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## GLOBALIZATION AND CULTURAL DIFFERENCES

### Introduction

The aim of this article is to highlight the importance of cultural diversity in the process of globalization. This topic has been selected primarily to help understanding some basic forces that shape behavior of individual companies while acting internationally. Very often, as a result of cultural sensitivity, marketing concepts implemented at one market are very different from the ones implemented at another market. To prove this statement, we will use examples of Ikea and Disney Company, who were dealing with cultural issues worldwide.

While expanding abroad initially Ikea ignored the marketing rule of adapting its products to the local needs. Instead of tailoring the furniture closely to national tastes and preferences, Ikea adopted the strategy of standardization – “one-design-suits-all”. Ikea limited itself to knowledge and values which were developed in Scandinavia, instead of attempting to understand and incorporate international thoughts and dimensions.

Disney Company faced a huge problem while expanding to Europe, mostly because cultural differences between Europe and the United States are not that obvious and therefore are easily overlooked. Clash with local culture has therefore caused potential visitors to view Euro Disney in a negative light.

This examination of Walt Disney Company’s venture into France, as well as Ikea’s expansion into the USA, will allow other companies to learn from their experiences. By recognizing, understanding and avoiding mistakes committed by

Ikea and Disney, the company entering a new country will have an increased opportunity to succeed.

### **Internationalisation process**

Nowadays companies are searching for new sources of profit motivated by declining demand in saturated domestic market, severe competition, legal pressure and many other reasons. By going abroad they face new opportunities, such as cheap labour and raw materials, as well as markets where their products can be sold at higher prices, so they are going to maximize their revenues. Beside the higher profit margin, companies have the opportunity to shorten the return circle, and prolonger the product life circle. According to Jan W. Wiktor<sup>1</sup>, the modern world is becoming a global market, in other words, a global village. That is the result of growing internationalization of production and distribution, technology development, increasing investment to abroad, market liberalization, and many other processes.

Internationalization has its pluses but minuses as well, including increased competitiveness, capital and professionals mobility to more attractive regions. The company can succeed, just if carefully acts at foreign market, what means respecting written and unwritten rules. Written rules are imposed by government and other legislative organs and their violation leads to punishment either in terms of money or by expelling the company from the market. Unwritten rules portray people's perceptions about something and if not respected, company, brand or product will fail, but there is no legal punishment. Very often people are not aware of their mistakes, because not everyone sees the things the same way as others do. This is a consequence of historical and cultural background, which in most cases determines the way people perceive things.

### **Cultural issue**

Many marketers have found the culture as a problematic issue, since it is very often hard to understand<sup>2</sup>. We can describe the culture as an iceberg, because the tip of the iceberg is easy to see, like visible aspects of a culture, such as taboos, rituals, way of clothing, general behavior, and so on. But, there is a remaining huge chunk of iceberg hidden under surface, which reminds us of cultural aspects which are not visible. These include values, perceptions, traditions, experience etc<sup>3</sup>. Culture

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<sup>1</sup> J. W. Wiktor, *Współczesne problemy marketingu międzynarodowego*, Kraków 1998.

<sup>2</sup> *Marketing Communications, Culture, and Localization*, February 15, 2006, [www.translate.com/technology/multilingual\\_standard/marketing\\_communications\\_culture.html](http://www.translate.com/technology/multilingual_standard/marketing_communications_culture.html).

<sup>3</sup> *Through the Lens of Culture: Building Capacity for Social Change and Sustainable Communities*, February 14, 2006, [www.seven-enerations.net/docs/Through%20the%20Lens%20of%20Culture.doc](http://www.seven-enerations.net/docs/Through%20the%20Lens%20of%20Culture.doc).

influences the communication process in such a way that it determines preferred tone, language, context, symbols, colours, media etc. Because communication is the crucial element in marketing, one has to observe the culture of the target group first, and then to design the right marketing strategy. Marketers have to create such approach, which will be able to satisfy the company's values, direction and vision, as well as to understand and respect the needs and expectations of the particular market<sup>4</sup>.

Cultural diversity is a phenomenon with its own secrets. Namely, people worldwide share the same concepts, but see them from the different angles, depending on the cultural environment they belong to. Cultural differences may seriously damage the business, if the rules are ignored. However, if those differences are understood and successfully managed, they can lead to innovative business practices, faster and better learning within the company, and sustainable sources of competitive advantages<sup>5</sup>. Managers, who are familiar with global work style differences, should develop strategies to minimize risk of such clashes, and maximize opportunities present at the global marketplace.

Culture creates a need for a company to adapt marketing strategies to the local environment. Kornelia Karcz argues that the main problem in international marketing lies between the tendency to provide standardized marketing strategy, and tendency to adapt the marketing approach to the buyers' needs. Many marketers agree that the best option is to divide the overall market into segments based on the cultural differences, so it is easier to adapt the strategies to the particular segments. Sometimes it is necessary to adapt the general approach to the local needs of every single market, because differences in people's expectations vary from one country to another.

Andrzej Sznajder has drawn his attention to the fact that culture has a great impact on people's perceptions of foreign products, brands, technology, etc. Also, historical relations with abroad may determine the way people perceive companies coming from particular countries. As a result of such differences in consumers' way of accepting the foreign product, companies tend to differentiate the structure of distribution, legislation, competitive position, marketing approach, etc<sup>6</sup>.

### **Ikea's marketing approach towards various cultures**

Ikea is a Swedish company founded in 1930. Today, it is the world's largest and perhaps, one of the most successful furniture retailers, which specializes, in stylish

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<sup>4</sup> J. R. Gregory, *Branding across borders*, Chicago 2002.

<sup>5</sup> *Communication in the International and Intercultural Workplace*, February 15, 2006, [www.ihis.aau.dk/~baca/ciiw/index.htm](http://www.ihis.aau.dk/~baca/ciiw/index.htm).

<sup>6</sup> J. Altkorn, *Factors influencing brand unification and differences at international markets*, [in:] *Marketing and Globalization*, Papers of the third International Marketing, Cracov University of Economics, Matej Bel University, Cracow, Banská Bystrica 2000.

but inexpensive Scandinavian designed furniture<sup>7</sup>. This low-pricing strategy aims to attract the young people, who still do not have high salaries, as well as middle income families<sup>8</sup>.

While expanding abroad initially, Ikea ignored the marketing rule of adapting its products to the local needs. Instead of tailoring the furniture closely to national tastes and preferences, Ikea adopted the strategy of standardization “one-design-suits-all”<sup>9</sup>. That would say, the company offered typically Swedish style furniture wherever it ventured in the world. It did not just sell the products, but its philosophy. That is the main reason why it is considered a global retailer, rather than a multinational. It responds rather to globally emerging consumer tastes, carrying the product range which is universally accepted. Ikea limited itself to knowledge and values which were developed in Scandinavia, instead of attempting to understand and incorporate international thoughts and dimensions.

Its industry experts felt that a higher degree of localization was essential for companies like Ikea to be successful in diverse markets. By the expansion to America, Ikea committed a mistake of not customizing its furniture to American tastes<sup>10</sup>. That influenced the company’s marketing approach to change. Few minor adjustments have been made in certain markets to fit into local customer preferences. In fact, depending on the market’s cultural characteristics, Ikea has adapted different elements of marketing mix. In America, it was the product; in Arab countries Ikea adapted the advertisement; whereas in Japan, there was a need for service adaptation. Depending on how much the new market differs from the Scandinavian culture, the company has chosen to enter either by establishing its own subsidiary or through franchising<sup>11</sup>. Subsidiaries are set up in the case the market is culturally similar to the Swedish one, while franchises are applied to more diversified markets, as local partners could more effectively respond to customer needs and ensure continuous success, especially in markets where competition is high. Recently, as a result of increasing expansion worldwide, the company moves from a global towards a trans-national perspective<sup>12</sup>. While the global approach is designed to increase production efficiencies, the trans-national organization links efficiency with local responsiveness. The first step in that direction would be the delegation of more responsibility and autonomy to subsidiaries. It would be necessary to improve the internal networks between the centralized, Research and development department

<sup>7</sup> “Swedish Design” 2006, March 23, [www.sweden.se/upload/Sweden\\_se/english/factsheets/SI/SI\\_FS111c\\_Swedish\\_Design/Swedish\\_Design\\_FS111c.pdf](http://www.sweden.se/upload/Sweden_se/english/factsheets/SI/SI_FS111c_Swedish_Design/Swedish_Design_FS111c.pdf).

<sup>8</sup> *Ikea marketing strategy*, March 26, 2006, [www.Ikea.com/ms/en\\_GB/about\\_Ikea/press\\_room/student\\_info.html](http://www.Ikea.com/ms/en_GB/about_Ikea/press_room/student_info.html).

<sup>9</sup> *Ikea’s Global Strategy*, March 20, 2006, [www.icmr.icfai.org/casestudies/catalogue/Business%20Strategy/BSTR173.htm](http://www.icmr.icfai.org/casestudies/catalogue/Business%20Strategy/BSTR173.htm).

<sup>10</sup> *Ikea’s battle plan*, March 20, 2006, [www.palgrave.com/business/white/docs/White%20-%20PDF%20file%20-%20blue%20chapter%20.pdf](http://www.palgrave.com/business/white/docs/White%20-%20PDF%20file%20-%20blue%20chapter%20.pdf).

<sup>11</sup> *Global Perspectives: How Ikea of Sweden Got to India*, February 27, 2006, [www.geocities.com/Eureka/Park/1692/Ikea.html](http://www.geocities.com/Eureka/Park/1692/Ikea.html).

<sup>12</sup> *Ikea of Sweden*, March 20, 2006, [www.geocities.com/TimesSquare/1848/Ikea.html](http://www.geocities.com/TimesSquare/1848/Ikea.html).

and subsidiaries, in order to develop, in a collaborative manner, products which are adopted to match the target market needs.

However, becoming a trans-national, the company will place greater emphasis on joint ventures and strategic alliances in order to become more sensitive to local demands. It is because the current organizational structure will not be able to understand global customer needs and satisfy them better than the local competition, since trends change, and it is hard to follow those changes while having product standardization and centralized system as two necessary components of the firm's long-term strategy.

### **Promotion adaptation**

For a long time, Ikea applied the same advertisements everywhere, no matter whether it was via television, magazines, billboards or newspapers. However, company has modified the advertising techniques, in the way that it now addresses the different commercials to different regions in the world. Furthermore, Ikea often uses small local independent agencies to stimulate curiosity and introduce local humor. Since this company has branches all over the world, it is crucial to be sensitive to cultural differences, in order to prevent any conflict that is likely to occur as a consequence of inappropriate advertising. For example, some nations view women building cupboards and beds as offensive<sup>13</sup>, what is the case in Muslim countries.

### **Food service adaptation**

Nowadays, all big stores provide its customer with a lot of advantages, such as restaurants, cafes, cinemas, and so on. Ikea follows this approach, since it is a huge shop, and takes a long time for all product ranges to be seen. The first is the main restaurant, in which shoppers are served with traditional Swedish dishes, such as Gravdax and meatballs with Lingonberry relish. The Swedish range is designed to give a taste of Sweden, and underline the Swedish profile of the company. Apart from that, there are also bistro areas which sell localized snacks such as; hot dogs in the UK, baguettes in France, and pizza in Italy. This shows that Ikea did not just adapt its main product range to the local needs, but the food in its restaurants, as well. The importance of such decision lies in the fact, that the customers will feel valued, as Ikea appreciate their culture, tastes and preferences.

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<sup>13</sup> *Build-It-Yourself Sexism*, March 20, 2006, [www.service.spiegel.de/cache/international/0,1518,345889,00.html](http://www.service.spiegel.de/cache/international/0,1518,345889,00.html).

## Geographical segmentation

Many marketers make geographical segmentation by grouping more nations from the same territory into one unit. Of course, those nations differ among themselves, but have more or less the same principles, values and tastes, which are quite dissimilar with those from another segment. It is logical because those nations have similar background, living conditions, values and beliefs, sense of humor and fun, etc. So it is easier for the company to design one marketing strategy for one segment, while little adjusting to the specific nation preferences, than to create the separate approach for every single nation. As a result, Ikea has designed separate marketing strategies for the European, American and Asian market and separately for Muslim countries.

*European market.* When it comes to Europe, no specific adaptation has been implemented, since this market does not differ much from the company's homeland, so the risk of failure is not high. Nevertheless, in some European countries Ikea still had to adapt. It was the case with Spain, where special ventilated smoking areas had to be introduced. This is because a lot of Spanish people smoke, and they mainly avoid non-smoking areas. It was therefore, an important element that could pose a threat to company's success.

*American market.* After expanding further into Europe, Ikea saw a great opportunity in entering the American market. Unlike the company's experience across Europe, the USA stores did not quickly become profitable. Specifically, Ikea had decided not to resize its furniture and dining products to American standards and not to design a recliner, the single most popular piece of furniture sold in the U.S. In order to improve such critical situation in American market, Ikea's top management has realized in 1990, that it is a high time to adapt the product, as well as some other elements of marketing mix, to the needs of this market. They decided to produce larger pieces of furniture because the size seemed to be the major source of inconvenience. The drawers on bedroom chests were designed to be 2 inches deeper, what caused sales to increase by 30 to 40%. Another adjustment was the sale of American style king and queen size beds, which are now measured in inches. Ikea has decided to redesign its kitchen furniture and kitchenware, as well to better match the American tastes. As a result of such customization, Ikea's North American sales have tripled to \$480 million in the period from 1990 to 1994<sup>14</sup>.

What was initially surprising, some of the changes that Ikea had made in order to adapt to the American market found the approval among European countries, as well. For example, the USA-adapted large, soft sofa became a number one seller in Europe. The same was the case with large entertainment units for TV systems, as well as thicker and heavier bath towels.

*Asian market.* In Japan Ikea had to implement multi-purpose pieces of furniture because of their smaller living spaces. Since Japanese were not in favour

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<sup>14</sup> *Ibidem.*

of building furniture themselves Ikea has provided the Japanese customers with an assembly service as well as home delivery. In Hong Kong, the store has many levels, as elsewhere, but because 4 is unlucky number in this culture, it skips level 4 and goes from 3 to 5<sup>15</sup>. Although Ikea attempts to provide its furniture to lower income class, in China, however, the company was perceived as rather expensive, and served primarily to middle income category. This fact forced the firm to cut prices as to accomplish its corporate mission. It started to use domestic raw materials, as well as to establish network of local suppliers, so that product prices could be competitive. As a result, in 2003, its prices have dropped by ten percent from the initial level.

*Muslim countries.* In its new Edmonton branch Ikea contracted the local firm to design and produce a 'hijab', Muslim headscarf, which would fit in with the current uniform of company's Muslim workforce. This had helped the company to obtain high reputation, as the one who cares about employees, seeks for compromise, and is always ready to adapt to local needs and perceptions. Appreciating cultural differences instead of ignoring them was an important step that has opened the door for Ikea into large Muslim markets.

### **Disneyland's experience in adapting to local tastes**

The Walt Disney Company represents the leading international family entertainment enterprise. The company has created the entertaining world of magic, where problems and unpleasant surprises do not take place. People going to Disneyland tend to escape from the motorized urban living, which is situated far from the modern world. Disneyland reminds most of Americans on the nice, happy, quite past, when everything was so perfect.

However, in some countries, the USA culture was not welcomed, and Disney had to adapt in many respects to answer the expectations of local markets. Especially in developing countries, cultural imperialism is seen as kind of political domination, a way for the strong nation to conquer the weak one<sup>16</sup>.

Although people worldwide mostly like foreign brands, which associate with modernity and technology, at the same time, they want product to be tailored to their tastes.

Therefore, for example, Disneyland Hong Kong, provide variety of Asian food, and organise special events for local holidays. When it comes to Japanese culture, the Main Street USA, an exhibit at Disneyland and Disney World, has been replaced by a World Bazaar. Another example could be the replacement of robot

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<sup>15</sup> *International Retailing*, March 17, 2006, [www.hed.msu.edu/internationalretailing/company/IKEA/index.html](http://www.hed.msu.edu/internationalretailing/company/IKEA/index.html).

<sup>16</sup> *The serious business of selling all-American fun*, April 11, 2006, [www.wired.com/wired/archive/10.02/disney.html](http://www.wired.com/wired/archive/10.02/disney.html).

President Lincoln by a robot crane, and the Disney's main star, Mickey Mouse, now has more stylish image in Japan.

*Disneyland China.* This market posed obstacles for the company such as piracy, red tape, as well as the governmental ideology opposed to Hollywood. In order to avoid the possible cultural misunderstandings, the company has decided to employ the person who will help the company to create the adequate friendly environment that will respond to the Chinese living habits. It turn out that it was a good idea, since there is a variety of details to think about, and which can be of the crucial importance. The opening date, for example has been chosen according to the Chinese zodiac. The company was advised to adjust the number of the hotels' floors, in such a way, which enables them to close all second and fifth floors to public. This is for the reason that the number "2" represents illness, whereas the number "5" associates with misfortune. The Disneyland hotel has no fourth floor because the pronunciation of this number sounds like the word for death. The hotel ballroom is the size of 888 square metres, because it is a lucky number in China<sup>17</sup>. Disney has adapted its parks to the local culture, as well, dedicating them to legends from China's past. Even Disney's legends will be modified to suit the local tastes. That refers to the Mickey's new red and gold Chinese suit<sup>18</sup>. The most obvious cultural adaptation of a Disney China is visible in the restaurants. Since Chinese are not in favour of the fast food restaurants, hamburgers have been substituted by noodles.

*Disneyland Japan.* The most obvious sign of adaptation is translation of all signs, restaurant menus, etc., to Japanese language. Almost all of the employees are Japanese who, in keeping with their tradition, have last names engraved on their name tags<sup>19</sup>. To suit better the people and their hunger for souvenirs, the Main Street was transformed into a World Bazaar, operating as a huge shopping centre.

*Disneyland France.* Euro Disneyland has been opened on 12 April 1992. Surprisingly, attendance was disappointingly low. The wrong attitude from Disney's side was that it wanted to change certain European habits. Europeans were dissatisfied because they had to follow the American business style, very different from their own. They were trained how to behave, more precisely, how to wave and smile. They did not like the idea at all, because they had to pretend happiness all the time, so it was a big challenge for Disney to implement a 'have a nice day' and 'Disney smile' mentality. There were organised protests by people who believed that Euro Disney would harm French culture with its American influence. Furthermore, the project was called a "cultural Chernobyl". The biggest mistake that Disney committed in France was the policy of serving no alcohol. This approach was successfully implemented in California, Florida, and Tokyo, but not in France

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<sup>17</sup> *Mouse Zedong? Disney opens its gates in Hong Kong*, April 13, 2006, [www.film.guardian.co.uk/news/story/0,,1567720,00.html](http://www.film.guardian.co.uk/news/story/0,,1567720,00.html).

<sup>18</sup> *Magic Kingdom*, April 10, 2006, [www.time.com/time/asia/magazine/printout/0,13675,501050725-1083952,00.html](http://www.time.com/time/asia/magazine/printout/0,13675,501050725-1083952,00.html).

<sup>19</sup> *Overview of Tokyo Disneyland Park*, April 11, 2006, [www.tdrfan.com/tdl/general/index.htm](http://www.tdrfan.com/tdl/general/index.htm).



where a glass of wine for lunch is a dining tradition<sup>20</sup>. Another problem arise from the fact that Europeans have different lunch habits than Americans. While Americans can eat his lunch even by walking in park, French have to eat at a set time every day, usually around 12:30 p.m. This caused the very long cues and when finally got their turn, customers were told they could not have wine or beer with their lunch, what caused a negative opinion about Disneyland. Euro-Disneyland has been far less successful in attracting visitors than other Disney theme parks, representing the source of enormous cultural resistance to the “American Imperialism”. As a result, Euro-Disneyland developers decided to redesign the original park and adapt to local preferences.

## Conclusion

This article has showed how two international companies were dealing with cultural differences worldwide. Both of them had experienced successes as well as defeats at the world market.

Ikea initially did not pay much attention to expectations of Americans, so it started to loose money and reputation. That was the big lesson that the company had learned for its further expansion to Asia.

Disney Company while expanding to Europe failed to recognize cultural dissimilarities between Americans and Europeans, what also damaged company’s revenue and reputation. However, that experience has helped the company to learn how to become very prosperous at Asian market. Examination of Walt Disney Company’s venture into France as well as Ikea’s expansion into the USA will allow other companies to learn from their experiences. By understanding and adapting to local tastes, a company will have an increased opportunity to succeed. It is important to keep in mind that even the small differences must not be neglected.

An extensive study of local economy, law, customs, life-style and work habits needs to be done before expanding abroad. A company should make an effort to understand why some people do things the way they do in order to make the best combination of approaches and achieve the desired outcome. It is recommended to create a multi-cultural team to anticipate the potential areas of conflict.

What can be concluded from the presented article is that successful expansion requires the adequate connection between assumptions about culture, organizational structure and the marketing strategies. A company must recognize consumers’ preferences and adapt its marketing approach to suit those preferences. Obviously, in order to fulfill this task, it needs to have satisfactory organizational structure, which sometimes has to be changed as well in order to support the process of adaptation.

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<sup>20</sup> *The Importance of Localization in the Pursuit of Globalization*, April 17, 2006, [www.civildiscourse.rwu.edu/journal/content.aspx?content\\_id=14](http://www.civildiscourse.rwu.edu/journal/content.aspx?content_id=14).

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