Reason and Respect

Volume 2
Issue 1 *Spring 2006*

Article 3

1-31-2008

The failure of the global consumer: the importance of localization in the pursuit of globalization

Scott Gay
Roger Williams University

reason & RESPECT
A JOURNAL OF CIVIL DISCOURSE AT ROGER WILLIAMS UNIVERSITY

The Failure of the Global Consumer: The Importance of Localization in the Pursuit of Globalization

Scott Gay, Marketing Communications '06

Advancements in globalization and technology have led to the dangerous assumption that the world is becoming increasingly more homogenous. Through providing a definition of the global consumer and an explanation of this concept, evidence will be presented in this paper to support this concept's failure. This paper will also provide a framework so as to improve upon this concept and facilitate its success within a non-static system. Lastly, this paper will reflect on this increasingly problematic identity of the global consumer.

The conception of the global consumer can be traced back to two profound inventions in technology, the telephone and television (Mooij, 2003, p. 1). The implementation of these technologies into Western infrastructure was key in eliminating the spatial dimension between two parties. As contact becomes more prevalent between people, commonalities began to surface due to a natural occurrence of acculturation. The process of acculturation fostered ideals of homogeneity, thus constructing the idea that we are all part of a global village. This idea was further enhanced by new technology such as fax machines, cellular phones, e-mail, and the widespread use of the Internet. As a result of these newer technologies, the global village is now a concept used to promote mass cultural assimilation. According to author Jeremy Bullmore, "In many ways, consumers are growing more alike, and we all know why. Mass communications, travel, multinational companies, the whole apparatus of the global village" (Mooij, 2003, p. 2). Within the boundaries of this global village lies the global consumer.

The global consumer is the product of cultural convergence spearheaded by industrialized nations. In the article "The Globalization of Markets," Theodore Levitt (1983) states, "The products and methods of the industrialized world play a single tune for all of the world, and all the world eagerly dances to it" (p. 2). Levitt illustrates that the concept of the global consumer is heavily fueled by the Western world. Levitt believes that the global consumer represents a standard in the globalization of marketing and bases his claim on three points.

Levitt's first assumption is that customer's needs and interests are becoming increasingly homogeneous worldwide (Horn & Davison, 1990, p. 1). His assumption is based on the idea that globalization is increasing the speed at which this access is granted. He feels that the more access members of a global village have to a tangible or intangible object, the more that object's benefits will appeal to masses because of cultural convergence. Levitt's second assumption is that people around the world are willing to sacrifice preferences for such things as product features, functions, and design for lower prices at high quality (p. 1). This assumption advocates the death of the individual's identity and the replacement of a collective identity. This collective identity functions as a method of deconstructing a paradox of choice that runs rampant through industrialized nations. Levitt's final assumption is that substantial economies of scale in production and marketing can be achieved through supplying global markets (p. 1). What Levitt is emphasizing here is that with global standardization and the advent of the global consumer, corporations will attain a new level of economic achievement.

The economic benefits that the concept of the global consumer offers to corporations are vast. One of the major benefits of the global consumer is its ability to transcend national borders. As Nicholas Negropointe of MIT states, "Thanks to the Internet, children of the future aren't going to know what nationalism is" (Mooij, 2003, p. 9). The two most important advantages that the global consumer can provide for corporations are brand loyalty and brand equity. Brand loyalty is defined as brands that consumers generally buy from the same manufacturer repeatedly over time, rather than buying from multiple suppliers within the category. It also refers to the degree to which a consumer consistently purchases the same brand within a product class (Brand Loyalty). The global consumer serves as an all encompassing market and, therefore, brand loyalty potentially creates a legalized monopoly over a certain industry. Brand equity refers to the added value a brand name's identity brings to a product or service beyond the functional benefits provided (Brand Equity). This concept is more of a positioning tool used by marketers to insert their product into a consumer's evoked set of choices. Brand equity and loyalty work in tandem, as one concept reinforces the other. Through these two concepts, corporations would save millions of dollars on advertising themes, product packaging, and characteristics. However, there is a reason why the global consumer only exists in theory and not in reality. Whenever this concept has been implemented, it has failed miserably costing corporations millions of dollars. The problem is that the concept of the global consumer spawns from Westernization, and we have still yet to learn that not everyone is, or wants to be, a Westerner.

Levitt's framework faces opposition from several sources based on its lack of statistical proof and disregard for culture, a true universal concept. Culture is distinctly human, and consumers have to be viewed in terms of their culture to better understand markets. Levitt's series of assumptions demonstrate complete disregard for cultural relativism. In reference to this disregard, Marike de Mooji comments, "Levitt's argument was based on the assumption that consumer behavior is rational and that consumers always want to maximize profit. The assumption of rationality is increasingly regarded as unrealistic and places consumers outside their cultural context" (p. 5). In addition, Levitt does not account for a growth in intra-country market segmentations, which has caused more divisions within domestic markets (Horn & Davison, 1990, p. 1). This divisional growth of intra-country markets stands in direct opposition to Levitt's second assumption that people around the world are willing to sacrifice preferences for such things as product features, functions, and design for lower prices at high quality. According to Horn and Davison, people from various cultures are demanding choice and personalization. The death of the individual identity seems a farce, as the collectivist approach is what is truly being rejected. Furthermore, Levitt's third assumption that substantial economies of scale in production and marketing can be achieved through supplying global markets does not take into account the advancements in factory automation and technology. Factory automation is assisting to accommodate the masses by providing low cost and high variety to satisfy the plethora of consumers within various market segmentations (Horn & Davison, 1990, p. 1). Despite this unsupported hypothesis that Levitt's framework is solely based on, there are forms of cultural convergence found within the world.

The infrastructure of periphery and semi-periphery countries is still evolving. However, a crucial element to this infrastructure is electricity. The incorporation of electricity into everyday lives of people creates a profound impact. Electricity allows a country's citizens to embrace technology that will assist with utilitarian processes. For example, electricity allows consumers a way of keeping their food cold through the acquisition of a refrigerator. The refrigerator can change an entire culture's way of living based on its sole function. This appliance can alter the everyday life of people because they no longer have to go the market everyday to buy fresh food; they can buy it all at once and stock up on items for weeks at a time. There is an important difference that exists between products of utilitarian purposes and commodity items. Cultures find ways to evolve over time in order to adapt with the other social and economic changes that are occurring too. The refrigerator differs from a barrage of advertisements for an iPod because of its sole function. Cultural convergence does occur within a nation, but usually as a way of survival in response to economic and social change, and thus it becomes culturally relevant.

Anthropologists have dedicated much time to investigating and advancing the concept of cultural relativism. Cultural relativism is defined as the view that all beliefs are equally valid and that truth itself is relative, depending on the situation, environment, and individual (Cultural Relativism). However, cultural relativism has been a theory ignored by many Western corporations. Instead, these corporations lean toward Western imperialistic tendencies when introducing a product cross-culturally—that is, they enter a market as though it were a land to be colonized, placing its own cultural values above or in place of those who have already settled the land. Mimicking imperialist tactics, some American companies force ideas, concepts, and products on other countries with the expectation that such marketing will be well received and the products embraced because the American version of the product is universally worth assimilating (Mooij, 2003, p. 11). However, when America corporations arrogantly assume an imperialist persona, the ramifications can be severe, just as in the case of Euro Disney.

Euro Disney was the second largest construction project in Europe, totaling $4.4 billion dollars (Hartley, 2006, p. 249). Euro Disney's size was equivalent to one fifth of the size of Paris, and in traditional American supercilious fashion, Disney was worried that the park would be too small to accommodate the crowds (Hartley, 2006, p. 246). During the course of a year, Europeans accounted for 2.7 million visitors to the American theme parks as well as $1.6 billion dollars in merchandise revenue (p. 247). This Americanized optimism proved to be Disney's downfall as the company created one of the worst marketing blunders of all time. Euro Disney had faced protests during the parks construction based on French sentiment that there would be a "pollution of cultural ambiance" (p. 248). Disney also admitted that it did have some worries in reference to potential cultural problems, but neglected to act upon these worries. Despite a large marketing campaign and positive feedback from the local media, Euro Disney encountered several problems with the theme park that could have been avoided if it had just invested research into European cultures.

The first of several miscalculations made by Disney was the amount of time people would stay at the facility. Disney executives assumed that Europeans would stay at the park for four days, just like visitors did at the Orlando theme park. Europeans, however, only stayed at the park for two days at maximum before leaving; this miscalculation disrupted the projected financial numbers assumed to accumulate throughout the fiscal year (Hartley, 2006, p. 251). The second mistake Disney made was handling the traffic of the facility. Disney overstaffed the park on Fridays and the weekends to handle large crowds. However, in European culture, Mondays are the busiest day that visitors came to the park (p. 252). In addition, Disney was under the assumption that Europeans did not eat breakfast, and because of this assumption, it downsized the number of restaurants. According to one Disney executive, "We were told that Europeans don't take breakfast, so we downsized the restaurants. And guess what? Everybody showed up for breakfast. We were trying to serve 2,500 breakfasts at 350 seat restaurants. The lines were horrendous" (p. 252). Another marketing mishap on behalf of Disney was how the souvenir stores were setup. Disney was under the impression that Europeans enjoy more lavish things, so it removed most of the inexpensive souvenirs from the shelves. This strategy was based on unfounded assumptions and implemented at a time when Europe was in the midst of a recession (p. 251). However, Disney's biggest mishap came from overlooking one of the most common conventions of European culture.

One of the flagstones of French culture is the abundance of wine. Wine is a commonality found at the lunch and dinner table, served more often than water throughout France and the rest of Europe. Disney neglected to look into this matter and instituted its American policy of serving no alcohol within the confines of the park (Hartley, 2006, p. 252). This oversight caused dismay among the park's attendees because something so valued in their culture was neglected by this theme park. The policy's implementation caused separation between Europeans and Euro Disney; this was a violation of their cultural norms and made them feel as if they were experiencing America, without traveling as far. Due to its blatant failure to engage in ethnographic research and show respect for cultural norms, Disney offended the French and helped foster further resentment against America.

On the other hand, Kentucky Fried Chicken is an example of a company that learned a cultural lesson quickly and turned itself into a large success. When Kentucky Fried Chicken initially entered the Japanese market, it was unsuccessful. It had employed a Westernized business model that was not yielding expected profits. Instead of being stubborn and sticking to its marketing plan, KFC did research into the Japanese culture and found reasons why the plan was unsuccessful. The first problem was the size of the food: research discovered that Japanese people like smaller sized pieces of food, not the large portions that they were currently being offered. The second problem was the choice of restaurant locations. Though KFC tends to set its restaurants apart from busy cities and stick to suburbs, the Japanese prefer restaurants to be in crowded city areas and not on independent sites (Horn & Davison, 1990, p. 9). Attention to this cultural preference increased the popularity of KFC in Japan. Other restaurants have also used similar strategies, such as the poster child for globalization, McDonald's. McDonald's has been able to transform itself into a global entity because of its respect for cultural relativism. Every country in which it operates has some type of ethnicity reflected in the menu. McDonald's is judged unfairly, as the mere mention of its name conjures up cultural imperialism. Though McDonald's may be everywhere, it at least adheres to some principles of individual cultures, which makes it successful everywhere it goes.

The entity of the global consumer cannot exist without encompassing the local consumer. The implementation of global consumerism thus must be looked at as a two-part process. In order to create a responsive global consumer, an imperialist notion of the universal consumer must be replaced with an understanding of cultural relativism and the local consumer. The global consumer then comes into being when, by linking consumers worldwide with a shared tangible or intangible object (a product or service), the object becomes culturally relevant to its prospective market. Russell Belk defines this process as "object bonding"; this process transpires when there is blending reaction between the user's identity and an object until no separation between the object itself and a person's identity exists (1988, p. 140). Through this process of object bonding, a product or service is able to fulfill dual roles as a connecting point for all that use it, but also a product of divergence that serves an intrinsic value to its respected culture.

The original concept of the global consumer would have only worked if we lived in a completely homogeneous society that had no variation whatsoever. Unfortunately, that is an assumption made all too often by the forerunners of globalization, as their imperialistic endeavors are met with resentment and frustration. Companies have lost millions of dollars in the pursuit of global prosperity, but have not taken the necessary steps in order to ensure success either. Companies are caught in the midst of a double bind, as they resist exploring cultural relativism because of financial scarcity, yet will invest and lose millions of dollars conforming to imperialist ideologies. Companies need to embrace the idea that their product concept or marketing plan is as only as good as its implementation based on cultural relativism. They also need to be aware that it is natural for a product to diverge from its original source in order to suit that target market's needs. The mistakes that were made by Disney could have been easily fixed during the course of the theme park's construction; Disney simply had to invest more time into learning core details about the French and other European cultures. According to Horn and Davison, "The strategic objective [of the global consumer] is to achieve the major advantages to be had from global structuring as part of the product/service offer, whilst at the same time fine tuning and developing other parts of the same offering to closely match the needs of a particular local market" (1990, p. 9). The global consumer will amount to nothing more than a failed concept based on Western ideals unless the importance of localization is realized through the process of cultural relativism.

References

Belk, R. W. (1988, September). Possessions and the Extended Self. *Journal of Consumer Research*, 15.

Brand Equity. *Bplans.com*. Accessed on 13 December 2005. www.bplans.com/g/index.cfm?a=s1&sterm=Brand%20equity

Brand Loyalty. *Bitpipe.com*. Accessed on 13 December 2005. www.bitpipe.com/tlist/Brand-Loyalty.html

Cultural Relativism. *Cultural Relativism.com*. Accessed on 29 December 2005. www.cultural relativism.com.

Hartley, R. H. (2006). *Marketing Mistakes & Successes*. New Jersey: John Wiley & Sons.

Horn, S. & Davison, H. (1990). Global Markets, The Global Consumer, and International Retailing. *Cransfield School of Management.*

Levitt, Theodore. (1983, May-June). The Globalization of Markets. *Harvard Business Review*. Cambridge, MA: Harvard Business School Press.

Mooij de, M. (2003). Consumer Behavior and Culture. *Consequences for Global Marketing and Advertising.* California: Sage Publications, Inc.