

STRATEGIC SALES MANAGEMENT

Selling in International Markets

DR. KALPAK KULKARNI

DEPARTMENT OF MANAGEMENT STUDIES, IIT ROORKEE

Learning Objectives:

After going through this module, you should be able to:

- Define and elaborate the concept of international selling
- Understand the global sales dynamics and managing the sales force
- To understand the do's and don'ts before venturing into international market
- **Evaluate the role of culture while selling in international markets**
- To understand the various challenges faced by a firm while selling internationally

Cultural Factors in International Selling

What is Culture?

- Culture is the *distinctive way of life of a people* that is not biologically transmitted.
- Such *learned behaviour* is passed on from one generation to the next, evolving and changing over time.
- The culture in which a person lives affects their *consumption patterns* and *perceptions* of specific products and meanings attached to them.
- Because of this, only certain products and selling practices that the individual perceives as normal and acceptable to their particular culture will be acceptable.
- When selling overseas, firms must be *culturally sensitive*.

Cultural Factors in International Selling

What is Culture?

Culture

- is the characteristically human product of social interaction;
- provides socially acceptable patterns for meeting biological and social needs;
- is cumulative, for it is handed down from generation to generation in a given society;
- is meaningful to human beings because of its symbolic quality;
- is learned by each person in the course of his development in a particular society;
- is, therefore, a basic determinant of personality; and
- depends for its existence upon the continued functioning of society but is independent of any individual or group.

Cultural Factors in International Selling

What is Culture?

- **Culture**, which is a very **intriguing and complex** factor is, often, a very critical component of business environment.
- **Cultural differences** are the most **significant and troublesome variables** encountered by the multinational company.
- **Examples:**
 - During the 1994 World Cup, bottles of Heineken beer displayed the flags of all the participants in soccer's biggest tournament, including Saudi Arabia. The country's flag shows a verse from the Quran, Islam's holy book. The Quran forbids the use of alcohol, so thousands of Muslims registered complaints with the brewer for displaying the verse.

Cultural Factors in International Selling

What are cultural values?

- The most useful information on how cultural values influence various types of business and market behavior comes from seminal work of **Geert Hofstede**.
- Studying more than 90,000 people in 66 countries, he found that the cultures of the nations studied differed along four primary dimensions as follows: the *Power Distance Index* (PDI), the *Individualism/Collective Index* (IDV), the *Uncertainty Avoidance Index* (UAI), and the *Masculinity/Femininity Index* (MAS).
- Subsequent studies identified a fifth dimension, *Long-Term Orientation* and a sixth, *Indulgence*.



Cultural Factors in International Selling

Power-distance

- Cultures that endorse low power-distance expect and accept power relations that are more consultative or democratic. People relate to one another more as equals, regardless of formal positions. For instance, people tend to communicate with each other on a first-name basis. Subordinates are more comfortable with demanding the right to contribute to and critique the decision making of those in power.
- In high power-distance countries, the less powerful accept power relations that are more autocratic and paternalistic. Subordinates acknowledge the power of others simply based on where they are situated in certain formal, hierarchical positions.
- This would have a major bearing on the structuring of a sales force, since the hierarchical level of the salesperson affects their ability to interact on a meaningful level with a potential customer.

Cultural Factors in International Selling

Uncertainty-avoidance

- This refers to a society's tolerance for uncertainty and ambiguity. It reflects the extent to which members of a society attempt to cope with anxiety by minimizing uncertainty.
- People in cultures with high uncertainty-avoidance tend to minimize the occurrence of unknown and unusual circumstances; they tend to proceed with careful step-by-step changes, by planning and by implementing rules, laws and regulations.
- By contrast, low uncertainty-avoidance cultures accept and feel comfortable in unstructured situations or changeable environments and try to have as few rules as possible. People in these cultures tend to be more tolerant of change.

Cultural Factors in International Selling

Masculinity vs. femininity

- Masculine cultures value competitiveness, assertiveness, materialism, ambition and power, whereas feminine cultures place more value on relationships and quality of life.
- In masculine cultures, the differences between gender roles are more dramatic and less fluid than in feminine cultures, where men and women have the same values emphasizing modesty and caring.

Cultural Factors in International Selling

Long-term orientation vs. short-term orientation

- Long-term orientated societies attach more importance to the future. They foster pragmatic values orientated towards rewards, including persistence, saving and capacity for adaptation.
- In short-term orientated societies, values promoted are related to the past and the present, including steadiness, respect for tradition, saving face, reciprocation and fulfilling social obligations.

Cultural Factors in International Selling

Individualism vs. Collectivism

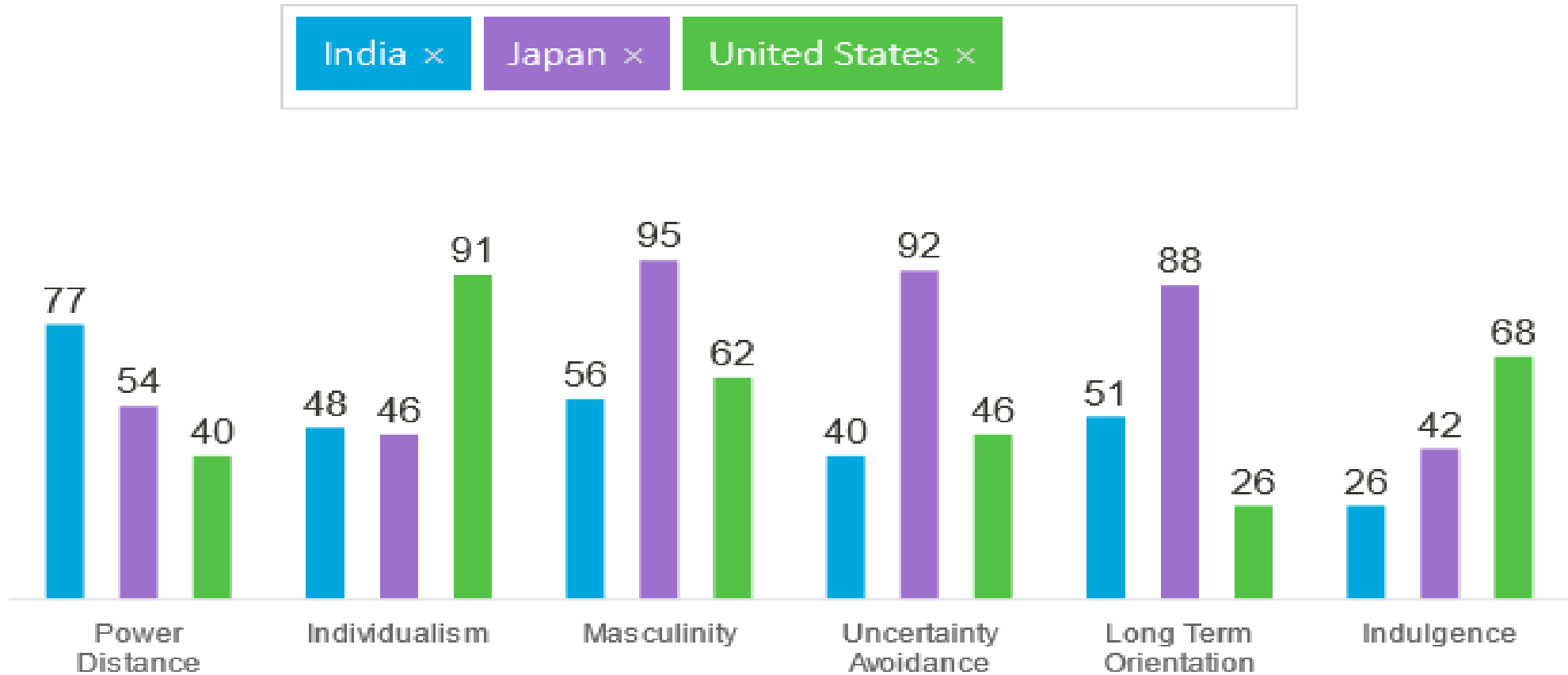
- In individualistic societies, the stress is put on personal achievements and individual rights. By contrast, in collectivist societies, individuals act predominantly as members of a life-long and cohesive group or organization.
- A salesperson from a collectivist nation would need permission from the group before taking actions, which could be frustrating for a customer who is from an individualistic nation and wants to take actions in their own best interest and wants to reach an agreement quickly.

Cultural Factors in International Selling

Indulgence vs. restraint

- Societies with a high rate of indulgence allow hedonistic behaviors, so people can freely satisfy their basic needs and desires.
- By contrast, restraint societies have strict social norms, whereby gratification of desire is suppressed and regulated.

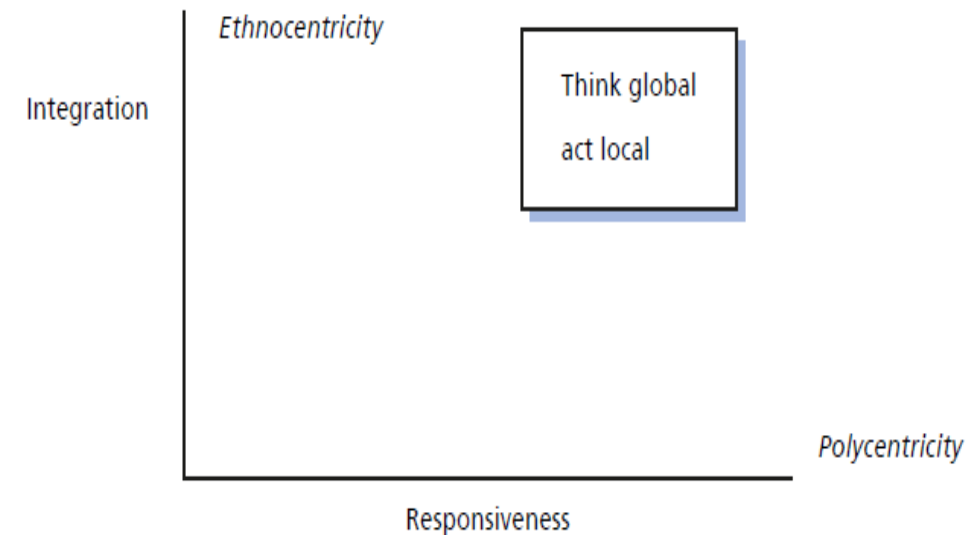
Cultural Factors in International Selling



Source: www.hofstede-insights.com/country-comparison/

Cultural Factors in International Selling

- Culture includes both **abstract** and **material** elements. **Abstract elements include values, attitudes, ideas and religion.** These are learned patterns of behaviour that are transmitted from one generation to another.
- **Material elements of the culture are levels and type of technology and consumption patterns within that society.**
- The **Prahalad and Doz integration and responsiveness model** (1991) has proven to be a valuable model in portraying the approach that firms may adopt in their international operations.



Cultural Factors in International Selling

Prahalad and Doz integration and responsiveness model (1991)

- According to this model, a firm may opt to maintain its standardised products/services across its international markets or choose to adapt its product offerings according to the cultural needs of the respective country.
- However, according to this model, sustained competitiveness would ideally be achieved if companies strove to achieve the balance of **‘Think global, act local’**.
- Subsequently, not only would the firm and its employees be able to integrate fully within the culture, but they would also be able to respond appropriately to the cultural demands and needs of the specific market – thereby achieving a win–win situation.

Cultural Factors in International Selling

Language

- A major area for cultural conflict revolves around the use of language.
- For communication to effectively take place, the meaning of various words and phrases must be clear.
 - Coca Cola, named their product a Chinese phrase that would sound like the original name. However, this new phrase translated to “Bite the Wax Tadpole” This didn’t go over well.
 - Pepsi brought a new slogan to the Chinese market. It was “Pepsi brings you back to life”. Unfortunately the phrase translated to “Pepsi brings your ancestors back to life” Both companies had to revamp their Chinese campaigns.

Cultural Factors in International Selling

Language – Some More blunders...

- In 1987, when **Kentucky Fried Chicken** opened its first outlet in Beijing, its slogan 'finger-lickin' good' was incorrectly translated as 'eat your fingers off.'
- Toyota's Fiera proved controversial in Puerto Rico, where 'fiera' translates to 'ugly old woman'.
- In order to appeal to first class customers, **Braniff International airlines** created a campaign to promote their finely upholstered seats. But it backfired after their slogan 'Fly in Leather' when translated into Spanish became 'Fly Naked.'
- **Ford's** Pinto failed to make an impact in the Brazilian market. The reason behind its flop was the name 'Pinto' which translated to 'tiny male genitals' in Brazilian Portuguese slang.
- When the **Honda Fitta** was introduced to Nordic countries in 2001, it quickly had to rename the brand to Honda Jazz as Fitta translated to 'female genitalia'.
- **General Motors** introduced the Chevy Nova in Latin America but were appalled by the fact that it bombed. They soon realised their folly when someone pointed that 'Nova' translates to 'It doesn't go' in Spanish.

Cultural Factors in International Selling

Language-

- A key ingredient in international selling is a command of **foreign languages**.
- As the former German Chancellor, Willy Brandt, once said, 'If I am selling to you I will speak English, but if you are selling to me *dann müssen Sie Deutsch sprechen!*'
- Salespeople also need to understand both the nuances of the **foreign language** and the silent, **non-verbal**, language.
- Example: A salesperson needs to know that in Japanese 'yes' often means 'no', but that a Chinese 'no' often means 'yes'!

Cultural Factors in International Selling

Aesthetics

- This refers to a culture's ideas concerning beauty and good taste, together with an appreciation of colour and form
- Aesthetics deals with what a society finds beautiful and visually appealing. Usually what is seen as visually appropriate by the individual is based upon their cultural makeup. This could certainly affect the potential salesperson from a dress and appearance standpoint.
- The exporter must be aware of positive and negative aspects of its designs, packaging, advertising, etc.
- The company should be sensitive to local preferences and tastes, and items such as company logos should incorporate local preferences and these should be negotiated during the early stages of the sale.

Cultural Factors in International Selling

Religion

- Material culture and aesthetics are outward manifestations of a culture and give an indication of how consumers in a particular culture behave.
- The firm selling overseas needs an understanding of why consumers behave in that way.
- The religion practiced by a culture can give insights into its members' behaviour. A company must be aware of religious differences in its foreign markets and be prepared to make adaptations both in selling operations and in the products themselves.

Cultural Factors in International Selling

Religion

- Religious holidays/celebrations/obligations can affect the hours that are imposed on the salesperson. Times may need to be kept open for the salesperson to pray, and followers may not work during high religious seasons.
- Religion can also shape an individual's feelings about dealing with males and females in a business setting. In some countries, women are expected to be subservient in all ways to men, even to walk behind them. How can a potential male customer in this type of environment develop a long-term relationship with a female salesperson? These types of situations set up conflicts that can be extremely stressful for the individuals involved.

Cultural Factors in International Selling

Education

- Analysing educational information for relevant markets gives the firm an insight into the nature and sophistication of consumers in different countries.
- The success of this sales communication will be constrained by the general level of education within the culture. If consumers are largely illiterate, then company communications will need to be adapted.
- Further, sales contracts may have to be verbally negotiated and simply confirmed in writing, without any implied terms and conditions.

Cultural Factors in International Selling

- Global salespersons encounter resistance from customers in different cultures.
- Often this is due to global salespersons not understanding the “do’s” and “don’ts” of interacting with different cultures. Understanding how to act in most cultures may be the difference between closing a sale and losing a customer.
- Here are few examples of some specific do’s and don’ts one should take care of while dealing in certain cultures:

Cultural Factors in International Selling

- China: Always accept and drink tea during business meetings, even if you are offered dozens of cups each day. Never eat or drink before your host does so.
- France: The French normally do not meet until after 10:00 a.m. Do not offer to meet for a business breakfast.
- Germany: Do not address a business associate by their first name unless you are invited to do so. Never schedule a breakfast meeting.
- Latin America: The clock is not taken seriously, so do not schedule more than two meetings during the day.
- Japan: Do not raise business issues on the golf course unless your host initiates the conversation.

Cultural Factors in International Selling

General cultural attitudes and values

- Spiritual value – West vs. East
- Time values – Latin America Vs West Vs. Spain
- Space – office size – West Vs East
- Distance – West Vs. Middle East and Latin America

The Chinese culture and sales negotiations:

- **Guanxi networks**, which are relationships or social connections based on mutual interests and benefits. *Guan* means a gate or a hurdle, and *xi* means a tie, relationship or connection. Therefore *guanxi* literally means 'pass the gate and get connected'.