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Intercultural communication in business ventures illustrated by two case studies

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Intercultural Communication in
Business Ventures Illustrated by Two
Case Studies

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II

Abstract

The information and communications revolution has hastened the process of globalization in today's world of business. Consequently, businesses, even small and mid-sized companies, are confronted with cultural diversity when these companies become internationally active. Yet only few businesses are well prepared for a culturally diverse global market. Indeed, many business ventures fail not for a want of superior products and/or services, but due to a lack of intercultural competence. Disregarding the cultural component in a business transaction can and will lead to mistakes due to cultural misunderstandings which are the result of miscommunication. Because not much intercultural research exists for German American business ventures, this paper focuses on two German corporations, Buderus and Bayer, who are actively engaged on the American market to determine how they are coping with the cultural differences and measures they have adopted to surmount the cultural gap.

JEL-classification: F01, F23, M10, M30, M37, Z10

Keywords: Intercultural Communication, Globalization, Business Ventures

Zusammenfassung

"Interkulturelle Kommunikation in Unternehmen dargestellt anhand von zwei Fallstudien"

Die Informations- und Kommunikationsrevolution hat den Globalisierungsprozess in der heutigen Geschäftswelt beschleunigt. Folglich werden Unternehmen, sogar kleine und mittelständische Unternehmen, plötzlich mit einer größeren kulturellen Verschiedenheit beim Verkauf ihrer Produkte und Dienstleistungen im Ausland konfrontiert. Bisher sind nur wenige Unternehmen gut vorbereitet auf diesen kulturell vielfältigen globalen Markt. Viele Unternehmen schlagen nicht fehl, weil hervorragende Produkte und / oder Dienstleistungen gewünscht werden, sondern aufgrund eines Mangels an interkultureller Kompetenz. Ein Nichtbeachten der kulturellen Komponente in geschäftlichen Transaktionen kann und wird zu Fehlern führen, hervorgerufen durch Missverständnisse basierend auf einer ungenügenden Kommunikation. Weil es nicht viele Forschungsergebnisse auf dem Gebiet der interkulturellen Kommunikation für deutsch-amerikanische Unternehmungen gibt, konzentriert sich dieses Arbeitspapier auf zwei deutsche Unternehmen, Buderus und Bayer, welche auf dem amerikanischen Markt aktiv sind. Außerdem wird aufgezeigt, wie diese beiden Unternehmen kulturelle Unterschiede bewältigen.

JEL-Klassifikation: F01, F23, M10, M30, M37, Z10

Schlagworte: Interkulturelle Kommunikation, Globalisierung, Business Ventures

1. Introduction

Why do businesses seek to expand their activities to international markets? Often, the motives are financially based when a business considers entering a new market. The business is probably seeking to increase its turnover and, thus, hopes to earn higher profits. Once it has been demonstrated that international expansion could be beneficial to the company, it would be necessary to carefully analyze the sales potential of the company's products in the intended market. The company would need to study and consider all the necessary legal and technical requirements as well as the environmental regulations of the target market in order to determine if the product needs to be adapted to the new market. Then, the company would need to consider the logistics and distribution in order to be able to ship the product in the desired quantity and time to the new market. However, one vital factor is often ignored altogether in the preparation phase: The cultural factor. Failure to consider the cultural factor can lead to failure of the planned international business venture since culture influences consumer behavior (Samovar et al 177ff). But this is not just a problem for first timers or companies lacking international experience. It even affects large international corporations as the experiences of BMW & Rover as well as Daimler & Chrysler so aptly demonstrate (Gibson 27).

This paper examines how two German firms, Buderus and Bayer, adapted their products to the American market. Buderus sells water boilers and Bayer aspirin. Both companies had to adjust their products specifically for the American market. Since boilers and aspirin are unrelated products, this paper attempts, nonetheless, to determine whether these product changes were due to cultural differences and not mere technical differences. This analysis also attempts to determine how the cultural adaptations, or lack thereof, influenced the success of the product in the target market. Thus, shedding some light on general intercultural marketing principles which could be useful for other German firms seeking to enter the American market. But in order to reach those conclusions, it will be necessary to first outline some fundamental principles of intercultural communication. With those principles, the interested reader will glean an understanding of how cultural factors influence international business transactions in today's globalized economy.

2. The Global Economy and Global Markets

The global economy is a fact. According to Brake et al, “we are in an era of global business – a one-world market. The traditional orientation of companies working just within national boundaries is declining worldwide” (2). The advent of e-commerce is going to further accelerate the breakdown of national barriers. So, in the words of Marshal Mc Luhan, we are indeed all living in a “global village” (Gudykunst and Kim 3). But what is meant by “global village” and how does it relate to the economy? This expression essentially refers to the fact that today it is possible to communicate almost instantaneously with any part of the planet. And with airplanes and other modes of transport, it is possible for a person to physically reach any point on earth within one day or less (Gudykunst and Kim 3). Such communication and transportation opportunities have never existed before in human history; and with this communication and transportation revolution, new business possibilities have been created, too. It is, thus, now possible to conduct business on a global scale with relatively inexpensive tools and services such as the internet and global next day delivery services.

Not just large multinational corporations have benefited from this revolution, but also mid-sized companies and small businesses. “Even small local business types are forced to seek overseas opportunities and to learn about world-trade realities” (Brake et al 6). Today it is possible for small businesses to offer, sell, and deliver their products to customers all over the world without having to set up an expensive worldwide infrastructure since these means are now available through third party providers at relatively low cost. In fact, once a business has been founded, it often does not require additional hardware, services and/or infrastructure to expand beyond the local, domestic market to gain access to the global market. Once a business has a computer and internet access, no additional hardware is needed to reach international consumers. Internet fees are the same for communicating with domestic and international customers. The business, therefore, does not incur any additional expense to have an open communication channel to the global market. In addition, most domestic delivery services, such as DHL, Federal Express, TNT, UPS, etc., also offer international services to their customers which include not only the physical shipment, but also all necessary documentation. Hence, a business would not even need to find another delivery

service to ship its products to international customers, nor would it need to worry about any possible ancillary red tape.

However, as the world becomes more globalized, fear of globalization increases also. The violent protests at recent international economic summits, e.g. Seattle, Göteborg, Genoa, may have been instigated by a few militants, but they do indicate a certain fear that many people associate with globalization. People are afraid of losing their identity in global uniformity. Indeed, much of the world's ethnic unrest stems from the fact that ethnic minorities feel threatened by a larger, dominating foreign culture and/or power. As the world appears to shrink, people seem to cling more to their ethnic identity as an anchor in times of change. This behavior has, naturally, also an impact on the world of business. As the economy becomes more and more global, consumers seem to care more about whether or not a product is sensitive to their culture (Elashmawi and Harris xi).

Numerous global studies have documented that cultural sensitivity does play an important, if not crucial, role in the distribution and sale of a product because people fear being flooded by foreign culture and products (Brake et al 2). Indeed, research shows that those businesses which have the ability to bridge the cultural gap and communicate effectively with consumers in the foreign target market are also those businesses which are successful in international sales. "Problems encountered during intercultural business transactions lie in the misunderstanding of basic cultural guidelines present in each of the world's countries. In order to conduct business across cultures, one must be willing to make the effort to understand and work within these guidelines" (Elashmawi and Harris 21). An important factor for any successful international business venture is, thus, the ability to match a specific product to the requirements and needs of a potential customer. Consequently, it is necessary to focus on the specific wants and needs of consumers in a particular cultural sector of the global market. That is why McDonald's has created pork sandwiches for Europe, vegetarian burgers for India, and included beer in its German restaurants. And that is why Miele runs its American ad campaign under the slogan: "Crafted in Germany, designed for America" (*House Beautiful* 67).

Parallel to greater respect of individual cultures in the world at large, is also greater regard of individual needs in marketing. Businesses are realizing that success does not automatically come with a well engineered product. Thus, marketing has shifted its emphasis from the product to the consumer. “Schultz, Tannenbaum, and Lauterborn argue in their text *Integrated Marketing Communications* that Kotler’s 4 P’s – product, price, place, and promotion (the foundations of most business reviews) – are a thing of the past” (Hiebing and Cooper 6). Instead, the focus is now on the needs and requirements of the consumer; thus, resulting in the creation of Lauterborn’s 4 C’s (Hiebing and Cooper 6). According to Hiebing and Cooper, “the Four P’s were driven by the product. A company developed a product and then sold it. The Four C’s . . . are driven by the consumer. . . . The end result is a marketing orientation and business review format which revolves around the consumer’s needs” (6).

The Four C’s, in brief, deal with the following issues according to Hiebing and Cooper (6 – 8):

1. Understanding the consumer wants and needs instead of the product, e.g. coffee is bought because of its taste;
2. Understanding the consumer's cost to satisfy wants and needs instead of the product price, e.g. a product links the purchaser to a certain lifestyle;
3. Thinking of consumer convenience to buy instead of place, e.g. availability through more convenient distribution channels;
4. Thinking of consumer communication instead of product promotion, e.g. developing long-term relationships with the consumer.

It is, thus, clear that success does not automatically come with a well engineered product, but rather with a product that satisfies the needs and requirements of the user. Yet merely having a product that satisfies consumer needs is not an automatic guarantee for success either as Hiebing and Cooper point out: “Many very good products fail not only because they’re not readily available to purchase but also because the target market does not even consider them –

it is simply not aware of them” (207). However, awareness is in itself a step in the right direction. The potential user has to be also convinced that a particular product will satisfy those needs. “Marketing successes occur when the marketer brings the target market a product or service which solves a problem or fulfills a need” (Hiebing and Cooper 7).

From the above, two important observations may be made:

1. Products need to be adapted to local needs and requirements.
2. An effective communication dialog needs to be created and maintained with the consumer.

In the global market, it is of critical importance that local preferences and tastes be heeded. Cultural diversity exists and assumes even greater importance in the face of growing hostility towards globalization. People are fearful of losing their cultural identity in universal uniformity. Consequently, local differences exist, and local preferences need to be addressed. This is especially true in global marketing because “the imposition of universal products, services, and management styles may simply lead to confusion and resistance” (Brake et al 150). Since consumers are a product of their culture, a disregard for local culture would be tantamount to ignoring the consumer all together. That is why products have to be adapted to local needs. “Global companies are finding that they not only need to create standardized products to maximize efficiencies, but need to customize the product and marketing and sales strategies to be responsive to the local customer” (Brake et al 150).

But as pointed out above, even the best possible product is useless if the target market is unaware of the product’s existence. Hence, effective communication methods have to be integrated into any marketing strategy hoping to be ultimately successful. Therefore, international marketing campaigns need to consider communication across culture because “as the world’s manufacturers narrow the gap between the traditional areas of advantage, a company with the ability to cross cultures, communicate with people in foreign regions . . . will have an edge over its competitors” (Engholm 10 – 11). This communication across cultures is commonly referred to as intercultural communication. Since communication and culture are

intimately connected with one another, intercultural communication has to be a part of international marketing because effective marketing does not function without communication. However, mere awareness, as pointed out above, is insufficient. The international consumer has to be also convinced that a specific product satisfies those specific consumer needs. This, of course, can only be achieved through effective communication. That is why international business ventures need to consider the principles of modern marketing as well as those of intercultural communication.

From the above discussion it becomes clear that there is some kind of link between culture, communication and marketing. What, then, is this connection? The answer is simple: Human behavior. As already pointed out, modern marketing has shifted its focus from the product to consumer behavior. Culture and communication are also directly associated with human behavior. It is, therefore, only natural to assume that all three, culture, communication, and international marketing, are interrelated. That is why international marketing needs to consider intercultural communication if it wishes to be successful in addressing the international consumer. As will be seen below, culture, communication, and marketing all operate along the same principles.

3. The Significance of Culture and Communication

Cultural patterns are part of our personality and behavior. These patterns enable us to interact easily with other members of our culture who share a similar image of reality. Culture, therefore, appears to be an artificial human creation. New scientific evidence seems to support this theory. “Some 80% of the gene pool of modern Europe stems from ancestors who came to the Continent more than 11,000 years ago. The vast majority of Europeans, be they Italians or Swedes. . . can trace their ancestry to just seven female lineages and as few as 10 male ones” (Graff 54). In other words, a relatively small number of individuals is responsible for the large cultural diversity existing in Europe today. Hence, cultural difference cannot be simply explained by genetic differences. Indeed, “most speakers of Hungarian, a Finno-Ugric language surrounded by Indo-European tongues, don’t appear

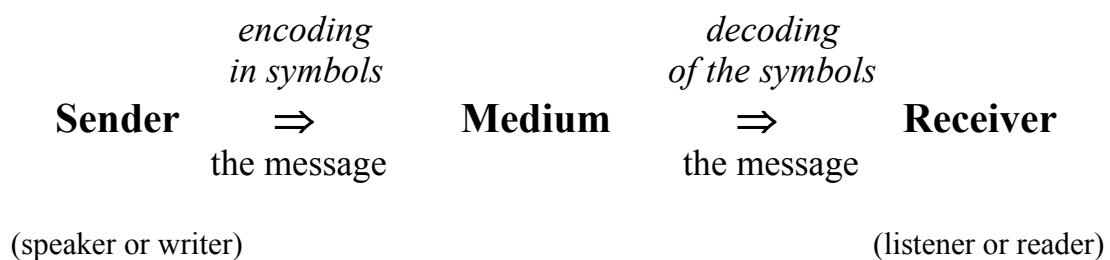
genetically much different from their Slavic neighbors” (Graff 58). So culture is probably the product of human interaction within a specific, finite group. This explains why children of immigrants who are actively participating in the host country’s culture are almost indistinguishable from their peers in behavior (Gudykunst and Kim 228 – 229). Thus, it is possible to assert that group interaction and behavior create culture.

However, group interaction created not only culture, but also communication which led to language development. Thus, if individuals of a group wish to interact with each other, it becomes necessary for them to be able to communicate with one another. For without communication, there can be no human interaction. And without human interaction, there can be no culture because culture is the sum total of human interaction (Langacker 12ff, Fromkin and Rodman 210, Kramsch 1ff). Hence, the definition of culture always includes a reference to communication. For example, Longman defines culture as “the ideas, beliefs, and customs that are shared and accepted by people in a society” (334). Without communication, it would not be possible to share a common set of values, norms, and behavior with the other group members. That is why Hall can claim that “culture is communication and communication is culture” (94); for without human interaction there is no impetus to design any method of communication, and thus no need for a shared culture. “It is through communication that culture is transmitted from one generation to another. . . . In other words, we communicate the way we do because we are raised in a particular culture and learn its language, rules and norms” (Gudykunst and Kim 4).

Hence, communication arose because humans began to live and cooperate in social groups. Thus interaction in a group resulted in both culture and communication. But what is meant by communication? Communication is the process of conveying ideas, information, feelings, and desires encoded in symbols from one person to another (Jandt 27ff). These symbols can be verbal, nonverbal, musical, mathematical, etc. (Gudykunst and Kim 6). Communication, thus, involves the appropriate feedback from others in the group to indicate the success or failure of the communication act. If a person uses the wrong word or gesture, that person may not be understood by the other group members, or might earn the wrong results. A person, therefore, needs to internalize the rules pertaining to the use of the right symbols while interacting with other people in specific situations in order to communicate successfully and

effectively. The appropriate feedback from others indicates the success or failure of the communication act. In other words, communication is culture bound and culture reinforced (Gudykunst and Kim 4). And it is also clear from Gudykunst and Kim that communication, like culture, is not instinctive or automatic behavior, but acquired and learned (4). “We are programmed to think, feel, and behave as though anyone whose behavior is not predictable or is peculiar in an way is strange, improper, irresponsible, or inferior” (Gudykunst and Kim 225).

Communication generally involves at least two individuals. Using terminology borrowed from radio technology, one of these individuals is called the “sender,” and the other is called the “receiver.” The sender is the person who initiates the communication process because that person has the desire or need to transmit a certain message to another person, the receiver, so that the receiver might carry out a specific action. The sender, therefore, needs to encode the message in the right medium, i.e. using a spoken language or drawing a pictogram, by using symbols with which the receiver is also familiar. Otherwise, communication will be unsuccessful. Subsequently, the receiver has to decode the symbols which the sender used so that the intended meaning is successfully conveyed from the sender to the receiver, and the desired action is carried out by the receiver. The following diagram illustrates the communication process (Pauley and Riordan 6):



The sender can be, for example, a person who wishes to have another person open a specific door at a specific location. The sender would have to encode the intended message, e.g. “please open the green door in my living room,” in the right medium, for example a verbal statement in modern American English, so that the desired action is carried out. Naturally, the receiver would have to be able to decode the medium’s symbols which the

sender used. In this case, the receiver would have to be able to hear and understand modern American English. Assuming that the message is received without any interference and distortion, the receiver would now need to decode the sender's vocal utterances to understand the verbal message. In order to decode the message, the receiver would have to be able to assign meaning to the sounds. Assuming that this is the case, the receiver would then need to interpret the words with the desired action to successfully complete the task assigned by the sender. But what if the receiver is colorblind?

From the above example, it becomes clear that even the communication process between two members of the same culture can be problematic if one of the participants is colorblind. In the above example, the intended message was fairly concrete, but one could imagine the problems one might encounter when the content of the message is abstract with room for individual interpretation, e.g. "if you behave well, you will be successful." How does one define "good behavior" and what is meant by "success?" That is why no communication is ever 100 % between two individuals. "Although messages can be transmitted from one person to another, meanings cannot . . . In other words, the meaning of the message one person encodes is never exactly the same as the meaning another person decodes" (Gudykunst and Kim 7). This is due to the fact that decoding involves a three step process illustrated below (Gudykunst and Kim 195 –196):

Description ⇒ Interpretation ⇒ Evaluation
 (what we see) (what we think we see) (our judgement)

Description is the first phase of decoding. But already at this stage, problems may occur since different people may see different things. As the above example illustrated, a colorblind person may not see the green door the sender sees; or a native of the Amazon might not see the subtle changes in pack ice that a native of Greenland sees. During the second phase, interpretation, individual differences occur very often. For example, the eyewitness reports of what different people think they saw during an accident. Quite often, every witness thinks they saw the same accident happen in a different way. During the third phase of decoding, evaluation, personal subjectivity plays a prominent role. For example, different people have

different views and judgements on what is success. For some, success is measured by how much money someone has in the bank while for some, success is measured by the number of healthy children they have. “If we are unable to distinguish among these three cognitive processes, it is likely we will skip the descriptive phase and jump immediately to either interpretation or evaluation when confronted with different patterns of behavior” (Gudykunst and Kim 196).

If problems can already occur in communicating messages between individuals of the same culture, one can imagine the problems one encounters in communicating messages between members of two different cultures, i.e. two individuals who have not internalized the process of encoding and decoding common to one group. Even though people around the globe live in social groups and inhabit the same planet, the world is not identical in all particulars. That is, in part, why it is never possible to exchange identical labels, only equivalents. It would, thus, be a mistake to assume that words from different languages label the same inventory of items, processes, and qualities in the world and all one needs to do is to exchange one label for another (Kramsch 8 - 10). For “there is no natural connection between any symbol and its referent; the relationships are arbitrary and vary from culture to culture” (Gudykunst and Kim 6).

It must be understood that a large portion of the communication process occurs at the subconscious level because this process has been internalized and become part of a person’s behavioral pattern. Because the behavioral aspects associated with communication have been reinforced through group feedback, these aspects have been relegated to automatic behavior and response in standard communication situations. However, when someone is confronted with the behavioral pattern of individuals from a different group, i.e. different culture, problems can arise. Different groups can and will have internalized different behavioral patterns. Thus, successfully internalized patterns could no longer work since individuals from another culture might decode them incorrectly because those individuals will base their interpretation and evaluation on their internalized patterns. “The human nervous system is structured in such a way that the patterns that govern behavior and perception come into consciousness only when there is a deviation from the familiar. Intercultural encounters provide such situations of deviation from the familiar as individuals are faced with things that

do not follow their hidden program” (Seeyle 13). Because attitudes, norms, and values are to a large degree culturally based, the proper interpretation and evaluation of any message communicated across cultures can easily result in miscommunication and misunderstandings.

For example, if the American potato chip manufacturer Wise were to sell its product unchanged in India and America, it would communicate a very different message to Indians than it would to Americans. Wise uses the image of an owl to identify its product along with the slogan “It’s wise to eat Wise.” In America, consumers, steeped in Western traditions, automatically associate the owl with wisdom. Thus, the slogan suggests that a wise person chooses Wise potato chips over all other brands. Who would not want to be considered wise? In contrast, the Indian consumer would associate the owl with bad luck and even death because in India owls are symbols of bad luck and death. Thus, no one in India would want to eat a food product that brings bad luck and might kill you. That is why the slogan would not make sense. Consequently, unintentional miscommunication could result in a marketing mistake and a potential business loss. “If we know nothing about the stranger’s culture, it is highly probable we will make inaccurate predictions and interpretations of their behavior” (Gudykunst and Kim 193). That is why intercultural communication is so crucial in international marketing.

4. Culture, Communication, and International Marketing

Marketing attempts to communicate successfully with a target group in the hope that this target group can be persuaded to purchase the product in question. Marketing and sales, therefore, have to utilize the tools of communication as Hiebing and Cooper point out (204ff). Since culture and communication are inseparable, international marketing needs to also consider culture in its attempt to communicate effectively and successfully with its target group in a specific target market. Otherwise, the communication attempt with the prospective customer will not be successful. “When communicating with people from our own culture . . . we usually are safe in assuming the structure we impose is roughly the same as the one they impose. When communicating with people from another culture, however, we must

determine how they impose structure on the process of communication if we are to interpret and predict their behavior accurately” (Gudykunst and Kim 9). Clearly, international business ventures need to consider intercultural communication.

Consequently, the role of intercultural communication in business transactions has been the focus of past research projects. These studies have uncovered that a disregard of the cultural component in communication can, in fact, result in business losses. "The failure of many of these [i.e. international] ventures is not usually due to a lack of money or technology, but rather to the cultural difference and misunderstanding of the values of the person, company, or culture" (Elashmawi and Harris 48). Care has to be taken, however, so that the marketing message is successful as pointed out in the Wise example above. Just as communication attempts between two individuals from the same culture can be unsuccessful, so can more awareness that other cultures are different be insufficient. "To say that two people are engaged in intercultural communication is not to say that they understand each other” (Gudykunst and Kim 14). As Hiebing and Cooper point out, awareness has to also result in positive action (204ff). And positive action is only achieved through proper encoding and decoding, not just any communication attempt.

Shifting the focus back to international marketing, it thus becomes quite apparent that some of the standard segmentation criteria, such as demographics, need to be adjusted to take culture into account. For example, standard demographic criteria include age, gender, income, education, occupation, family/household size, and geographic region. While these criteria might be sufficient for a specific cultural sphere, they are insufficient for international marketing. If a manufacturer of shoes were to target the same demographic group in two separate countries, a possible sales potential might be ignored. Assuming the target group is female, aged 20 – 40 years and works as secretaries in urban centers while living in suburbs, the women could, nonetheless, exhibit different behavior if the one group is German, and the other American. While most German secretaries tend to wear the same shoes for both the commute and work, American secretaries tend to wear two pairs of shoes: Sneakers for the commute and high heels for work. If a German shoe manufacturer were unaware of this different behavior, that company might lose a potential additional sale because the American target group uses two types of “work” shoes. However, awareness of this behavior, is

only one step. The next step would have to be the formulation of an effective advertising message directed at this specific target group which persuades that group to undertake the desired action, i.e. buy the two pairs of shoes from them.

5. Cultural Considerations in German American Business Ventures

For many Americans, Germany is a part of Europe. Therefore, American companies are tempted to treat Germany as they would the rest of Europe. In other words, American companies often develop strategies on how to penetrate the European market, and thereby disregard important cultural characteristics of the German market. In turn, many German firms treat the American market as they would any other international market without taking the peculiarities of the American cultural environment into consideration. Nor are many Germans aware that the American market is quite diverse regionally. The consequence is that many business ventures fail (Gibson 26ff). Yet, most of these failures could have been avoided if these cultural differences had been anticipated and taken into consideration.

According to a regional survey conducted by the IHK Hannover-Hildesheim in Lower Saxony in 1980, most export companies of that region believed that intercultural competence did not play any role in the successful sale of a product (Kühn and Leuschner 27). Since that time, many German and American companies have expanded their business transactions to each other's market. In doing so, these companies have reached various degrees of success. Quite often, it turned out that culture did indeed play a role in the success or failure of a particular business venture in Germany or America.

For example, when Coca Cola first introduced Cherry Coke to the German market in the 1980's, it found no takers for the soft drink that was highly successful in the USA (Hülken). Germans simply did not like the taste. After withdrawing Cherry Coke from the market, Coca Cola reintroduced Cherry Coke with a new taste that was more palatable to German consumers. Having learned its lesson, Coca Cola has recently introduced a special Fanta flavor, Fanta Mango, specifically for the East German market since East Germans prefer sweeter soft

drinks than West Germans (*Sächsische Zeitung* 1). When VW first introduced an American built successor to the Beetle, the American built Rabbit was not very popular. Subsequent research showed that Americans did not want an American style subcompact from Volkswagen. Volkswagen closed the Westmoreland plant and imported the car from Wolfsburg under the original German name Golf. In addition, Volkswagen started an ad campaign highlighting the car's high quality German precision engineering; a message that was reinforced by using German names for the various Golf editions, such as the *Autobahn* and *Fahrvergnügen* editions. The result was an increase in sales (Gründel).

6. Case Studies

The focus now turns to two German companies to determine how culture influences the marketing strategy and products in a foreign market. The two companies are Buderus and Bayer. These two companies sell two unrelated products in America, Buderus boilers, and Bayer aspirin. From the analysis it will become clear that a business cannot export a domestic marketing strategy to another market and hope that it will also succeed abroad. The international marketing plan needs to be adapted and adjusted to the new consumer environment. In other words, the cultural factor has to be also taken into consideration if the international marketing plan is to be successful. But merely changing the ad campaign is also insufficient. The consumer in the target market has to be aware of the product's existence, and the product has to fulfill the needs and meet the requirements of the consumer in the target market so that awareness leads to positive action, i.e. purchase of the product. The company specific analysis will attempt to draw some general conclusions which might be applied universally.

6.1. Buderus¹

Buderus is one of the leading German heating technology companies with more than 100 years of experience. Buderus heating technology offers a complete product range for heating

¹ This and all subsequent Buderus information was provided by Torsten Dietze, the Area Sales Manager for the USA at Buderus, and also taken from the Buderus homepage.

systems in buildings. The products are sold all over Germany via 45 branch offices as well as world-wide via subsidiary companies and appointed wholesalers (Buderus). Buderus has been selling its products on the American market for more than ten years. Buderus conducted a market analysis of the USA more than twelve years ago to determine if its business plans for America would be successful, and the company came to the conclusion that it could be successful on the American market. Compared to other suppliers of boilers on the US market, Buderus offers high tech products. Buderus, therefore, decided to enter that market (Dietze).

The US subsidiary of Buderus is located in Salem, New Hampshire. This subsidiary only sells Buderus products since there is no production in the USA. Buderus has 25 employees in the USA and 5,400 employees in Germany. In 2000 Buderus had an annual worldwide turnover of € 1.4 billion with € 0.9 billion in Germany, i.e. ca. 63% of the total turnover, and € 11.8 million in the USA, i.e. 0.85% of the turnover. These numbers indicate how relatively minor the American market is for Buderus in terms of revenue. Of the approximately 3.5 million boilers sold annually in the USA, Buderus has a 6.5% market share. This 6.5% share translates into approximately 230,000 boilers. It might be interesting to note that 75% of all sales are in the Northeast, 10% in the Midwest, and 15% in Alaska, Oregon, and Washington. In Germany, where about 3.1 million boilers are sold annually, Buderus has a 28.5% market share. This translates into about 880,000 boilers.

However, these numbers alone do not tell the whole story. A new Buderus product is the wall hanging condensing boiler. While these boilers are very energy efficient and have a very low emission of pollutants, they have a low profit margin due to the very expensive technology. Of the 880,000 boilers sold in Germany, about 300,000 units are wall hanging condensing boilers, i.e. nearly every third boiler. Buderus considers these boilers to be too expensive and too sophisticated for the US market (Dietze). In America, the emission guidelines for heating systems are not as stringent as in Germany. Because of these less stringent regulations, Dietze notes that products for the American market do not need to be as technologically innovative as they are in Germany.

Dietze concluded that American consumers seem not so interested in high tech boilers and, therefore, do not prefer “green boilers”. It would not make any sense for Buderus to sell an environmentally friendly boiler in the USA. This is primarily due to the fact that fuel (gas and oil) in America costs only about a quarter of what it costs in Germany. Germans are, thus, forced to conserve energy because of their very high fuel prices. Consequently, Buderus has decided to only offer boilers for the American market which do not put a premium on fuel conservation and are, thus, cheaper. Compared to other boilers available on the American market, for example, Burnham and Weil Mc Laine who together have a 50% share of the US market, Buderus boilers are, nonetheless, considered to be high tech products. And finally, Buderus boilers are cheaper in the USA than in Germany due to the competitors’ prices.

In addition to different pollution regulations and fuel prices, Dietze mentions that there are also other variables in the German and American markets which Buderus had to consider when adapting its boilers for America. For example, the electrical power frequency in the USA differs from that in Germany. Germany uses an electrical power standard of 220 volts with a frequency of 50 hertz. The USA uses 115 volts with a frequency of 60 hertz. The types of gas used as fuel as well as the gas pressure also vary between both countries. In Germany, the power of boilers is measured in kilowatt hours; in the USA in British Thermal Units. The temperature is measured in degrees centigrade in Germany and in degrees Fahrenheit in the USA. All these technical differences had to be taken into consideration, and the boilers adjusted accordingly. This was very important for a successful product launch in America according to Dietze.

In addition to the technical requirements, Buderus had to change the operating instructions specifically for the USA. Care was taken to use American English terms instead of British English ones. The American instructions are much more detailed than the German version; defining every term, and containing more pictures to illustrate the installation steps. These instructions also offer detailed information on how to respond to and act in emergencies. The American operating instructions state, for example, that electricity should not get in contact with water because water is highly conductive. Dietze mentioned that product liability laws and regulations are different in both countries, and companies often have to pay high compensations in American product liability suits. It, thus, has become necessary for firms

active on the American market to offer very detailed instructions; otherwise, they could be held liable for negligence.

Another difference between the USA and Germany are warranty rules and regulations. In Germany, boilers have a five year guarantee. In the USA, the warranty guarantees the right to exchange the product within the first two years of purchase. Between the second and tenth year, no guarantee will be rejected in the USA, and replacement parts are guaranteed to be available for 20 years in advance. This regulation is due to the fact that American warranties generally run for a longer period than those offered in Germany. In Germany, defective parts get first repaired twice, and only if the failure cannot be repaired will there be a replacement. However, replacement parts are always available in Germany.

The design and product names of Buderus boilers in the USA are the same as in Germany because of the lower turnover in America according to Dietze. The only difference is that the sign bearing the country of origin is bigger on U.S. boilers than on German boilers. This is probably due to the fact that German products are generally associated with a very high quality standard. Hence, a German origin would only reinforce this quality message as Volkswagen discovered with its Rabbit/Golf. The corporate identity is the same in both countries as far as the print type and color, i.e. blue (color number RAL 5015), are concerned.

Buderus also uses information trucks. The company has 50 trucks in Germany and three in the USA where all three are used in the Northeast. These Mercedes trucks are employed as advertising tools and visit fairs as well as heating firms. The color of the trucks is also blue, but the RAL 5015 norm does not exist in the USA. Hence, a problem arose, according to Dietze, when the wrong blue color was used for the trucks. Buderus had to send a color card to the USA so that the proper color could be mixed on site.

Finally, the ad campaigns are very different in both countries. In Germany, Buderus does not use television commercials. Instead, Buderus sponsors sport events like soccer games and ski world cups to communicate directly with German consumers. This is the reason why Buderus runs ads in well known and respected popular national news magazines and newspapers like *Spiegel*, *Focus*, and *Die Welt am Sonntag* as well as in technical magazines.

Buderus' German slogan is "Pluspunkte für Wärme in Blau" while its American slogan is "Come in from the cold." It is interesting to note that the slogans refer to opposites of the temperature scale, i.e. *Wärme* (warmth) vs. "cold." It is also worth noting that the American slogan does not include any reference to the company's color, blue, which is well known and directly associated with Buderus in Germany, but obviously not in the USA. In contrast, Buderus advertises primarily in technical and trade journals in America. An American do-it-yourself cable channel has a product presentation show with host Bob Vila which also includes Buderus boilers.

It, thus, becomes clear that Buderus has the brand recognition in Germany it lacks in America. Hence, Buderus seems to have decided to focus in America on being accepted by the technicians who replace and install boilers in the homes of consumers instead of communicating directly with American consumers. It is interesting to note that the German ads praise the high tech aspects of Buderus boilers in popular magazines while the American trade journal ads mention the high tech aspects only in passing. And while the German ads focus also on the economical and ecological benefits of the boilers, these features do not play any role in the American ads.

In summary, Buderus' marketing campaign in America seems to be based on the following assumptions:

1. Because fuel prices are very low in America,
2. Americans are not interested in high tech boilers.
3. Since American consumers are not interested in high tech boilers,
4. Buderus focuses its advertising on technicians;
5. however, these ads do not focus on technical details.

While Buderus addresses the consumers directly in Germany and emphasizes the economical and ecological benefits of its boilers, it neither focuses directly on American consumers, nor emphasizes the economical and ecological benefits of its boilers. Buderus pursues this marketing strategy because it assumes that American consumers are, concerning boilers, unaware and/or unconcerned of how limited the oil and gas are which is why they would not

buy high tech boilers. Consequently, Buderus has decided to neither address these issues nor the consumers. Instead, Buderus focuses on technicians in the hope that these technicians will increase sales by recommending Buderus boilers to their customers, i.e. Buderus communicates only indirectly through intermediaries with the consumers. But Buderus does not refer to specific technical details of its boilers when addressing this audience of specialists in the US ads. However, these technicians would need to have some specific information in order to convince home owners to switch to Buderus boilers since it is the technology which makes Buderus boilers better than the competition. In fact, it might even be better for Buderus to consider introducing its state of the art wall mounted condensing boilers to the American market since that particular product would offer Buderus a clear competitive edge over its rivals who do not have such products. But Buderus assumes that those arguments would not carry any weight among Americans since Americans are not interested in high tech boilers. How effective this logic is, is debatable since Buderus has only a 6.5% market share in the USA.

Buderus could, for example, launch a marketing strategy similar to one which is usually applied to luxury products; concentrating all resources on a particular market niche and, thus, emphasizing its competitive edge over rivals who are also the market leaders. Buderus might focus on the environmental benefits associated with its high tech boilers. Other firms have done so in the USA, e.g. Sears with its new water saving Elite series Kenmore washing machines (*Better Homes and Gardens* 44 – 45), or Controlled Energy which promotes the wall mounted Bosch AquaStar water heater because it “cuts energy costs as much as 50%” (*Popular Science* 116). Buderus could, therefore, conduct a concentrated marketing strategy which focuses all marketing efforts on a single, carefully defined segment, i.e. environmentally conscious consumers who traditionally have a higher than average education and, thus, often also earn higher incomes which would allow them to purchase higher priced, high tech products. Hence, the higher price would be justified by the environmental benefits.

It appears that Buderus has not truly identified its ideal customers and not addressed them because Buderus assumes that Americans are not concerned about environmentally friendly boilers and, thus, saving energy. If that were the case, one might ask why the US government introduced the energy star label for home appliances, in general, and issues fuel efficiency ratings for heating and cooling systems, in particular? And why would Controlled Energy run

ads for the Bosch wall mounted AquaStar water heater with the slogan “The higher your energy costs, the more you need Bosch” (*Popular Science* 116) if there is no audience for the message? “According to a recent survey by Lowe’s Home Improvement Warehouse, 93 percent of Americans believe that saving energy is important. . . 58 percent believe that energy efficiency is more important than cost, brand, or color” (Wardell 29). Even if only one in every ten of that 58% were actually going to purchase energy efficient products, that number would translate into about 16 million potential customers (based on a total US population of 280 million). Thus, sufficient potential would exist for Buderus to exploit this potential with its high tech, energy efficient products. Porsche has also focused on a small sector of the American market and currently sells more than half of all its expensive high performance sports cars in the USA.

6.2. Bayer²

Bayer is an international chemicals and health care group which employs 122,100 people worldwide. With an annual turnover of € 30.97 billion and a profit of € 3.15 billion (1998), Bayer is considered a world leader in its industrial sector. Bayer offers consumers a wide range of products and services in fields ranging from pharmaceuticals and crop protection to plastics and specialty chemicals (investor.bayer). One important corporate sector is Health Care which is subdivided into three business groups; namely, Pharmaceuticals, Consumer Care and Diagnostics (bayer.com).

For the purpose of this paper, the focus will be on the Consumer Care group which provides such popular over-the-counter medication as Bayer Aspirin, Alka-Seltzer, and One-A-Day vitamins. This group operates in more than 90 countries and has 5,279 employees. In 1999 it achieved a turnover of € 1.7 billion which translates into approximately 5.5% of Bayer’s total turnover. The average annual growth rate is currently 5.1 percent (consumer-care.bayer). Even though all of these Bayer products are well known and established brands in the USA, only Bayer Aspirin will be singled out to determine how the product and marke-

² This and all subsequent Bayer information was provided by Meg Possell from the Bayer AG Marketing Department as well as the various websites of Bayer.

ting strategy have been adapted to the American market. To do so, it will be necessary to briefly list the different aspirin products sold in Germany and the USA.

Bayer sells the following aspirin products in Germany (aspirin.com):

- Aspirin (500mg of acetylsalicylic acid) in tablet form; it is the standard pain reliever;
- Aspirin plus C (400mg of acetylsalicylic acid and 240mg of vitamin C), a water dissolvable tablet for the relief medium strength headaches, fever, and common cold-related pain;
- Aspirin Protect 100/300 for the prevention of heart attacks and strokes;
- Aspirin Forte (500mg of acetylsalicylic acid and 50mg of caffeine) for the relief of strong pain and/or inflammation;
- Aspirin Direct, a chewable tablet for the relief of light to moderately strong pain and fever;
- Aspirin Migraine for the relief of migraine-related headaches.

The following aspirin products are sold by Bayer in America (wonderdrug.com):

- Genuine Bayer Aspirin (325 mg of acetylsalicylic acid) which is not as strong as the German equivalent (500 mg of acetylsalicylic acid);
- Aspirin Regimen Bayer Adult Low Strength (81mg of acetylsalicylic acid) for people on an aspirin regimen;
- Aspirin Regimen Bayer Adult Low Strength (81mg of acetylsalicylic acid) with Calcium (100mg);

- Aspirin Regimen Bayer Regular Strength Aspirin (325mg of acetylsalicylic acid);
- Bayer Children's Chewable Aspirin (81mg of acetylsalicylic acid) for children and available in orange and cherry flavors;
- Extra Strength Bayer Aspirin (500mg of acetylsalicylic acid); the strongest dose of aspirin available on the US market;
- Extra Strength Bayer Plus combines the strongest dose of aspirin (500mg of acetylsalicylic acid) with a buffering ingredient, calcium carbonate, to make it gentler on the stomach since about 6% of the population cannot take pure aspirin due to stomach problems;
- Extra Strength Bayer PM Aspirin Plus Sleep Aid; first and only nighttime aspirin product available; it provides the strongest dose of aspirin (500mg of acetylsalicylic acid) with a gentle sedative;
- Extra Strength Bayer Arthritis Pain Regimen with the strongest dose (500mg of acetylsalicylic acid) of pain reliever for the temporary relief of minor arthritic aches and pains.

The different requirements for aspirin in the German and American markets are reflected in the different aspirin products Bayer offers on the two markets as seen above. Indeed, no two products sold on the two markets are identical. According to Bayer, the main reason for the different products on these two markets is due to the fact that Germans, in general, tend not to resort to pain relievers as quickly as Americans do. Instead, many Germans tend to take a walk or a shower to ease the pain. That is why there are only six different aspirin products available in Germany versus nine in America including one for children. Because many Americans regularly take vitamin tablets, for example Bayer's One-A-Day, they do not need an Aspirin plus C as a cold relief. However, since Germans do not regularly take vitamins, they would need an extra dose of Vitamin C if they have a cold which is why Bayer developed Aspirin plus C specifically for the German market (Possell). In contrast, four

aspirin products are labeled *extra strength* specifically for the US market. It is worth noting, though, that these products are not really stronger than the products available on the German market which also contain 500mg of acetylsalicylic acid. According to Possell, the reference *extra strength* is used primarily as a marketing tool because it sells better in America.

The package size also differs in the two markets. Since Americans consume more pain relievers than Germans according to Possell, Bayer offers larger packages in America with 365 tablets each which is similar to its main US rivals Tylenol and Advil. In contrast, the largest package size available in Germany only contains 100 tablets. In Germany, aspirin is generally only available in pharmacies while in America it is sold over-the-counter in drug-stores and supermarkets as well as in gas stations and bars. It is even available in vending machines (Possell). The fact that Bayer avails itself of these different package sizes and points of sale shows that it is aware of the different consumer behavior in both markets. This awareness is further demonstrated by the fact that Bayer uses two very different slogans which reflect the different attitudes Americans and Germans have toward pain relievers: “Medizin Deines Lebens” versus “Powerful pain relief and so much more.” These slogans clearly demonstrate that for Germans, aspirin is considered medicine to be bought through a pharmacist and to be used only after all other remedies have failed whereas for Americans, it is merely a quick means of getting rid of pain.

While Bayer Aspirin is the number one pain reliever in Germany, it is number three in the USA. And while the German number two pain reliever, Thomapyrin, has a similar chemical composition to aspirin with the same ancillary risk for an upset stomach, Tylenol and Advil, the number one and two respectively in the USA, each have a different chemical composition to Bayer Aspirin without the ancillary risk for an upset stomach. Hence, the US market offers pain relievers that are non-aspirin based whereas aspirin and aspirin-like products are dominant on the German market. The consequence of this is that German consumers can choose between two producers of the same type of pain reliever of which one producer is the inventor of the drug and market leader, and the other a follower. An entirely different situation exists on the American market. Here, consumers can choose between three different types of pain relieving drugs, i.e. two distinct alternatives to aspirin. While aspirin is associated with stomach problems, it is also proven to prevent heart attacks in addition to relieving pain due

to acetylsalicylic acid. Tylenol and Advil are non-acetylsalicylic acid based pain relievers. They do not cause stomach irritations because they are not acetylsalicylic acid based which is stressed in their ad campaigns. But these two products do not prevent heart attacks like aspirin does which is why Bayer stresses this aspect of its product.

It should be noted that Bayer has been manufacturing and selling aspirin in America for a century. Indeed, many American consumers consider Bayer aspirin to be an American product. This is also reflected in Bayer's marketing strategy for America. This ad campaign is designed specifically for the American market and the general consumer. Bayer runs ads in popular journals, including family magazines, and TV commercials on all the regular networks and popular TV shows. The ads and commercials focus on the long tradition of Bayer, its ability to act as a safe pain reliever for adults and children as well as its ability to prevent heart attacks. In other words, it focuses directly on reaching all American consumers, both adults and children, and attempts to differentiate itself from its leading competitors in that it emphasizes its unique feature; a feature the other leading competitors do not have, i.e. it is a heart attack medicine. Bayer does not attempt to identify itself as a German corporation.

In summary, Bayer's marketing campaign in America seems to be based on the following assumptions:

1. Bayer has a long corporate presence in America,
2. and Americans consider it to be one of "their own."
3. Hence, no attempt is made to point out that it is a German company.
4. All ads and TV commercials are aimed directly at the American consumer;
5. these ads and commercials stress the long and successful product history
6. as well as its unique feature of preventing heart attacks.
7. Thus, differentiating itself from its direct competitors which are not aspirin based.

Bayer has probably achieved its success in the USA because it is no longer considered to be a "foreign" company in the eyes of American consumers. Bayer's ad campaigns confirm this message in that they do not address it. This message is reinforced by Bayer's products, packages, and slogans - all of which are designed specifically to meet the needs and require-

ments of the American market. Bayer kept the same chemical formula, but changed the mixture to meet the particular needs and requirements of American consumers. Thus, the American regular strength Bayer Aspirin has a lower dosage of acetylsalicylic acid than the German version because Americans use aspirin more often than Germans do. A children's version is also available only in the USA as is an aspirin with a buffering agent because the strongest rivals on the US market offer pain relievers that are gentle on the stomach. Bayer has raised consumer awareness through its ad campaign and created a desire to use its aspirin since that aspirin can help prevent heart attacks, the leading cause of death in the USA (Alsop 572).

Bayer's market share proves that the company is successful with this strategy because it is number three in the very lucrative American market of over-the-counter pain relievers. Any problems Bayer may have on the American market would probably be those that other domestic companies would also have. Therefore, demonstrating that a company can achieve success in a foreign market if it behaves like a domestic company and focuses on addressing and fulfilling the specific needs and requirements consumers have in that particular target market.

7. Conclusion

Buderus and Bayer have shown that the product has to be adapted to a new market so that the specific needs and requirements of the new market are fulfilled. Both companies have shown that the same identical product cannot be used in international markets. However, that is where the similarity ends. Buderus had researched the necessary technical and legal requirements prior to entering the American market and changed its boilers accordingly. So far so good. Products usually have to be adapted for a new market. But it seems that Buderus forgot one important factor: The consumer. In fact, the Buderus example illustrates how merely focusing on technical and legal adaptations while attempting to match the right tone of blue is insufficient because it is essentially a product oriented marketing strategy and Buderus only communicates indirectly with the American consumers. This might explain why Buderus has only a 6.5% market share in the USA.

Bayer, in contrast, has kept the same chemical formula (acetylsalicylic acid) for its pain relief medicine aspirin, but adapted the product to meet the needs and requirements of American consumers. The company has adapted the package specifically to the needs of the American market, giving it a different look and size from the German package. Even the sales points are adapted to American consumer behavior; thus, allowing one to purchase the aspirin products in vending machines or at gas stations. All of these adaptations to satisfy the specific needs and requirements of the American consumer as well as directing all the efforts of communication directly with the American consumer are probably the reason why Bayer is so successful in the USA with its aspirin products. The examples of Buderus and Bayer, thus, demonstrate that a good product in and by itself is not an automatic guarantee for international business success but how important it is to take the cultural components and adequate forms of intercultural communication into consideration.

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