper Starch Worldwide, a major multinational marketing research company, interviewed 35,000 consumers in 35 countries in order to identify shared values, irrespective of national borders. The research sought to uncover the bedrock values in peoples' lives in order to understand the motivations that drive both attitudes and behavior. After completing the interviews in North and South America, Asia, and Europe, six global value groups were uncovered: *Strivers*, *Devouts*, *Altruists*, *Intimates*, *Fun Seekers*, and *Creatives*.⁶³ Table 14.10 presents a brief description of each of these six global market segments.

SUMMARY

With so much diversity present among the members of just one nation (as in the United States), it is easy to appreciate that numerous larger differences may exist between citizens of different nations having different cultures, values, beliefs, and languages. If international marketers are to satisfy the needs of consumers in potentially very distinct markets effectively, they must understand the relevant similarities and differences that exist between the peoples of the countries they decide to target.

When consumers make purchase decisions, they seem to take into consideration the countries of origin of the brands that they are assessing. Consumers frequently have specific attitudes or even preferences for products made in particular countries. These country-of-origin effects influence how consumers rate quality and, sometimes, which brands they will ultimately select.

As increasing numbers of consumers from all over the world come in contact with the material goods and lifestyle of people living in other countries and as the number of middle-class consumers grows in developing countries, marketers are eager to locate these new customers and to offer them their products. The rapidly expanding middle classes in countries of Asia, South America, and Eastern Europe possess relatively substantial buying power

because their incomes are largely discretionary (necessities like housing and medical care are often provided by the state for little or no cost).

For some international marketers, acculturation is a dual process: First, marketers must learn everything that is relevant to the product and product category in the society in which they plan to market, and then they must persuade the members of that society to break with their traditional ways of doing things to adopt the new product. The more similar a foreign target market is to a marketer's home market, the easier is the process of acculturation. Conversely, the more different a foreign target market, the more difficult the process of acculturation.

Some of the problems involved in cross-cultural analysis include differences in language, consumption patterns, needs, product usage, economic and social conditions, marketing conditions, and market research opportunities. There is an urgent need for more systematic and conceptual cross-cultural analyses of the psychological, social, and cultural characteristics concerning the consumption habits of foreign consumers. Such analyses would identify increased marketing opportunities that would benefit both international marketers and their targeted consumers.

DISCUSSION QUESTIONS

1. Will the elimination of trade barriers among the countries of the European Union change consumer behavior in these countries? How can U.S. companies take advantage of the economic opportunities emerging in Europe?
2. With all the problems facing companies that go global, why are so many companies choosing to expand internationally? What are the advantages of expanding beyond the domestic market?

3. Are the cultures of the world becoming more similar or more different? Discuss.
4. What is cross-cultural consumer analysis? How can a multinational company use cross-cultural research to design each factor in its marketing mix? Illustrate your answer with examples.
5. What are the advantages and disadvantages of global promotional strategies?
6. Should Head & Shoulders shampoo be sold worldwide with the same formulation? In the same package? With the same advertising theme? Explain your answers.
7. a. If you wanted to name a new product that would be acceptable to consumers throughout the world, what cultural factors would you consider?
b. What factors might inhibit an attempt by Apple to position a new laptop computer as a world brand?
8. An American company is introducing a line of canned soups in Poland. (a) How should the company use cross-cultural research? (b) Should the company use the same marketing mix it uses in the United States to target Polish consumers? (c) Which, if any, marketing mix components should be designed specifically for marketing canned soups in Poland? Explain your answers.
9. Mercedes-Benz, a German car manufacturer, is using cross-cultural psychographic segmentation to develop marketing campaigns for a new two-seater sports car directed at consumers in different countries. How should the company market the car in the United States? How should it market the car in Japan?
10. What advice would you give to an American retailer who wants to sell women's clothing in Japan?
11. Select two of the marketing mistakes discussed in the text. Discuss how these mistakes could have been avoided if the companies involved had adequately researched some of the issues listed in Table 14.6.

EXERCISES

1. Have you ever traveled outside the United States? If so, please identify some of the differences in values, behavior, and consumption patterns you noted between people in a country you visited and Americans.
2. Interview a student from another culture about his or her use of (a) credit cards, (b) fast-food restaurants, (c) shampoo, and (d) sneakers. Compare your consumption behavior to that of the person you interviewed and discuss any similarities and differences you found.
3. Much has been written about the problems at Euro Disney, the Walt Disney Company's theme park and resort complex, which opened in France in April 1992. These difficulties were largely attributed to Disney's lack of understanding of European (particularly French) culture and the company's failure to modify its American theme-park concept to fit the preferences and customs of European visitors. Discuss how the Walt Disney Company could have used input from cross-cultural analysis in better designing and operating Euro Disney, using a computerized literature search about Euro Disney from your school's library.
4. Select one of the following countries: Mexico, Brazil, Germany, Italy, Israel, Kuwait, Japan, or Australia. Assume that a significant number of people in the country you chose would like to visit the United States and have the financial means to do so. Now, imagine you are a consultant for your state's tourism agency and that you have been charged with developing a promotional strategy to attract tourists from the country you chose. Conduct a computerized literature search of the databases in your school's library and select and read several articles about the lifestyles, customs, and consumption behavior of people in the country you chose. Prepare an analysis of the articles and, on the basis of what you read, develop a promotional strategy designed to persuade tourists from that country to visit your state.

KEY TERMS

- acculturation
- cross-cultural consumer analysis
- cross-cultural consumer research
- cross-cultural psychographic segmentation
- global strategy versus local strategy
- multinational strategies
- product standardization
- world brand

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chapter fifteen

Consumer Influence and the Diffusion of Innovations

This chapter deals with two interrelated issues of considerable importance to consumers and marketers alike—the informal influence that others have on consumers' behavior and the dynamic processes that impact consumers' acceptance of new products and services.

In the first part of this chapter we will examine the nature and dynamics of the influence that friends, neighbors, and acquaintances have on our consumer-related decisions. This influence is often called word-of-mouth communications or the opinion leadership process (the two terms will be used interchangeably here). We will also consider the personality and motivations of those who influence (opinion leaders) and those who are influenced (opinion receivers). We will end the first part of this chapter with an exploration of how marketers are enhancing their consumer strategies by harnessing the power of natural word-of-mouth in the form of stimulated or market-manipulated word-of-mouth. These controlled marketing efforts, unlike "naturally occurring" word-of-mouth or opinion leadership, largely consists of either paid actors or largely unpaid volunteer agents who are engaged by marketers to create

PART 4 EXPLORES THE VARIOUS ASPECTS OF CONSUMER DECISION MAKING

Chapter 15 begins with a discussion of personal influence, opinion leadership, and the diffusion of innovations. Chapter 16 examines in detail a simple model of consumer decision making that ties together the psychological, social, and cultural concepts examined throughout the book. The book concludes with a discussion of various related aspects of consumption behavior (such as gift giving) and explores the outcomes of relationship marketing from the consumer's perspective.

chapterfifteen

› Consumer Influence and the Diffusion of Innovations

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What is opinion leadership?

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buzz and sales for new products that they often freely elect to talk up. In the second part of this chapter, we will explore factors that encourage and discourage acceptance (or rejection) of new products and services. For consumers, new products and services may represent increased opportunities to satisfy personal, social, and environmental needs and add to their quality of life. For the marketer, new products and services provide an important mechanism for keeping the firm competitive and profitable.

countries to embrace the notion of receiving e-mail via the Web. In contrast, there are presently about 310 million cellular telephone users in China, which adds up to about 25 percent of its population.⁴

what is opinion leadership?

The power and importance of personal influence are captured in the following comment by an ad agency executive: "Perhaps the most important thing for marketers to understand about word-of-mouth is its huge potential economic impact."¹ This decade-old comment is more true today than ever before!

Opinion leadership (or word-of-mouth communications) is the process by which one person (the opinion leader) informally influences the actions or attitudes of others, who may be opinion seekers or opinion recipients. The key characteristic of the influence is that it is interpersonal and informal and takes place between two or more people, *none of whom represents a commercial selling source that would gain directly from the sale of something*. Word-of-mouth implies personal, or face-to-face, communication, although it may also take place in a telephone conversation or within the context of e-mail or a chat group on the Internet. This communication process is likely, at times, to also be reinforced by nonverbal observations of the appearance and behavior of others.

One of the parties in a word-of-mouth encounter usually offers advice or information about a product or service, such as which of several brands is best or how a particular product may be used. This person, the **opinion leader**, may become an **opinion receiver** when another product or service is brought up as part of the overall discussion.

Individuals who actively seek information and advice about products sometimes are called **opinion seekers**. For purposes of simplicity, the terms *opinion receiver* and *opinion recipient* will be used interchangeably in the following discussion to identify both those who actively seek product information from others and those who receive unsolicited information. Simple examples of opinion leadership at work include the following:

1. A family decides that they need a new gas barbeque for their backyard, and they ask a few of their neighbors which brand they should purchase.
2. A person shows his cousin photographs of his recent vacation in Costa Rica, and the cousin suggests that using a different film might produce better pictures of the rain forest.
3. During a coffee break, a coworker talks about the new TV series she saw last night and recommends seeing it.

Most studies of opinion leadership are concerned with the measurement of the behavioral impact that opinion leaders have on the consumption habits of others. Available research, for example, suggests that "influentials" or opinion leaders are almost four times more likely than others to be asked about political and government issues, as well as how to handle teens; three times more likely to be asked about computers or investments; and twice as likely to be asked about health issues and restaurants.² There is also research to suggest that when an information seeker feels that he or she knows little about a particular product or service, a "strong-tie source" will be sought (such as a friend or family member), but when the consumer has some prior knowledge of the subject area, then a "weak-tie source" is acceptable (acquaintances or strangers).³

Word-of-mouth in today's always in contact world

Over the past decade, with the proliferation of cell phone usage and e-mail (and the invention of combination devices like BlackBerry and Web-capable cell phones), many people find themselves, by choice, to be "always" available to friends, family, and business associates. Although Americans have been somewhat slower than consumers in other countries to embrace the notion of receiving e-mail via their cellular telephones, this may be due, in part, to the great number of PCs in use in the United States. Table 15.1 shows, whereas almost 68 percent of Americans are Internet users, the second-place nation in terms of the number of Internet users, China, has only 7.3 percent of its citizens on the Web. In contrast, there are presently about 310 million cellular telephone users in China, which adds up to about 25 percent of its population.⁴

TABLE 15.1 Top 15 Countries in Terms of the Number of Internet Users in 2005

COUNTRY	NUMBER OF INTERNET USERS (IN MILLIONS)	INTERNET PENETRATION
United States	200.9	67.8
China	94.0	7.3
Japan	67.7	52.8
Germany	46.3	56.0
India	39.2	3.6
United Kingdom	35.2	58.7
South Korea	31.6	63.3
Italy	28.6	48.8
France	24.8	41.2
Russia	22.3	15.5
Canada	20.5	63.8
Brazil	17.9	9.9
Indonesia	15.3	7.0
Spain	14.6	1.4
Australia	13.6	66.4

Source: <http://www.internetworldstats.com/top20.htm>, accessed May 27, 2005.

Along with the explosion of Web-capable cellular telephones is the creation of the “thumb generation,” which is known in Japan as *oya yubi sedai*. Young people in Japan learn to send e-mail messages from the cell phones by using their thumbs, and some Japanese TV stations have even held thumbing speed contests. This is just a natural extension of the thumb usage learned from using handheld computer games.⁵

Just how important is word-of-mouth?

A recent study in the United Kingdom asked consumers which information sources would make them “more comfortable” with a company. The answer at the top of the list was “friend’s recommendation” (the response of 71 percent of respondents), whereas “past experience” was the response of 63 percent of respondents. Only 15 percent of the consumers mentioned “advertising.”⁶ Additionally, it has been reported that over 40 percent of U.S. consumers will actively seek the advice of family and friends when in the market for a doctor, lawyer, or automobile mechanic, and the importance of word-of-mouth is even greater with respect to the diffusion of new products.⁷

dynamics of the opinion leadership process

The opinion leadership process is a very dynamic and powerful consumer force. As informal communication sources, opinion leaders are remarkably effective at influencing consumers in their product-related decisions. Some of the reasons for the effectiveness of opinion leaders are discussed next.

Credibility

Opinion leaders are highly credible sources of information because they usually are perceived as objective concerning the product or service information or advice they dispense.

Their intentions are perceived as being in the best interests of the opinion recipients because they receive no compensation for the advice and apparently have no “ax to grind.” Because opinion leaders often base their product comments on firsthand experience, their advice reduces for opinion receivers the perceived risk or anxiety inherent in buying new products. The average person is exposed to anywhere from 200 to 1,000 sales communications a day, but he or she is thousands of times more likely to act on the basis of a friend’s or colleague’s recommendation. Whereas the advertiser has a vested interest in the message being advertised, the opinion leader offers advice that does not have a commercial motive.

Positive and negative product information

Information provided by marketers is invariably favorable to the product and/or brand. Thus, the very fact that opinion leaders provide both favorable and unfavorable information adds to their credibility. An example of an unfavorable or negative product comment is, “The problem with those inexpensive kitchen knives is that they soon go from being sharp to being dull.” Compared with positive or even neutral comments, negative comments are relatively uncommon. For this reason, consumers are especially likely to note such information and to avoid products or brands that receive negative evaluations. Over the years, motion pictures have failed due to negative “buzz” about the film, and negative word-of-mouth about new food products have retarded sales or caused the early death of a product. Consumers, it turns out, are generally much more likely to share a negative experience than a positive one.

Information and advice

Opinion leaders are the source of both information and advice. They may simply talk about their *experience* with a product, relate what they know about a product, or, more aggressively, *advise* others to buy or to avoid a specific product. The kinds of product or service information that opinion leaders are likely to transmit during a conversation include the following:

1. Which of several brands is best: “*In my opinion, when you consider picture quality versus price, Sony offers the best value in small digital cameras.*”
2. How to best use a specific product: “*I find that my walls look best when I paint with a roller rather than a pad.*”
3. Where to shop: “*When Brooks Brothers has a sale, the values are terrific.*”
4. Who provides the best service: “*Over the past few years, I’ve had my car serviced and repaired at Tom’s Garage, and I think its service can’t be beat.*”

Many of the messages being sent and received these days deal with movies, restaurants, shopping, computer games, and other areas of interest to young adults—word-of-mouth communication in the form of telephone or e-mail. Figure 15.1 presents the results of a survey estimating the percentage of Americans that acted on a referral from an opinion leader for selected important product and service categories during the past year.

Opinion leadership is category specific

Opinion leadership tends to be *category specific*; that is, opinion leaders often “specialize” in certain product categories about which they offer information and advice. When other product categories are discussed, however, they are just as likely to reverse their roles and become opinion receivers. A person who is considered particularly knowledgeable about home electronics may be an opinion leader in terms of this subject, yet when it comes to purchasing a new washing machine, the same person may seek advice from someone else—perhaps even from someone who has sought his advice on home electronics.

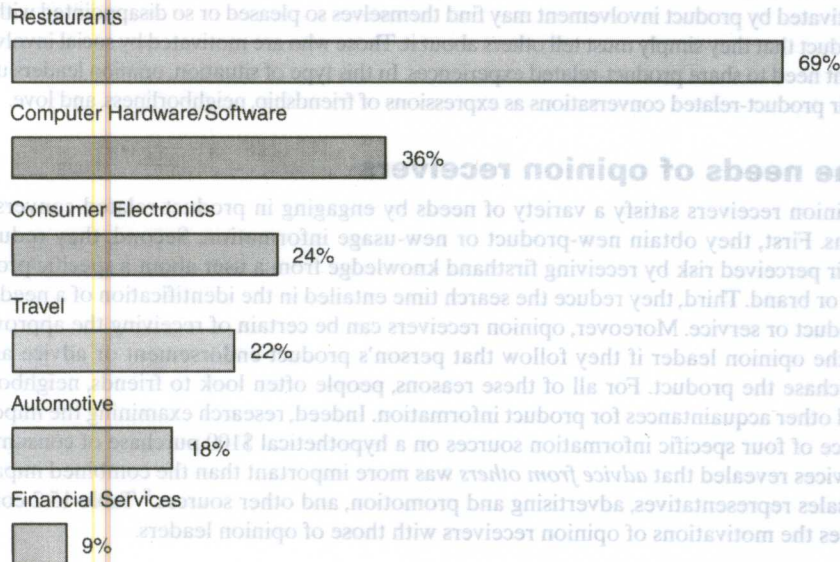
Opinion leadership is a two-way street

As the preceding example suggests, consumers who are opinion leaders in one product-related situation may become opinion receivers in another situation, even for the same product. Consider the following example. Rob, a new father contemplating the purchase

FIGURE 15.1

**Word-of-Mouth
in Action**

Source: *Business Week* (based on an online survey of 1,000 adults, February 2002, Goodmind LLC), May 6, 2002, 10.



of a baby car seat, may seek information and advice from other people to reduce his indecision about which brand to select. Once the car seat has been bought, however, he may experience postpurchase dissonance (see Chapter 8) and have a compelling need to talk favorably about the purchase to other people to confirm the correctness of his own choice. In the first instance, he is an opinion receiver (seeker); in the second, he assumes the role of opinion leader.

— An opinion leader may also be influenced by an opinion receiver as the result of a product-related conversation. For example, a person may tell a friend about a favorite hotel getaway in Lake Como, Italy, and, in response to comments from the opinion receiver, come to realize that the hotel is too small, too isolated, and offers vacationers fewer amenities than other hotels.

the motivation behind opinion leadership

To understand the phenomenon of opinion leadership, it is useful to examine the motivation of those who provide and those who receive product-related information.

The needs of opinion leaders

What motivates a person to talk about a product or service? Motivation theory suggests that people may provide information or advice to others to satisfy some basic need of their own (see Chapter 4). However, opinion leaders may be unaware of their own underlying motives. As suggested earlier, opinion leaders may simply be trying to reduce their own postpurchase dissonance by confirming their own buying decisions. For instance, if Bradley subscribes to a satellite TV service and then is uncertain that he made the right choice, he may try to reassure himself by “talking up” the service’s advantages to others. In this way, he relieves his own psychological discomfort. Furthermore, when he can influence a friend or neighbor to also get satellite TV, he confirms his own good judgment in selecting the service first. Thus, the opinion leader’s true motivation may really be self-confirmation or self-involvement. Furthermore, the information or advice that an opinion leader dispenses may provide all types of tangential personal benefits: It may confer attention, imply some type of status, grant superiority, demonstrate awareness and expertise, and give the feeling of possessing inside information and the satisfaction of “converting” less adventurous souls.

FIGURE 15.1
Word-of-Mouth
in Action

Source: Business Week (based on
an online survey of 1,000 adults,
February 2005, Goodman LLC,
July 6, 2005, 10

In addition to *self*-involvement, the opinion leader may also be motivated by *product* involvement, *social* involvement, and *message* involvement. Opinion leaders who are motivated by product involvement may find themselves so pleased or so disappointed with a product that they simply must tell others about it. Those who are motivated by social involvement need to share product-related experiences. In this type of situation, opinion leaders use their product-related conversations as expressions of friendship, neighborliness, and love.

The needs of opinion receivers

Opinion receivers satisfy a variety of needs by engaging in product-related conversations. First, they obtain new-product or new-usage information. Second, they reduce their perceived risk by receiving firsthand knowledge from a user about a specific product or brand. Third, they reduce the search time entailed in the identification of a needed product or service. Moreover, opinion receivers can be certain of receiving the approval of the opinion leader if they follow that person's product endorsement or advice and purchase the product. For all of these reasons, people often look to friends, neighbors, and other acquaintances for product information. Indeed, research examining the importance of four specific information sources on a hypothetical \$100 purchase of consumer services revealed that *advice from others* was more important than the combined impact of sales representatives, advertising and promotion, and other sources.⁸ Table 15.2 compares the motivations of opinion receivers with those of opinion leaders.

Purchase pals

Researchers have also examined the influence of "purchase pals" as information sources who actually accompany consumers on shopping trips. Although purchase pals were used only 9 percent of the time for grocery items, they were used 25 percent of the time for purchases of electronic equipment (e.g., computers, VCRs, TV sets).⁹ Interestingly,

TABLE 15.2 A Comparison of the Motivations of Opinion Leaders and Opinion Receivers

OPINION LEADERS	OPINION RECEIVERS
<p>Self-Improvement Motivations</p> <ul style="list-style-type: none"> • Reduce postpurchase uncertainty or dissonance • Gain attention or status • Assert superiority and expertise • Feel like an adventurer • Experience the power of "converting" others 	<ul style="list-style-type: none"> • Reduce the risk of making a purchase commitment • Reduce search time (e.g., avoid the necessity of shopping around)
<p>Product-Involvement Motivations</p> <ul style="list-style-type: none"> • Express satisfaction or dissatisfaction with a product or service 	<ul style="list-style-type: none"> • Learn how to use or consume a product • Learn what products are new in the marketplace
<p>Social-Involvement Motivations</p> <ul style="list-style-type: none"> • Express neighborliness and friendship by discussing products or services that may be useful to others 	<ul style="list-style-type: none"> • Buy products that have the approval of others, thereby ensuring acceptance
<p>Message-Involvement Motivations</p> <ul style="list-style-type: none"> • Express one's reaction to a stimulating advertisement by telling others about it 	

male purchase pals are more likely to be used as sources of product category expertise, product information, and retail store and price information. Female purchase pals are more often used for moral support and to increase confidence in the buyer's decisions. Similarly, it seems that when a weak tie exists between the purchase pal and the shopper (e.g., neighbor, classmate, or work colleague), the purchase pal's main contribution tends to be functional—the source's specific product experiences and general marketplace knowledge are being relied on. In contrast, when strong ties exist (such as mother, son, husband, or wife), what is relied on is the purchase pal's familiarity and understanding of the buyer's individual characteristics and needs (or tastes and preferences).

Surrogate buyers versus opinion leaders

Although the traditional model of new product adoption shows opinion leaders influencing the purchase of many new products and services, there are instances in which surrogate buyers replace opinion leaders in this role. For example, working women are increasingly turning to wardrobe consultants for help in purchasing business attire, most new drugs start out requiring a doctor's prescription, and many service providers make decisions for their clients (e.g., your service station decides which brand of disk brake pads to install on your car). Consequently, in an increasing number of decision situations, it is a surrogate buyer who primarily influences the purchase. Table 15.3 presents the key differences between opinion leaders and surrogate buyers.

TABLE 15.3 Key Differences Between Opinion Leaders and Surrogate Buyers

OPINION LEADER	SURROGATE BUYER
1. Informal relationship with end users	1. Formal relationship; occupation-related status
2. Information exchange occurs in the context of a casual interaction	2. Information exchange in the form formal instructions/advice
3. Homophilous (to a certain extent) to end users	3. Heterophilous to end users (that in fact is the source of power)
4. Does not get paid for advice	4. Usually hired, therefore gets paid
5. Usually socially more active than end users	5. Not necessarily socially more active than end users
6. Accountability limited regarding the outcome of advice	6. High level of accountability
7. As accountability limited, rigor in search and screening of alternatives low	7. Search and screening of alternatives more rigorous
8. Likely to have (although not always) used the product personally	8. May not have used the product for personal consumption
9. More than one can be consulted before making a final decision	9. Second opinion taken on rare occasions
10. Same person can be an opinion leader for a variety of related product categories	10. Usually specializes for a specific product/service category

Source: Praveen Aggarwal and Taihoon Cha, "Surrogate Buyers and the New Product Adoption Process: A Conceptualization and Managerial Framework," *Journal of Consumer Marketing* 14, no. 5 (1997): 394. Reprinted by permission.

Self-Determining
 Questions for
 Measuring Opinion
 Leadership

FIGURE 15.5

measurement of opinion leadership

Consumer researchers are interested in identifying and measuring the impact of the opinion leadership process on consumption behavior. In measuring opinion leadership, the researcher has a choice of four basic measurement techniques: (1) the *self-designating method*, (2) the *sociometric method*, (3) the *key informant method*, and (4) the *objective method*.

In the *self-designating method*, respondents are asked to evaluate the extent to which they have provided others with information about a product category or specific brand or have otherwise influenced the purchase decisions of others. Figure 15.2 shows two types of self-designating question formats that can be used to determine a consumer's opinion leadership activity. The first consists of a single question, whereas the second consists of a series of questions. The use of multiple questions enables the researcher to determine a respondent's opinion leadership more reliably because the statements are interrelated. The self-designating technique is used more often than other methods for measuring opinion leadership because consumer researchers find it easy to include in market research questionnaires. Because this method relies on the respondent's self-evaluation, however, it may be open to bias should respondents perceive "opinion leadership" (even though the term is not used) to be a desirable characteristic and, thus, overestimate their own roles as opinion leaders.

The *sociometric method* measures the person-to-person informal communication of consumers concerning products or product categories. In this method, respondents are asked to identify (a) the specific individuals (if any) to whom they provided advice or information about the product or brand under study and (b) the specific individuals (if any) who provided them with advice or information about the product or brand under study. In the first instance, if respondents identify one or more individuals to whom they have provided some form of product information, they are tentatively classified as opinion leaders. In the second instance, respondents are asked to identify the individuals (if any) who provided them with information about a product under investigation. Individuals designated by the primary respondent are tentatively classified as opinion leaders. In both cases, the researcher attempts to validate the determination by asking the individuals named whether they did, in fact, either provide or receive the relevant product information.

Opinion leadership can also be measured through the use of a *key informant*, a person who is keenly aware of or knowledgeable about the nature of social communications among members of a specific group. The key informant is asked to identify those individuals in the group who are most likely to be opinion leaders. However, the key informant does not have to be a member of the group under study. For example, a professor may serve as the key informant for a college class, identifying those students who are most likely to be opinion

SINGLE-QUESTION APPROACH:

1. In the last six months have you been asked your advice or opinion about HDTV?*

Yes _____ No _____

MULTIPLE-QUESTION APPROACH:

(Measured on a 5-point bipolar "Agree/Disagree" scale)

1. Friends and neighbors frequently ask my advice about HDTV.
2. I sometimes influence the types of HDTV friends buy.
3. My friends come to me more often than I go to them about HDTV.
4. I feel that I am generally regarded by my friends as a good source of advice about HDTV.
5. I can think of at least three people whom I have spoken to about HDTV in the past six months.

*Researchers can insert their own relevant product-service or product-service category.

**Self-Designating
Questions for
Measuring Opinion
Leadership**

FIGURE 15.2

leaders with regard to a particular issue. This research method is relatively inexpensive because it requires that only one individual or at most several individuals be intensively interviewed, whereas the self-designating and sociometric methods require that a consumer sample or entire community be interviewed. However, the key informant method is generally not used by marketers because of the difficulties inherent in identifying an individual who can objectively identify opinion leaders in a relevant consumer group.

Finally, the *objective method* of determining opinion leadership is much like a “controlled experiment”—it involves placing new products or new-product information with selected individuals and then tracing the resulting “web” of interpersonal communication concerning the relevant product(s). In a practical sense, a new restaurant in a downtown business district might apply this approach to speed up the creation of a core customer base by sending out invitations to young, influential business executives to dine with their friends at a reduced introductory price any time during the first month of the restaurant’s operations. If the restaurant’s food and drink are judged to be superior, the restaurant is likely to enjoy the benefits of enhanced positive word-of-mouth generated by the systematic encouragement of the young clientele to “try it out” and who “talk it up” to their friends after experiencing the new restaurant.

Table 15.4 presents an overview of each of the four methods of measuring opinion leadership, together with advantages and limitations.

TABLE 15.4 Methods of Measuring Opinion Leadership: Advantages and Limitations

OPINION LEADERSHIP MEASUREMENT METHOD	DESCRIPTION OF METHOD	SAMPLE QUESTIONS ASKED	ADVANTAGES	LIMITATIONS
Self-Designating Method	Each respondent is asked a series of questions to determine the degree to which he or she perceives himself or herself to be an opinion leader.	“Do you influence other people in their selection of products?”	Measures the individual’s own perceptions of his or her opinion leadership.	Depends on the objectivity with which respondents can identify and report their personal influence.
Sociometric Method	Members of a social system are asked to identify to whom they give advice and to whom they go for advice and information about a product category.	“Whom do you ask?” “Who asks you for information about that product category?”	Sociometric questions have the greatest degree of validity and are easy to administer.	It is very costly and analysis often is very complex. Requires a large number of respondents. Not suitable for sample design where only a portion of the social system is interviewed.
Key Informant Method	Carefully selected key informants in a social system are asked to designate opinion leaders.	“Who are the most influential people in the group?”	Relatively inexpensive and less time consuming than the sociometric method.	Informants who are not thoroughly familiar with the social system are likely to provide invalid information.
Objective Method	Artificially places individuals in a position to act as opinion leaders and measures results of their efforts.	“Have you tried the product?”	Measures individual’s ability to influence others under controlled circumstances.	Requires the establishment of an experimental design and the tracking of the resulting impact on the participants.

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a profile of the opinion leader

Just who are opinion leaders? Can they be recognized by any distinctive characteristics? Can they be reached through specific media? Marketers have long sought answers to these questions, for if they are able to identify the relevant opinion leaders for their products, they can design marketing messages that encourage them to communicate with and influence the consumption behavior of others. For this reason, consumer researchers have attempted to develop a realistic profile of the opinion leader. This has not been easy to do. As was pointed out earlier, opinion leadership tends to be category specific; that is, an individual who is an opinion leader in one product category may be an opinion receiver in another product category. Thus, the generalized profile of opinion leaders is likely to be influenced by the context of specific product categories.

Although it is difficult to construct a generalized profile of the opinion leader without considering a particular category of interest (or a specific product or service category), Table 15.5 does present a summary of the generalized characteristics that appear to hold true regardless of product category. The evidence indicates that opinion leaders across all product categories generally exhibit a variety of defining characteristics. First, they reveal a keen sense of knowledge and interest in the particular product or service area, and they are likely to be consumer innovators. They also demonstrate a greater willingness to talk about the product, service, or topic; they are more self-confident; and they are more outgoing and gregarious (“more sociable”). Furthermore, within the context of a specific subject area, opinion leaders receive more information via nonpersonal sources and are considered to have expertise in their area of influence. They also usually belong to the same socioeconomic and age groups as their opinion receivers.

When it comes to their mass-media exposure or habits, opinion leaders are likely to read special-interest publications devoted to the specific topic or product category in which they “specialize.”¹⁰ For example, an automobile opinion leader might read publications such as *Car and Driver*, *Motor Trend*, and *Automobile*. These special-interest magazines serve not only to inform automotive-oriented consumers about new cars, tires, audio systems, and accessories that may be of personal interest, but also provide them with the specialized knowledge that enables them to make recommendations to relatives, friends, and neighbors. Thus, the opinion leader tends to have greater exposure to media specifically relevant to his or her area of interest than the nonleader. Summing up it for us, a recent study found that opinion leaders “gain influence through their informational advantages relative to others in the same environment.”¹¹

TABLE 15.5 Profile of Opinion Leaders

GENERALIZED ATTRIBUTES ACROSS PRODUCT CATEGORIES

- Innovativeness
- Willingness to talk
- Self-confidence
- Gregariousness
- Cognitive differentiation

CATEGORY-SPECIFIC ATTRIBUTES

- Interest
- Knowledge
- Special-interest media exposure
- Same age
- Same social status
- Social exposure outside group

frequency and overlap of opinion leadership

Opinion leadership is not a rare phenomenon. Often more than one-third of the people studied in a consumer research project are classified as opinion leaders with respect to some self-selected product category. The frequency of consumer opinion leadership suggests that people are sufficiently interested in at least one product or product category to talk about it and give advice concerning it to others.

This leads to the interesting question: Do opinion leaders in one product category tend to be opinion leaders in other product categories? The answer to this question comes from an area of research aptly referred to as *opinion leadership overlap*. Accordingly, opinion leadership tends to overlap across certain combinations of interest areas. Overlap is likely to be highest among product categories that involve similar interests (such as televisions and VCRs, high-fashion clothing and cosmetics, household cleansers and detergents, expensive wristwatches and writing instruments, hunting gear, and fishing tackle). Thus, opinion leaders in one product area often are opinion leaders in related areas in which they are also interested.

Market mavens

Research suggests the existence of a special category of consumer influencer, the **market maven**. These consumers possess a wide range of information about many different types of products, retail outlets, and other dimensions of markets. They both initiate discussions with other consumers and respond to requests for market information. Market mavens like to shop, and they also like to share their shopping expertise with others. However, although they appear to fit the profile of opinion leaders in that they have high levels of brand awareness and tend to try more brands, unlike opinion leaders their influence extends beyond the realm of high-involvement products. For example, market mavens may help diffuse information on such low-involvement products as razor blades and laundry detergent.¹² Furthermore, market mavens appear to be motivated by a sense of obligation to share information, a desire to help others, and the feeling of pleasure that comes with telling others about products.¹³

While both innovators and market mavens spend more time shopping than other consumers, innovators tend to be price insensitive. Market mavens are not primarily concerned with price, but are nevertheless more value conscious than other shoppers and are heavy users of coupons.¹⁴ Table 15.6 compares consumer innovators to market mavens, including breadth of knowledge and reaction to promotions. The table, for example, reveals that while the opinion leader's knowledge extends only to a specific product category, market mavens possess a wide range of market information. Table 15.7 presents a Market Maven Scale that uses a 7-point Agree/Disagree response format to identify market mavens.

It would be wrong to discuss market mavens without specifically citing the role played by teenagers. Seventy percent of teens use the Internet regularly, and they know how to search for and find information both for themselves and as information requests from others. Research has found that in families where both parents and teenagers are heavy Internet users, both the teens and their parents recognize the teens' expertise and value the child's contribution to family decision-making.¹⁵

Just as the examination of the relationship between being an opinion leader and being an innovator led to the recognition of the existence of the market maven, research on the market maven has uncovered yet another category of consumers, the *social hub*. These are individuals who direct social traffic—they have relationships with many people, they frequently bring these people together, and they do so for personal pleasure (rather than for some tangible reward). It is possible that social hubs may prove to be an excellent way to predict the number of people that are told about a consumption experience.¹⁶

TABLE 15.6 Consumer Innovativeness and Market Mavenism Compared

CONSTRUCT OF INTEREST	INNOVATIVENESS	MARKET MAVENISM
Information and Knowledge	Knowledgeable about specific product categories	Wide variety of market information; information seekers
Opinion Leadership	Act as opinion leaders for new products	Act as opinion leaders for many aspects of the marketplace
Search Behavior	Exposed to a variety of information sources	Exposed to a variety of information sources
Involvement	Involved in the marketplace; especially new products	Involved in many aspects of the marketplace
Promotion	Interested in information heavy or centrally processed communications	Heavy users of coupons, shopping lists, grocery budgets, and ads
Brand Awareness	Aware of new brands in specific product fields	Aware of new brands in many fields
Assertiveness	No reason to expect an assertive style of shopping and buying.	More assertive than other consumers
Value conscious	More interested in newness than price; not bargain conscious	More value conscious than other consumers; seek bargain prices
Fashion Consciousness	Fashion innovators are fashion conscious	Market Mavens are not fashion conscious

Source: Ronald E. Goldsmith, Leisa R. Flynn, and Elizabeth B. Goldsmith, "Innovation Consumers and Market Mavens," *Journal of Marketing Theory and Practice* 11 (Fall 2003): 56.

TABLE 15.7 Market Maven Scale (Six-point Agree/Disagree Response Format)

1. I like introducing new brands and products to my friends.
 2. I like helping people by providing them with information about many kinds of products.
 3. People ask me for information about products, places to shop, or sales.
 4. If someone asked where to get the best buy on several products, I could tell him or her where to shop.
 5. My friends think of me as a good source of information when it comes to new products or sales.
 6. Think about a person who has information about a variety of products and likes to share this information with others. This person knows about new products, sales, stores, and so on, but does not necessarily feel he or she is an expert on one particular product. How well would you say that this description fits you?
- Source: Ronald E. Goldsmith, Leisa R. Flynn, and Elizabeth B. Goldsmith, "Innovation Consumers and Market Mavens," *Journal of Marketing Theory and Practice* 11 (Fall 2003): 58.

the situational environment of opinion leadership

Product-related discussions between two people do not take place in a vacuum. Two people are not likely to meet and spontaneously break into a discussion in which product-related information is sought or offered. Rather, product discussions generally occur within relevant situational contexts, such as when a specific product or a similar product is used or served or as an outgrowth of a more general discussion that touches on the product category. For example, while drinking coffee, one person might tell the other person about a preferred brand of coffee.

Moreover, it is not surprising that opinion leaders and opinion receivers often are friends, neighbors, or work associates, for existing friendships provide numerous opportunities for conversation concerning product-related topics. Close physical proximity is likely to increase the occurrences of product-related conversations. A local health club or community center, for example, or even the local supermarket, provides opportunities for neighbors to meet and engage in informal communications about products or services. In a similar fashion, the rapid growth in the use of the Internet is also creating a type of close “electronic proximity” or “communities”—one in which people of like minds, attitudes, concerns, backgrounds, and experiences are coming together in “chat sessions” to explore their common interests. Within this context, the Internet is a fertile environment for word-of-mouth communications of the kind that consumer marketers are interested in impacting.

the interpersonal flow of communication

A classic study of voting behavior concluded that ideas often flow from mass media (e.g., newspapers, magazines, radio, TV) to opinion leaders and from them to the general public.¹⁷ This so-called **two-step flow of communication theory** portrays opinion leaders as direct receivers of information from impersonal mass-media sources, who in turn, transmit (and interpret) this information to the masses. This theory views the opinion leader as an intermediary between the impersonal mass media and the majority of society. Figure 15.3 presents a model of the two-step flow of communication theory. Information is depicted as flowing in a single direction (or one way) from the mass media to opinion leaders (Step 1) and then from the opinion leaders (who interpret, legitimize, and transmit the information) to friends, neighbors, and acquaintances, who constitute the “masses” (Step 2).

Multistep flow of communication theory

A more comprehensive model of the interpersonal flow of communication depicts the transmission of information from the media as a multistep flow. The revised model takes into account the fact that information and influence often are two-way processes in which opinion leaders both influence and are influenced by opinion receivers. Figure 15.4 presents a model of the **multistep flow of communication theory**. Steps 1a and 1b depict the flow of information from the mass media simultaneously to opinion leaders, opinion receivers/seekers, and information receivers (who neither influence nor are influenced by

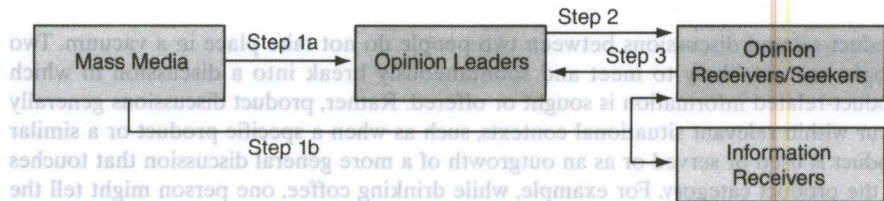


Two-Step Flow of Communication Theory

FIGURE 15.3

FIGURE 15.4

Multistep Flow of Communication Theory



others). Step 2 shows the transmission of information and influence from opinion leaders to opinion receivers/seekers. Step 3 reflects the transfer of information and influence from opinion receivers to opinion leaders.

Advertising designed to stimulate/simulate word-of-mouth

In a world before the Internet, Weblogs, and viral or buzz marketing, firms' advertising and promotional programs largely relied on *stimulating or persuading consumers* to "tell your friends how much you like our product." This is one way in which marketers encourage consumer discussions of their products or services. For instance, Daffy's, an off-price retailer operating in several northeastern states (www.daffys.com), used an outdoor poster (at bus shelters and subway stations) to boldly state that "Friends don't let friends pay retail." Here the implication is that you should share your knowledge and experience with others. The objective of a promotional strategy of stimulation is to run advertisements or a direct-marketing program that is sufficiently interesting and informative to provoke consumers into discussing the benefits of the product with others.

In a classic study, a group of socially influential high school students (class presidents and sports captains) were asked to become members of a panel that would rate newly released musical recordings. As part of their responsibilities, panel participants were encouraged to discuss their record choices with friends. Preliminary examination suggested that these influentials would not qualify as opinion leaders for musical recordings because of their relatively meager ownership of the product category.¹⁸ However, some of the records the group evaluated made the Top 10 charts in the cities in which the members of the group lived; these same recordings did not make the Top 10 charts in any other city. This study suggests that product-specific opinion leaders can be created by taking socially involved or influential people and deliberately increasing their enthusiasm for a product category.

A more recent research effort explored the notion of increasing enthusiasm for a product category. Over a 12-week period of time, half the participants were assigned to look at corporate Web sites (i.e., marketer-generated information sources), and half were asked to look at online discussions (e.g., chat rooms, forums). Consumers who got their information from online discussions reported greater interest in the product category. It is felt that chat rooms and other forums provide consumers with personal experiences and may offer greater credibility, trustworthiness, relevance, and empathy than marketer-generated Internet Web sites.¹⁹

Another related form of advertising message (much less common than ads designed to stimulate word-of-mouth) are ads designed to *simulate word-of-mouth* was from time-to-time used by a small number of marketing firms to supplement their regular advertising image or brand advertising. Ads designed to *simulate word-of-mouth* portrayed people in the act of informal communication.

Word-of-mouth may be uncontrollable

Although most marketing managers believe that word-of-mouth communication is extremely effective, one problem that they sometimes overlook is the fact that informal communication is difficult to control. Negative comments, frequently in the form

Two-Step Flow of Communication Theory

FIGURE 15.3

of rumors that are untrue, can sweep through the marketplace to the detriment of a product.

Some common rumor themes that have plagued marketers in recent years and unfavorably influenced sales include the following: (1) The product was produced under unsanitary conditions, (2) the product contained an unwholesome or culturally unacceptable ingredient, (3) the product functioned as an undesirable depressant or stimulant, (4) the product included a cancer-causing element or agent, and (5) the firm was owned or influenced by an unfriendly or misguided foreign country, governmental agency, or religious cult.

A particularly challenging form of “negative” word-of-mouth can be generated today over the Internet, when a dissatisfied consumer decides to post his or her story on a bulletin board for all to see. Consider, for example, the Apple iPod. When two brothers in New York City found that a failed battery could not be easily or inexpensively replaced (Apple was charging \$200 to replace the battery), they went online (www.ipodsdirtysecret.com). Consumers critical of Starbucks can vent their anger at www.ihatestarbucks.com, and people who dislike Microsoft can always log onto www.watchingmicrosoft.com. As one advertising industry executive has commented, “One determined detractor can do as much damage as 100,000 positive mentions can do good.”²⁰

marketers seek to take control of the opinion leadership process

Marketers have long been aware of the power that opinion leadership exerts on consumers’ preferences and actual purchase behavior. For this reason marketers are increasingly designing products with characteristics or design factors that make them easy to talk about and whip up interest about. They are also looking at ways to more directly intervene and take control of the word-of-mouth process. This effort to control the flow of word-of-mouth about a product is not new. However, what is new is the degree of interest and available technologies that makes it easier to accomplish (e.g., consumers’ buddy lists).

Marketers are now moving beyond primarily employing advertising to stimulate or simulate word-of-mouth, to an environment where they are seeking to manage (i.e., to create and control) word-of-mouth. In this section we will consider marketers’ efforts to create products with greater word-of-mouth potential, and to harness the power of word-of-mouth by either hiring paid actors to go out and create product buzz; or securing the involvement of largely unpaid consumer volunteers, who act as buzz agents to drum up awareness, interest, and intention to purchase the clients’ new products. As part of this discussion we will consider viral marketing and Weblogs.

Creating products with built-in buzz potential

New-product designers take advantage of the effectiveness of word-of-mouth communication by deliberately designing products to have word-of-mouth potential. A new product should give customers something to talk about (“buzz potential”). Examples of products and services that have had such word-of-mouth appeal include iPods, cell phones with digital cameras, and a host of other sought after technologies and luxury brands. Such high-demand products have attained market share advantages because consumers are willing to “sell” them to each other by means of word-of-mouth. Motion pictures also appear to be one form of entertainment in which word-of-mouth operates with some degree of regularity and a large degree of impact. It is very common to be involved directly or overhear people discussing which movies they liked and which movies they advise others to skip. Proof of the power of word-of-mouth are those cases in which critics hate a movie and the viewing public like it and tell their friends.

For instances in which informal word-of-mouth does not spontaneously emerge from the uniqueness of the product or its marketing strategy, some marketers have deliberately attempted to stimulate or to simulate opinion leadership.

Strategy designed to simulate buzz

The nature and scope of the Internet has inspired marketers to expand opportunities to take control of the process of word-of-mouth. For instance, they are increasingly hiring buzz marketing agencies that maintain large armies of largely volunteer consumer buzz agents who seem to greatly enjoy telling other consumers (often friends and family, and people on their buddy list) about a product that they have been exposed to and feel that they would like to talk about. An example of such a consulting agency is Bzzagent (see www.bzzagent.com). They assist their clients in creating word-of-mouth or buzz marketing campaigns. For instance, for chicken sausage producers and a publisher of mass-appeal books, Bzzagent agent assisted these clients to use their largely voluntary bzzagents to talk about these products and to dramatically enhance their market success.²¹

Similarly, P&G has created a company known as Tremor (see the Web site at www.tremor.com) that specializes in the teen market and the market of their mothers. In contrast to Bzzagent, which does not screen their agents to ascertain that they would be good at stimulating interest, Tremor actually provides a series of screening tests and only selects those who meet their standards in terms of being likely to be an effective word-of-mouth communicator.

Some marketers prefer to hire actors to go out and simulate for a product. For instance, a campaign for Hennessy Cognac used paid actors to visit Manhattan bars and nightclubs and order Cognac martinis made with Hennessy. Although they were instructed to act as if they were ordering a new fad drink, in reality they were attempting to create a new fad drink.²² The objective of a promotional strategy of stimulation is to run advertisements or a direct-marketing program that is sufficiently interesting and informative to provoke consumers into discussing the benefits of the product with others.

There has also been a tremendous growth in product placements over the past few years. For instance, reality shows like *The Apprentice* and *Survivor* have shown just how valuable product placements can be, and the amount spent on product placements reached a record \$4.25 billion in 2005, a 23 percent increase over the prior year.²³

Viral marketing

Also known as “buzz marketing,” “wildfire marketing,” “avalanche marketing,” or any one of a dozen other names, *viral marketing* “describes any strategy that encourages individuals to pass on a marketing message to others, creating the potential for exponential growth in the message’s exposure and influence.”²⁴ Viral marketing is the marriage of e-mail and word-of-mouth. It is also named “viral” because it allows a message to spread like a virus. Consider HotMail, the first free Web e-mail service. By giving away free e-mail addresses and services, and by attaching a tag to the bottom of every message that reads “Get your private, free e-mail at <http://www.hotmail.com>,” every time a HotMail user sent an e-mail, there was a good chance that the receiver of the e-mail would consider signing up for a free HotMail account. And with the expectation of more than 150 million Instant Messenger (IM) users, companies like ActiveBuddy create custom software applications to connect IM users to information that they want, while “mimicking, in a crude way, the banter of a fellow IM user at the other end of the data link.”²⁵ Table 15.8 presents the demographic characteristics of adult Instant Messenger users.

Consider some other recent examples of viral marketing in action. M80 Interactive Marketing (a viral marketing firm) has its employees surf the Web to locate enthusiastic music fans who can be used to generate “buzz” about Britney Spears, one of the firm’s clients. These fans may be asked, for example, to swamp MTV’s request line demanding the star’s latest hit. Beanie Babies, the VW Beetle, the movie *The Blair Witch Project*, and ICQ (an Internet chat service) were also able to generate word-of-mouth hype that

TABLE 15.8 A Profile of Adult Instant Messaging (IM) Users**Who uses instant messaging**

The IM population is dominated by young adults and suburbanites. High percentages of minorities and those living in households with modest incomes also trade instant messages. The percentages in the right column do not at times add up to 100 because of rounding.

	The percent of internet users in each group who are IM users (e.g. 42% of online men are IM users)	The proportion of the IM population each group makes up (e.g. 50% of all IM-ers are men)
Men	42%	50%
Women	42	50
Race/ethnicity		
Whites	41%	73%
Blacks	44	8
Hispanics	52	9
Other	40	10
Age		
Gen Y (ages 18–27)	62%	31%
Gen X (ages 28–39)	37	28
Trailing Boomers (ages 40–49)	33	20
Leading Boomers (ages 50–58)	29	12
Matures (ages 59–68)	25	7
After Work (age 69+)	29	3
Household income		
Less than \$30,000	53%	31%
\$30,000–\$50,000	42	24
\$50,000–\$75,000	36	19
\$75,000+	39	27
Educational attainment		
Did not graduate from HS	49%	8%
High school grad	44	31
Some college	48	32
College degree+	34	29
Community type		
Urban	45%	30%
Suburban	42	49
Rural	40	21
Type of internet connection at home		
Broadband	46%	41%
Dialup	39	59

Source: Eulynn Shiu and Amada Lenhart, "How Americans Use Instant Messaging," *Pew Internet & American Life Project*, September 1, 2004, accessed at www.Pewinternet.org.

resulted in explosive consumer demand. Volkswagen even sold 2,000 Reflex Yellow and Vapor Blue Beetles online, and *only* online. Vespa, the Italian motor scooter manufacturer, has its in-house agency hire models to hang out on scooters outside trendy nightclubs and cafes in Los Angeles.²⁶ Procter & Gamble is using viral marketing in a big way. The company has developed kiosks for shopping malls that present and sell new P&G products—all in the hope that shoppers will tell their friends what they have seen. And if shoppers purchase a product at the kiosk, they are invited to join an “Innovator’s Club” that offers discounts, a Web site, and puts the shopper into the P&G database for future new product introductions.²⁷

There appears to be two principal types of “buzz.” *Uncodified buzz* occurs when an innovator encounters a new product, movie, etc., that he or she likes and passes on the information. While the level of trust and credibility that a consumer gives such communication, because it comes from a friend, is very high, this type of buzz is not something that is controllable by the firm, and could be either positive or negative. In contrast, *codified buzz* is something that is “incubated, fostered, and underwritten by the firm,” and may take the form of trial versions, testimonials, observable usage, endorsements, gift certificates, hosted chat rooms, and so on. The firm should understand that the observability and the trialability of the viral marketing program for the new product (these two concepts will be fully discussed later in this chapter) are critical elements. For example, a money-back guarantee makes trialability a win-win undertaking for the consumers because it reduces the risk perceived with regard to making a purchase.²⁸

One way in which the “buzz” can spread quickly is through the forwarding of e-mails. It is estimated that 90 percent of Internet users use e-mail, and about 50 percent of them use it daily. The term *Viral Maven* has been coined to refer to an individual who receives and sends pass-along e-mail frequently, as opposed to *Infrequent Senders*. One Viral Maven, for example, forwarded an e-mail about the band Nsync to 500 of her friends because it contained video messages from band members that were not available anywhere else.²⁹ Table 15.9 presents the motives for sending pass-along e-mail. Note how four of the six top-rated reasons deal with enjoyment and/or entertainment, and the other two concern social motivations. Recently, Nescafé Café con Leche (Nestlé Argentina) recruited 50 of the drink’s target consumers who were “big” e-mail forwarders and asked them to forward a spot for the product to at least 15 people each. In the month after the product’s introduction, the spot and link were forwarded 100,000 times, and 15 to 20 percent of visitors to the site answered a four-question survey.³⁰

To learn more about viral and buzz marketing check out the Web site of the Viral and Buzz Marketing Association, a group of marketing practitioners who desire to advance the art and science of word-of-mouth and to benefit and protect interests of consumers (www.vbma.net).

Weblogs as word-of-mouth

One of the newest mediums for disseminating word-of-mouth is the blog (short for Weblog), with over five million of these Web journals appearing on the Internet over the past few years. Recently, *Fortune Magazine* named the blog the number one tech trend, and estimated that 23,000 new Weblogs are created daily—both by consumers and by companies. Consider the power and impact of blogs on a company’s products. Specifically, when a person posted information on a group discussion site that U-shaped Kryptonite bicycle locks could be picked with a Bic ballpoint pen, within a few days a number of blogs had videos demonstrating how this could be done. Four days after the original posting, Kryptonite issued a statement promising that their new line of bicycle locks would be tougher. But bloggers kept up the pressure, and shortly thereafter *The New York Times* and The Associated Press published articles about the problem. Over a ten-day period (see Figure 15.5) about 1.8 million people read postings about Kryptonite, and the company announced that it would offer free exchange for any affected lock. And anyone can create a blog. For example, you can just go to Google’s Blogger.com or Spaces.MSN.com and create an account. If you’re interested if anyone is reading your blog, you can register with a service like Feedburner to see how many hits you’re getting.³¹

TABLE 15.9 Motives for Sending Pass-Along E-mail

Item
Because it's fun
Because I enjoy it
Because it's entertaining
To help others
To have a good time
To let others know I care about their feelings
To thank them
To get away from what I'm doing
Because it peps me up
To show others encouragement
Because it allows me to unwind
Because it's exciting
Because it relaxes me
Because it's stimulating
To get something I don't have
To get away from pressures
Because it's a pleasant rest
Because I'm concerned about them
Because it makes me feel less tense
To put off something I should be doing
Because I have nothing better to do
Because it's reassuring to know someone's there
Because I want someone to do something for me
Because it's thrilling
To tell others what to do
Because I just need to talk
Because I need someone to talk to
Because it makes me feel less lonely

Source: Joseph E. Phelps, Regina Lewis, Lynne Mobilio, David Perry, and Niranjana Raman, "Viral Marketing or Electronic Word-of-Mouth Advertising: Examining Consumer Responses and Motivations to Pass Along Email," *Journal of Advertising Research*, December 2004, 343.

Participants were asked to indicate the importance of 28 reasons for communicating with others via pass-along e-mail. Listed in descending order of importance.

FIGURE 15.9

Kryolan's
 Blogstorm How Ten
 Days of Internet
 Chatting Crippled a
 Company's
 Reputation

Source: David Kirkpatrick and
 Daniel Pratt, "Why There's No
 Escaping the Blog," *Fortune*,
 January 10, 2005, 48.

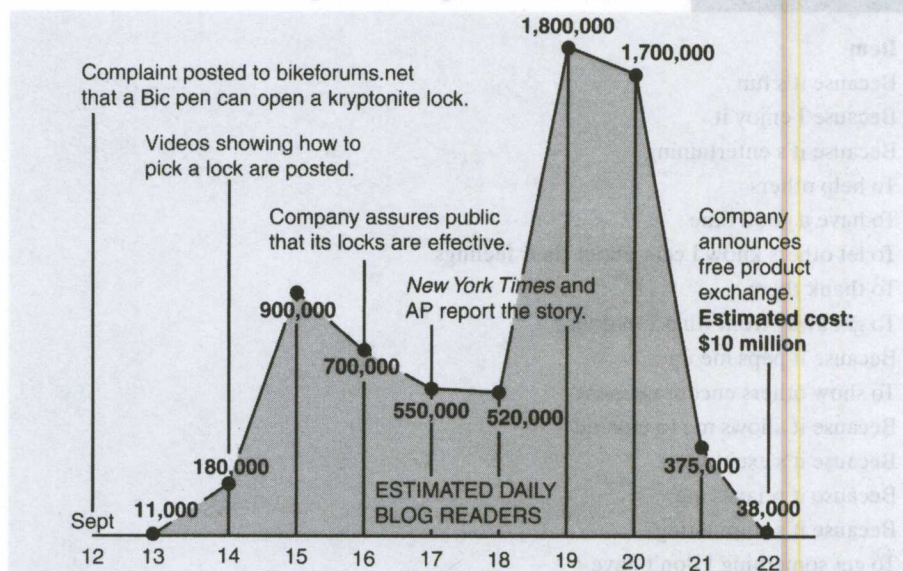
diffusion of innovations

The second part of this chapter examines a major issue in marketing and consumer behavior—the acceptance of new products and services. The framework for exploring consumer acceptance of new products is drawn from the area of research known as the **diffusion of innovations**. Consumer researchers who specialize in the diffusion of innovations are primarily interested in understanding two closely related processes: the **diffusion process** and the **adoption process**. In the broadest sense, diffusion is a macro process concerned with the spread of a new product (an innovation) from its source to the consuming public. In contrast, adoption is a micro process that focuses on the stages through which an individual consumer passes when deciding to accept or reject a new

FIGURE 15.5

Kryptonite's Blogstorm How Ten Days of Internet Chatter Crippled a Company's Reputation

Source: David Kirkpatrick and Daniel Roth, "Why There's No Escaping the BLOG," *Fortune*, January 10, 2005, 48.



product. In addition to an examination of these two interrelated processes, we present a profile of **consumer innovators**, those who are the first to purchase a new product. The ability of marketers to identify and reach this important group of consumers plays a major role in the success or failure of new-product introductions.

And why are new-product introductions so important? Consider General Motors' OnStar system, which is in widespread use today. When it was first introduced, it was a dealer-installed option that required consumers to obtain their own cellular accounts. When dealers informed GM that this procedure was overly cumbersome and was limiting sales, General Motors made a deal with a cellular telephone company, which allowed OnStar to be packaged as a factory-installed fully functioning communications device. GM was also told by consumers that they did not need the detailed diagnostic engine reports that the system was providing—they only needed to know the difference between a problem that required immediate emergency attention and one that could wait for a routine service appointment.³² These changes to the original GM version of OnStar undoubtedly increased its popularity with GM vehicle purchasers.

the diffusion process

The diffusion process is concerned with how innovations spread, that is, how they are assimilated within a market. More precisely, diffusion is the process by which the acceptance of an innovation (a new product, new service, new idea, or new practice) is spread by communication (mass media, salespeople, or informal conversations) to members of a social system (a target market) over a period of time. This definition includes the four basic elements of the diffusion process: (1) the innovation, (2) the channels of communication, (3) the social system, and (4) time.

The innovation

No universally accepted definition of the terms **product innovation** or **new product** exists. Instead, various approaches have been taken to define a new product or a new service; these can be classified as *firm-, product-, market-, and consumer-oriented definitions of innovations*.