

AN ABSTRACT OF THE THESIS OF

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The Cornerstone of Effective International Marketing Strategies between the
United States and China

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From improving technologies to increasing access to modern infrastructure and wealth, our once parceled and divided world is slowly “flattening”, or becoming more globally integrated. As a result of this changing climate of business, companies must recognize the harm that a narrow view on culture and experiences can cause in international consumer markets. Therefore, understanding culture is vital to developing successful international marketing strategies.

The purpose of this paper is to develop an understanding of cultural differences and minimizing cross-cultural marketing barriers, thus illuminating the path toward effective marketing efforts between American and Chinese companies. It discusses cultural differences between China and the United States and reviews self-referencing criterion, ethnocentrism, country of origin effects, and international product adaptation. It also analyzes opinions of actual business executives in both China and the United States regarding international business practices.

Key Words: Global marketing, international business, American culture, Chinese culture, cultural values, self-reference criterion, ethnocentrism, country of origin effects, international product adaptation

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Culture:
The Cornerstone of Effective International Marketing Strategies between the
United States and China

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Culture: The Cornerstone of Effective International Marketing Strategies between the United States and China

1. INTRODUCTION

With the globalization of business and the growing importance of adopting a global outlook, it is vital to understand the nature and danger of seeing the world through the single lens of our own cultural experiences. A large influence on how we make decisions, whether personal or professional, comes from our experiences. These experiences and how they impact our decision making make cross-cultural understanding extremely important; our decisions and opinions can be hindered as a result of our view of the world based on our own experiences. A lack of cultural understanding can narrow our horizons and lead to costly business mistakes.

Culture plays a major role in how professionals and consumers make decisions. Many people are unable to take a step back from their cultural biases in order to see things through the lens of another. Author Chimamanda Adichie aptly describes a narrow view of other cultures as “a single-sided story” (Adichie, 2009), leading to an inability to understand those we are trying to interact with from another culture:

“I've always felt that it is impossible to engage properly with a place or a person without engaging with all of the stories of that place and that person. The consequence of the single story is this: It robs people of dignity. It makes our recognition of our equal humanity difficult.” (Adichie, 2009).

Through this quote, Adichie illustrates our own world view as a “single-sided story.” Many times this unilateral understanding and judgment is subconscious, and our lack of recognition then leads to our inability to step outside of our own culture long enough to see its systematic limitations. We see that by deeming cultures as odd due to their deviation from what we know, we limit our ability to relate to these differences.

The Chinese and American cultures demonstrate countless differences in values and behavior. Each culture is intricate, vibrant, and thriving, yet the differences can create a sense of unfamiliarity and discomfort. The purpose of this paper is to recognize these differences, but also reframe them as an opportunity for learning and thus improving cross-cultural marketing and business efforts. This analysis will discuss aspects of American and Chinese cultures, review marketing theories related to cultural differences, and analyze opinions of business executives in both China and America.

2. BACKGROUND

In order to be successful in an international marketing situation, one must first grasp the fundamental values of the involved parties. One of the most crucial tools to examine a market is that of culture. Culture provides us with a “framework for understanding those we are less familiar with” (Pirrotti-Hummel, 2012). It is an ever-present factor in all interactions, decisions, and opinions, and can be the determining factor between a business success and failure. A company’s ability to develop an understanding of the culture in which they are operating is imperative: “cross-cultural competence is at the crux of today’s sustainable competitive advantage” (Pirrotti-Hummel, 2012).

The following describes values held by the American and Chinese cultures, and how these values in turn impact the respective business decisions and behaviors of professionals and consumers. It also discusses major theories related to cross-cultural marketing, and how they can affect international marketing efforts. Through the exploration of these two cultures, we will be able to gain an understanding of the intricacies of the Chinese-American business interaction. By developing a cultural understanding, we can illuminate potential cross-cultural solutions and marketing strategies for conducting business between the United States and China.

CULTURAL COMPARISON

A thorough understanding of both culture and how culture impacts behavior is vital to the success in any international business venture. The level of interconnectivity between Chinese and American economies is growing; China is expected to increase the trade deficit with the United States to \$9 trillion in the next decade (Prasad, 2010). Thus, Chinese and American cultures need to understand each other more than ever; not only on an aggregate economic level, but also on the level of business and consumers interaction.

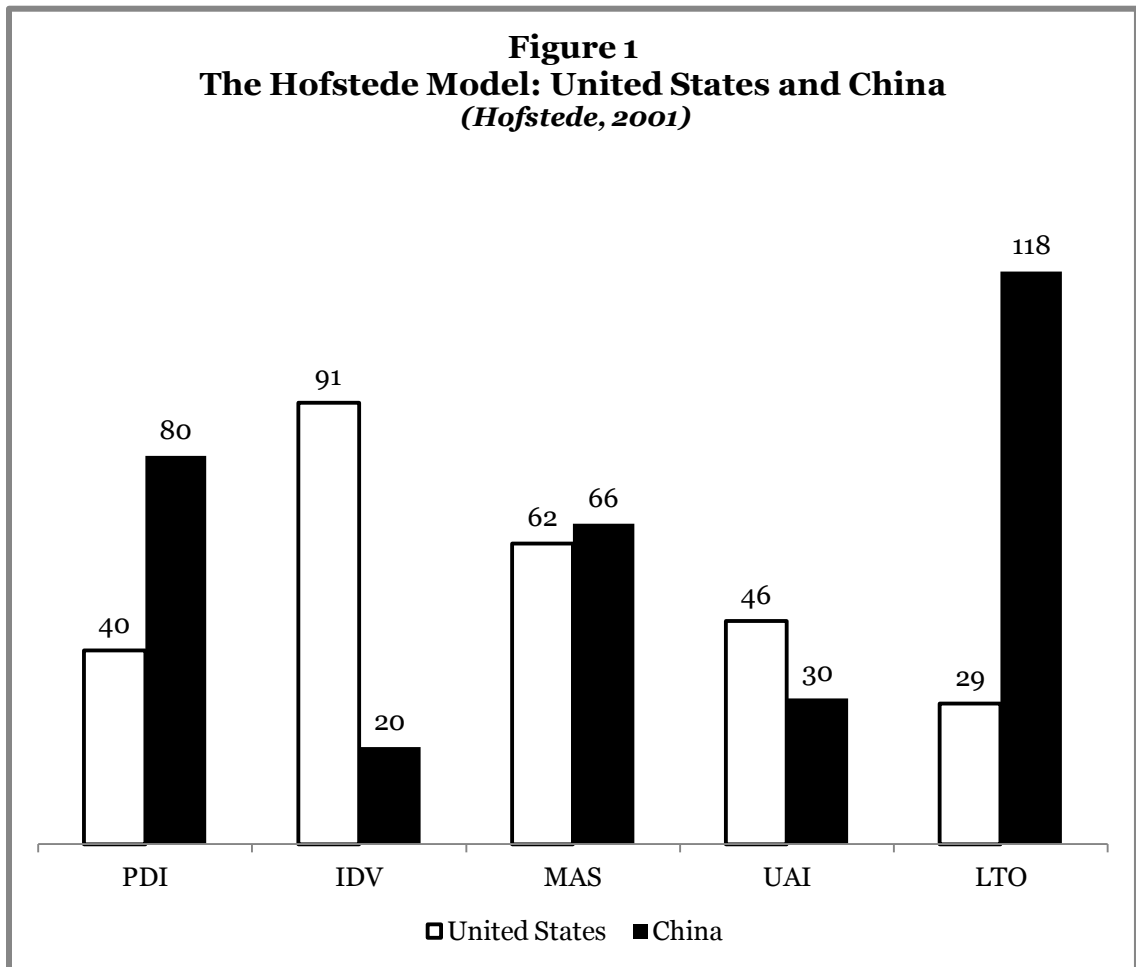
One of the most widely accepted models to examine cultural values and intercultural relations was developed by Geert Hofstede. This model examines a nation's cultural values based on the following five dimensions: Power Distance, Individualism vs. Collectivism, Masculinity vs. Femininity, Uncertainty Avoidance, and Long-Term Orientation. The first dimension, Power Distance (PDI), measures the degree that society expects power to be unevenly distributed. Next is the dimension of Individualism vs. Collectivism (IDV), which measures a culture's view on group or individual importance. Masculinity vs. Femininity (MAS) addresses the culture's expression of assertiveness or achievement. Uncertainty Avoidance (UAI) deals with cultural views of risk and uncertainty. Finally, the dimension of Long-Term Orientation (LTO) measures a culture's response to change and the future (Hofstede, 2001). The basis of this model is that the "scores", or values assigned to each country based on their culture's demonstration of each of the dimensions, are relative (Hofstede, 2001). This means that without a country to compare the score to, the number in itself does

not hold much meaning. This comparison model, in addition to other literature, will be used to compare the United States and the Chinese cultural values in effort to better understand the businesspeople and consumers of these two countries.

Figure 1 is a graphical depiction of the comparison of the Hofstede's cultural value scores of the United States and China. These two cultures are similar on the dimensions of Masculinity vs. Femininity and Uncertainty Avoidance. This means they demonstrate similar levels of need for achievement and material rewards (Masculinity vs. Femininity). Cultures with high scores on the Masculine dimension see assertiveness, achievement, and competition as important. In contrast, cultures with lower scores on this dimension are seen as Feminine, meaning modesty and caring for the weak are very important (Hofstede, 2001). With scores in the 60s, the two countries are similar and tend towards masculine or assertive culture. They also have a similar likelihood of feeling comfortable with risk and ambiguity, as seen by their Uncertainty Avoidance scores (Hofstede, 2001). A culture with a high UAI score means they are risk-averse and fairly intolerant of ambiguity when it comes to the future, whereas a lower score means the culture feels trial and practice are valuable, and are more comfortable with higher levels of risk to reap the reward (Hofstede, 2001). With scores of 46 and 30 for the United States and China, respectively, these cultures have relatively low scores on the UAI dimension, meaning they both tend to be accepting of risk and the uncertainty of the future.

There are differences in the values of Power Distance, Individualism vs. Collectivism, and Long-Term Orientation and how they are demonstrated in both cultures. Each value will be discussed for the United States and China.

FIGURE 1: THE HOFSTEDE MODEL: UNITED STATES AND CHINA



AMERICAN CULTURAL OVERVIEW

In American culture, Individualism is an extremely important cultural value. As indicated in Figure 1, Americans scored a 91 on the Individualism vs. Collectivism dimension, which is very high compared to the Chinese score of 20 (Hofstede, 2001). The ability for Americans to rely solely on themselves to accomplish their goals and create a successful and fulfilling life is crucial to their evaluation of their self worth (*US culture & values, 2012*). Individualistic tendencies are then manifested in other ways, as independence and responsibility are encouraged and developed at a young age. This cultural value then sets the tone for young Americans to be reliant on themselves, which carries out into the rest of their lives. As a result of independence and self-reliance, Americans are highly competitive and achievement-focused, which results in a need for action and alacrity in every-day activities (*US culture & values, 2012*). Being busy and on-time is very important to Americans, and therefore their lives are usually very regimented and planned out (Weaver, 1997). These cultural values and qualities greatly impact the way Americans interact with those around them, both personally and professionally.

For Americans, capitalism is an implicit foundation on which all economic perceptions are formed. They have grown up in a free market economy, and therefore the principles of supply and demand and a competition based economy seem commonplace. They have a complex understanding of the commercial environment, giving them a conceptual and practical advantage when making strategic competitive business decisions (Pan & Vanhonacker, 1992).

Another value that shapes American culture is Long-Term Orientation. The United States received a very low score on this dimension. With a score of 29 in comparison to China's 118, it indicates the American culture does not identify strongly with the concept of a "long-term", future-based culture, showing that the United States is a short-term culture (Hofstede, 2001). Hofstede states this indicates a need for quick results and gratification in the workplace, and a tendency to focus on short-term profit and losses rather than the long-term picture (Hofstede, 2001).

Hofstede's assessment of the United States as a short-term oriented culture is supported by many behaviors that are impacted by this cultural dimension. Americans are highly motivated to work quickly and efficiently, as wasted time is seen as wasted money to them. Americans put the highest importance and value on the notion of personal achievement and tend to take the most direct path to their end result: whether it be closing a sale or working through a long meeting agenda, the culture's sense of achievement is the driving force behind actions (Pan & Vanhonacker, 1992).

This need for achievement also manifests itself in other ways. For example, Americans are very transaction based when it comes to business deals (Goodman, 2011). They do not find much value in building extensive prior relationships when looking to establish a deal, and have a distinctive line drawn between business and personal matters. Because of the American tendency to drive deals forward and spend little time circumventing the core task at hand, they are often regarded by their Chinese counterparts as outspoken and even pushy (Pan & Vanhonacker, 1992).

This directness can also be attributed to their attitudes toward equality, or power distance. The United States scored 40 on the dimension of Power Distance, which is low. This indicates the culture's belief in equal rights for all, which is deeply engrained in the foundation of America and its government, is also exhibited in the underpinnings of their culture (Hofstede, 2001). With this sense of equality, employees are seen as resources for one another, rather than superiors, encouraging collaborative and direct communication (Hofstede, 2001).

CHINESE CULTURAL OVERVIEW

The core values of the Chinese culture are centered on the theme of relationship development. The first of these core values is collectivism, which is a concept stating that a group is central to all value and decision judgments (Pan & Vanhonacker, 1992). The strength of the collectivism in the Chinese culture can be seen in Figure 1 with their score of 20 on the Hofstede dimension of Individualism vs. Collectivism; compared to the United States' score of 91, the Chinese have a strong need for group success and approval (Hofstede, 2001). Such a strong sense of team and group allegiance leads to other characteristics and values very common in the Chinese culture. The activities and mindset that encourage collaboration and relationship building are taught to the Chinese at a young age through the family. From the family structure, Chinese children learn interdependence, or the ability to harmoniously function with others. They also

develop a strong sense of authority, and highly respect and honor hierarchical and authoritative roles (Pan & Vanhonacker, 1992).

These cultural values and norms are carried into the business world, where the relationship aspect of business and professionalism is of chief importance to the Chinese. Chinese people find great merit in forging long-lasting ties with those whom they do business (Pan & Vanhonacker, 1992). Their extensive social and professional network, called *guanxi*, is of utmost importance to the Chinese businessperson. These relationships are fostered over many years and are honored and cherished, rather than forgotten as soon as the deal has been completed. The Chinese feel that by investing in people now, the business will pay off later (Goodman, 2011). Building trust and giving honest feedback, as one would with their family, is the core concept behind their business relationships.

This extensive relationship network also supports the Chinese culture's tendency keep consistent one's place in the social hierarchy. With a Power Distance score of 40 compared to the United States' 80 as illustrated in Figure 1, China has a higher degree of acceptance of power distance; their culture believes that everyone has a place in the hierarchy and accepts social inequality. With a large separation between levels of society and corporations, inequalities are accepted and often encouraged to keep group dynamics stable by honoring and respecting those in higher positions of authority (Hofstede, 2001).

Hofstede has deemed the Chinese culture strongly connected to the ideals of a future-oriented society, as their Long-Term Orientation score is 118 (Hofstede, 2001). This score provided the largest discrepancy between the

United States and China, with American culture scoring 29 on this dimension (see Figure 1). China's extremely high score indicates they focus on the longevity of investments, relationships, and governmental ideals. While traditions are very important, they see that they can be adapted over time to suit the ever-evolving future (Hofstede, 2001).

Long-term oriented cultures find perseverance and persistence critical to success, and feel that investment in the future is important (Hofstede, 2001). The modern Chinese citizen has seen significant changes in their livelihood, country, and culture, reflecting their culture's long-term orientation. The majority of the workforce has experienced both the communist command economy of Maoist China as well as the nation it has become since Deng Xiaoping opened it to Western business and trade (Seligson, 2009). This transition from government-regulated to a free market economy has given those who experienced it a very unique view on international business and markets. This evolution process has not only created a change in culture, but also a different approach and view of business.

It has also altered consumer behavior in China as well. Those born after 1991 are aptly deemed "Global Materialists" (Parker, Haytko & Hermans, 2010), as they no longer live in an isolated, traditionalist China that their parents did. They are well educated, well travelled, and are enthralled with all things Western. This generation has led the entire country to an obsession with Western brands, trends, and products. This has created a struggle between the traditional older generations and the newer, more forward ones, as Western has become synonymous with luxury; a concept so contrary prior to the opening of China that

many who have not been active in observing the economic evolution cannot fully grasp (Parker, Haytko & Hermans, 2010).

While these two rich, vibrant cultures clearly demonstrate value differences, they are tending toward increased similarities in interests, professional practices, and purchase interests. While vastly different on the dimensions of Power Distance, Individualism vs. Collectivism, and Long-Term Orientation, the United States and China have very similar views on Masculinity vs. Femininity and Uncertainty Avoidance. These dimensions, among other cultural values and behaviors, show that differences are not the only story to be told while comparing cultures, and that similarities exist as well. Their approach may be different, but both American and Chinese people must understand and appreciate their international counterparts. Instead of highlighting differences and fighting for autonomy, the focus should be rather on how to understand and adapt to these inherent cultural differences and biases in order to make positive, meaningful professional strides.

CULTURAL THEORIES APPLIED TO INTERNATIONAL MARKETING

Understanding foreign and domestic culture is a mere first step in the development of successful international marketing strategies. The following cultural theories address the importance of recognizing cultural differences in international marketing. Self-reference criterion, ethnocentrism, country of origin effects, and international product development are all highly impacted by

culture. As a result, foreign cultures will approach problems, evaluations, and opinions with a very different view than one's domestic culture. Through educating ourselves on these theories, we can see how they affect decisions and evaluations of foreign businesses and products.

SELF-REFERENCE CRITERION

The self-reference criterion is when one person evaluates another against the standards and norms of their own culture (Perner, 2011). While often subconscious, the comparison to one's own culture and habits as normal can be very detrimental to international business progress. As identified by the United Nations Consumer Protection Department, this phenomenon can be removed by reframing the question and approaching the problem through the following four steps ("Global agricultural marketing").

The first is to define the problem or objective through the eyes of the home culture. Establishing the basis of one's own understanding from cultural habits, influences, and norms is the most natural starting point for the mental process. The next step is to define the problem through the eyes of the foreign culture in question. While significantly more difficult, this is arguably the most important step, as it puts one in an uncomfortable position. Removing one's cultural biases is difficult because often we do not recognize their existence. Therefore, challenging oneself to not only remove their own cultural layer but then impose upon themselves that of another culture is invaluable to a pure international business strategy.

The third step in successfully removing the self reference criterion influence is to compare the definitions of the problem from both the domestic and foreign cultural points of view, as identified earlier. This then isolates the influence and impact the self-reference criterion has had on the problem, thus illustrating how it has skewed the results to better match the domestic culture. The last step in removing self-reference criterion influence is to then redefine the original problem, considering both points of view. As a result, the decision will be considerate of both cultures and therefore conscious and free of self-referencing biases.

ETHNOCENTRISM

The second major factor in the evaluation of international business offerings through a cultural lens is ethnocentrism. This is much more detrimental to a decision, as it is the evaluation of another culture based on the standards of one's own (much like the self-reference criterion) however viewing one's own culture as superior to the other. This addition of the value judgment puts additional strain on the problem, as it holds one culture in less esteem than the other (Launikari & Puukari, 2005). The lack of equality then creates tension and furthers the inability to communicate across cultures (Launikari & Puukari, 2005). For example, American managers of the early 2000s demonstrated a widespread ethnocentric attitude toward employees from less affluent countries, seeing them as less competent than their American counterparts (Cateora, Gilly &

Graham, 2009). This stemmed from American economic success in the 1990s, which led the American managers to take on a mindset of superiority (Cateora, Gilly & Graham, 2009).

When the influence of ethnocentrism is present, the ideas or products being evaluated are distinguished based on the concept of in-groups (domestic) and out-groups (foreign) (Puzakova, Kwak, & Andras, 2010). The out-group products, ideas, or strategies can be seen as “unpatriotic and harmful” (Puzakova, Kwak, & Andras, 2010) by those who are influenced by ethnocentrism, despite their potential to be of higher quality or more lucrative. This predisposition against foreign products, businesses, and ideas greatly hinders international business interaction. This nationalist attitude can create an ethnocentric consumer or businessperson, who can in turn lose the many opportunities for advancement from the globalization of business and economy.

There are many factors that can influence a culture or person’s level of ethnocentricity. These factors can include demographic characteristics such as age, gender, or social level as well as other factors like the product category in question and the domestic country’s relations with the foreign country (Saffu & Walker, 2005). In order to have a successful international marketing strategy, the ethnocentric tendencies of the foreign country must be taken into consideration. Whether business or consumer based ethnocentrism, a culture’s acceptance or rejection of foreign products and ideals will determine their response to an international business offering. By recognizing the level of ethnocentricity in a foreign market and understanding the root of the ideals that

make up these prejudices, businesses will be able to tailor their marketing strategy accordingly in hopes to mitigate the effects of ethnocentric evaluation.

COUNTRY OF ORIGIN EFFECT

Another cultural theory impacting international marketing is the country of origin effect. This theory describes when a person makes an evaluation on a product or idea based on the country from which it came. In contrast with ethnocentrism, which rejects any foreign business proposition solely on the notion it is inferior to its domestic counterpart, the country of origin effect involves judgment based on their interpretation of the source country (Puzakova, Kwak, & Andras, 2010). A “positive” country of origin effect indicates that the consumers association of the product with its home country is favorable, and it is perceived as more valuable because of its origin (Roll, 2008). Conversely, a negative country of origin effect means that the consumer views the product as inferior because of its origin. The country of origin effect aids in the evaluation of a foreign product or idea, and can be used as an “extrinsic informational cue” (Koschate-Fischer, Diamantopoulos, & Oldenkotte, 2012) in this evaluation.

The country of origin effect impacts consumers’ perception of the country from which the product comes. This image can be developed in a variety of ways, and is influenced by the following six factors: economy, technology, wealth index, regulatory mechanisms, government and business history (Roll, 2008). The economic level of a country is seen as a proxy for the various other activities of a country, indicating its strength and promise based on its economic growth;

therefore countries with a highly developed and industrialized economy have a positive country of origin effect (Roll, 2008). Also, the higher level of technological capability a country has, the more positive the country of origin effect will be (Roll, 2008). The level of technology and innovations, which is often closely tied to the economic advancement of a country, impacts consumer image of a country and its products. The wealth index, or the perceived level of luxury consumption and income in the country, signals quality and credibility of the product.

The last three factors impacting the development of a country of origin effect address the perception of how the business creating the product is handled. Regulatory mechanisms, such as intellectual property rights, the country's history of success in business and commerce, and the government structure all create a sense of security and trust in a country. Of the three, government plays a large part in developing a perception of a country; governments that do not operate under a capitalist economy or democracy are often perceived negatively by international consumers (Roll, 2008).

Foreign adoption of products and ideas is seen as more favorable the closer in likeness the foreign country's physical, cultural, economic, and political systems are to the home country (Biswas, Chowdhury & Kabir, 2011). Therefore, it is more difficult for people to accept and embrace foreign products and ideals from countries less like their own. As a result, negative country of origin effects can be anticipated to exist between the United States and China due to their many differences on the six determining factors of a country of origin evaluation (Roll, 2008). This then will require businesses to work hard to change the

opinion of the foreigners who seek to reject their offerings solely on their foreign nature.

INTERNATIONAL PRODUCTS

Finally, a large part of international business involves marketing products that are appealing to foreign cultures. There are many strategies and ways to accomplish this, yet the key factor beneath each strategy is a full understanding of the culture in which the product will be sold: “to appreciate the complexity of standard versus adapted products, one needs to understand how cultural influences are interwoven with the perceived value and importance a market places on a product” (Cateora, Gilly & Graham, 2009). Each culture responds uniquely to product offerings, and therefore their cultural values, self-reference criterion, ethnocentric tendencies, and country of origin perceptions need to be considered as part of the product’s development.

The extent of a product’s adaptation is dependent on the cultural differences between the domestic and foreign markets; the greater the differences, the larger the degree of adaptation required (Cateora, Gilly & Graham, 2009). In analyzing the product or brand that is to be adapted into an international market, companies should evaluate it based on the three components of the offering: the core component, the packaging component, and the support services component. The foreign culture can respond very differently to each component level of the new product, therefore adapting it to align with

the new market's culture is vital to its success and adoption (Cateora, Gilly & Graham, 2009).

The following is an illustration of the three components of a product (see Figure 2). These components and their dimensions represent the many aspects of the product, both tangible and intangible. By reviewing these parts through the eyes of the foreign culture's acceptance, companies will be able to both create and market a product according to the needs of the international market.

FIGURE 2: PRODUCT COMPONENTS FOR ADAPTATION

Figure 2
Product Components for Adaptation

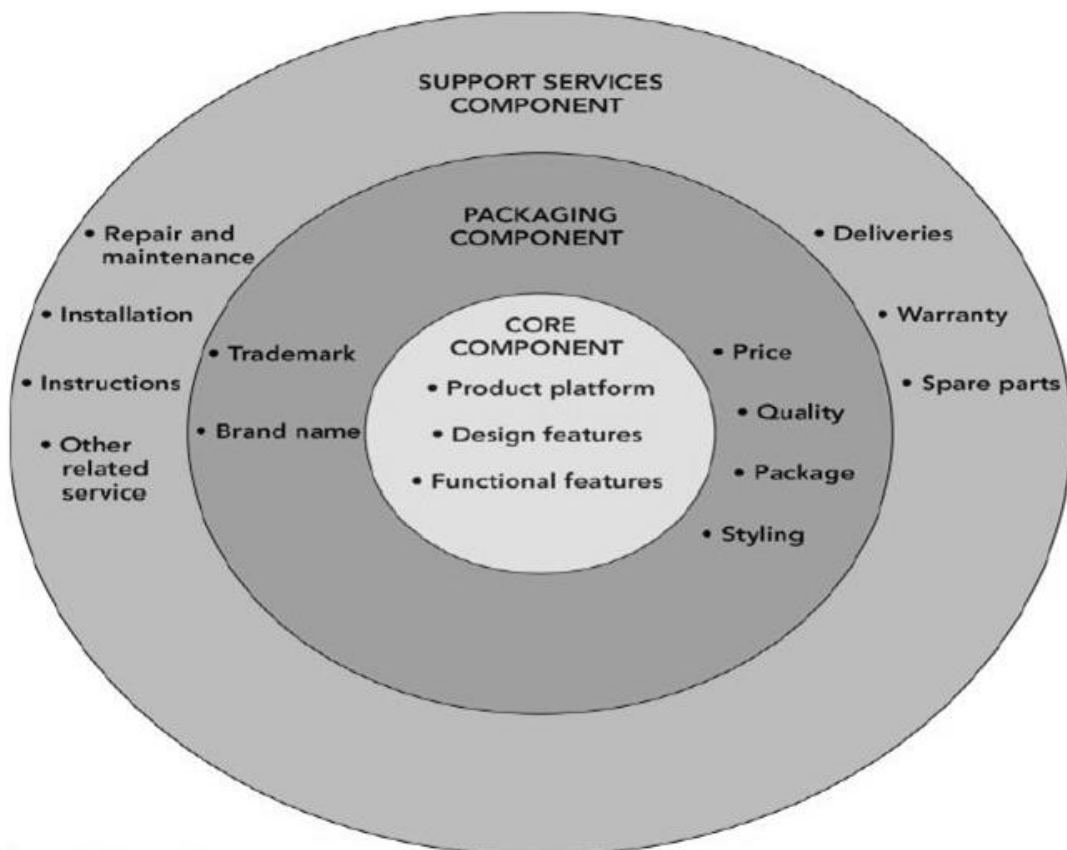


Image from Cateora, Gilly & Graham, 2009

3. METHODS

CULTURE IN MARKETING, APPLIED: EXECUTIVE INTERVIEW RESEARCH STUDY

The discussion of cultural values and cultural theories applied to marketing provides a foundation for which to better understand the real-world application of the importance of cultural understanding in international marketing efforts. Interviews conducted by Oregon State University's College of Business presents us with a first-hand view on how both American and Chinese companies see themselves, the importance of international trade, and the future of their organizations. Through the analysis of these interviews of four American companies and two Chinese companies, we will attempt to understand the interaction between American and Chinese economies, businesses, and cultures.

The research team conducted these interviews both in Portland, Oregon and Shanghai, China, with executives from companies in various areas of the food industry. This industry is a useful tool for examining international business strategies, for while there are differences in consumer preference and tastes, according to Zepponi the international demand for food stays fairly constant despite wavering global economic conditions. Please see the attached Appendix for the full list of interview questions.

It is important to recognize the purpose of this analysis. The interview material discussed comes from seven business executives, who provide their personal opinion on international business activities. While interviews are a significant part of collecting qualitative data for the purpose of making observations about a phenomena (Patton, 2002), it should be noted that these interviews do not represent the opinion of the entire Chinese or American population. These interviews provide a snapshot view into the minds of experienced professionals in the field of international business as well as a tool for better understanding the interaction between foreign cultures and companies.

COMPANY BACKGROUND INFORMATION

The following provides a discussion of each company interviewed. The companies represent a wide variety of areas within the food industry, giving us perspective of the industry from many angles. Through analyzing the background of the companies as well as the interview responses, we are able to see the impact the culture has on how their cross-cultural marketing as well as their demonstration of the discussed cultural theories applied to international marketing. Please see Table 1 for a brief overview of each company and the executive interviewed.

TABLE 1: COMPANY INFORMATION

Company Name and Interviewee	Location	Number of Employees	Company Brands	Product Offerings	International Presence
Beaverton Foods (Biggi) (Beaverton foods, inc”)	Beaverton, OR, United States	72	<ul style="list-style-type: none"> • Beaver • Inglehoffer • Napa Valley • Tulelake • Pacific Farms Wasabi • Charlie’s Salsa 	<ul style="list-style-type: none"> • Mustard • Horse-radish • Ketchup • Wasabi • Salsa 	Export to: <ul style="list-style-type: none"> • United Kingdom • New Zealand • Costa Rica • Colombia • Venezuela • Caribbean Islands
Oregon Freeze Dry (Merryman) (Oregon freeze dry)	Albany, OR, United States	300	<ul style="list-style-type: none"> • Mountain House 	Freeze Dried: <ul style="list-style-type: none"> • Beef • Poultry • Seafood • Fruits • Vegetables 	<ul style="list-style-type: none"> • United States • United Kingdom • Denmark • Japan
Stahlbush Island Farms (Chambers)	Corvallis, OR, United States	60 full-time, 120 seasonal (“Shaping the economy,” 2003)	<ul style="list-style-type: none"> • Stahlbush Island Farms 	Certified Organic: <ul style="list-style-type: none"> • Fruits • Vegetables • Grains • Legumes 	Export to: <ul style="list-style-type: none"> • United Kingdom • Japan • France • Germany
Northwest Food Processors Association (Zepponi)	Portland, OR, United States	N/A	N/A	N/A	N/A
Want Want China (Mei, Chu) (“Want want corporate,” 2012)	Shanghai, China	46,750 (“Want want China holdings,” 2013)	<ul style="list-style-type: none"> • Want Want • QQ • Haki Milk 	<ul style="list-style-type: none"> • Rice Crackers • Milk • Beverages • Candy • Biscuits • Nuts 	Export to: <ul style="list-style-type: none"> • Taiwan • Japan • Canada • United States
Ganso (Chi)	Shanghai, China	Unknown	<ul style="list-style-type: none"> • Ganso 	<ul style="list-style-type: none"> • Custom cakes and pastries 	<ul style="list-style-type: none"> • China • Internet sales worldwide

AMERICAN COMPANIES

The American companies involved in the research study, as a whole, are continuing to see growth and expansion. These companies are all relatively small and began as family businesses, blossoming into profitable companies with an international presence.

Beaverton Foods, a specialty condiment manufacturer based in Portland, Oregon, takes pride in their high quality, unique product differentiation strategy. Dominic Biggi, the company's Executive Vice President, provided his insight on the company's international and domestic strategies. They seek niche markets of consumers looking for a value added product, says Biggi; "There is certainly a lot of mustard out there and some people are looking to buy a gallon for \$0.89, but our customers are willing to buy our small container for \$3.00. It is the value added that matters." Biggi feels this company has been successful over the years by positioning themselves away from condiment giants like French's or Grey Poupon, for they feel their product isn't in the mass market category: "they can't sell specialty like we can." Since they have chosen to go after smaller segments, it has proven very advantageous for them to expand into international markets. Exporting to Canada, Great Brittan, New Zealand, Costa Rica, Columbia, Venezuela, and various Caribbean Islands, Beaverton Foods has been able to maintain centralized in the location and value chain activities while still tapping into worldwide markets.

Another company included in the research project was Oregon Freeze Dry, the United States' largest food freeze dryer. This industry began in military, as the

armed forces needed a way to preserve healthy foods for long periods of time. Over the years, the industry has evolved from everything from vegetables to high-density freeze dried hiking food. Started in Albany in 1963, Oregon Freeze Dry has been leading the industry through innovation, research and development of drying technologies, and product diversification. The majority of competitors in this industry are categorized as ingredient suppliers, meaning that they freeze dry foods to be used as ingredients in other, pre-packaged meals. These companies produce solely one product; whether it be carrots or strawberries, each factory only deals in one ingredient. Oregon Freeze Dry focuses on diversifying their product offering by combining many of these ingredients in one location. They offer individual fruits and vegetables as well as pre-prepared meals, therefore appealing to a wide variety of customers. As a result of this diversification strategy, Oregon Freeze Dry is the largest diversified freeze dryer in the world. Many international firms with a more unilateral approach have the opportunity to capitalize on their business model and diversify as well, thus taking away the unique competitive advantage Oregon Freeze Dry currently supports. Jim Merryman, Vice President, was interviewed from this company.

In order to get a comprehensive view of the American food industry as a whole, the Northwest Food Processors Association was also interviewed. This cooperative group has banded together to form a strong and united front for farmers in Oregon, Washington, and Idaho. According to the coordinator of the association, David Zepponi: “your customer is your owner and also your labor force”, and Northwest Food Processors is constantly working to satisfy all stakeholders in their organization. Even with the severe economic recession the

world faced beginning in 2008, the food industry continued to grow. The biggest challenge this organization has had to face is globalization. They are now forced to compete on the global scale with companies with much lower labor expenses. As a result, their international business strategies have changed to become an even tighter association, as they now see their biggest competition overseas rather than down the street at the neighboring farm.

Finally, a local farm was also interviewed regarding their international business practices. Stahlbush Island Farms is an environmentally friendly, organic producer committed to sustainable agricultural practices. With humble beginnings in 1985, Stahlbush Island Farms began with a mere two crops; they now grow and harvest over 30 crops on 5,000 acres in Oregon's Willamette Valley, says owner Karla Chambers. Their high-quality, organic foods are sold in biodegradable bags, earning them national recognition by Bloomberg's Business Week for their dedication to environmental priority and innovation. Chambers feels it is their variety of crops that has led Stahlbush Island Farms to hold a strong presence in the upscale crop market for years; they are diversified enough to not be greatly affected by severe market changes. This hardworking farm has seen steady growth both in foreign and domestic markets over the years, especially since the rise in the demand for natural and organically produced goods.

CHINESE COMPANIES

The companies involved in the research project in China were also in various areas of the food industry. The first company in China involved in the research project was the Want Want Group. Established in 2007, this relatively new Chinese company has springboarded to both domestic and international success. As primarily a snack food company, Want Want is the world's largest maker of rice crackers. It also manufactures and sells a variety of other crackers, cookies, snacks, and beverages. This corporation is headquartered in Shanghai and operates 330 sales offices across Mainland China. Their consumer products are sold in over 50 countries, and can be found under family brands in grocery stores across the United States. According to Phillip Mei, Vice President of International Business of Want Want, the Want Want brand is the most recognizable Chinese brand among Chinese people throughout the world. As a mainstay of the research project, two executives in this snack food giant were interviewed, each providing their unique opinion on their company's business efforts. In addition to Mei, Everett Chu, the company's Chief Financial Officer, provided information used in this analysis.

The final food industry company interviewed in China was Ganso, a special occasion cake and pastry manufacturer. According to Richard Chi of Ganso, this vertically integrated company has seen rapid expansion and growth from the popularity of the internet, as their cakes can now be sold all over the world. As a symbol of home, Ganso cakes are very popular with Chinese people

living overseas. In addition to their internet presence, Ganso also has many retail locations set up across Mainland China.

4. FINDINGS

The companies interviewed cover a wide spectrum of areas within the food industry. From cooperative associations to internet pastry retailers, they all have points of uniqueness that make them successful. What is meaningful to examine is the underlying themes present in many of their responses, despite the inherent differences in their business models, experiences, and marketing strategies. This provides a framework to better understand cultural assumptions and biases that businesspeople make on a day-to-day basis. The analysis also illustrates the point that assumptions regarding the respective foreign culture are made in business and can greatly impact the way a business forms its marketing strategies.

CONSUMER DESIRE FOR IDENTIFICATION WITH WESTERN BRANDS AND PRODUCTS

With the increased globalization of the world's economy and culture, there are many who believe the uniqueness of cultures is disappearing, as increased homogenization can be attributed to the ease of sharing thoughts, styles, and brands across the world. As a result, there has been a movement in many Asian countries toward the attempt at appearing more "Western" (Doctoroff, 2012). This is also a clear illustration of the power of the country of origin, as consumers are making purchase decisions revolving around the product's connection with the United States. By purchasing American brands, listening to popular English

music, or sporting the latest Nike and Ralph Lauren fashions, international consumers are looking to appear in touch with their inner American side (Doctoroff, 2012). This trend was shown in the interview responses, as many of the American companies stated they sold their products under the same local brand in international markets. According to Biggi of Beaverton Foods:

“What those [international] stores are looking for is unique, American items...They like our Beaver brand and logo because it is uniquely American and that’s what they are looking for. That’s what happens when our logo goes on something sold overseas, it makes it more special.”

This quote demonstrates recognition of the packaging component of this international product. Biggi feels that the Beaverton Foods brand is an asset to this product in an international market, and should not be altered.

Oregon Freeze Dry sees a similar desire for American products in their international markets, yet sees a need to adapt the core component of some of their product offerings. Having been exporting their private label brand Mountain House overseas since 1978, they have developed experience with international market demand and preferences. They found that their Japanese consumers were interested in having some products tailored to their tastes, but only a few. Merryman says: “what happens was they [our Japanese retailer partners] only wanted two of our products to be specifically developed for them. We flew in some chefs from Japan and had them here for a month. They developed some products specifically for the taste profile and customer they were familiar with.” For the rest of the products that they export, Oregon Freeze Dry has simply kept their products exactly the same, selling them in international

markets with the only difference being a translated label- a packaging component adaptation to fit the foreign market. According to Merryman, this is exactly what his Asian consumers are looking for: “People who buy it will be able to say ‘I can afford to buy products made in the United States. It is not a local product and I am purposely buying something from the US’. They are looking for that [American] mystique.”

This same theme was also brought up by Want Want, as Phillip Mei, Vice President of International Business, claimed that the company was looking to create a strong presence in the pre-packaged coffee market. As an ancient Chinese tradition, tea has been the drink of choice for Chinese consumers for centuries. Want Want is trying to appeal to the younger, Western-inspired generation with this new drink, and brand coffee as the new tea in China. Mei says:

“On the [coffee] can, it says ‘I am young. I am coffee’. It really sends you a message as the target consumer that I am young and therefore I should drink coffee. In this case, the target consumer group takes this as I am young and that I should drink coffee instead of tea. What we are trying to project is that tea is an old, traditional Chinese drink that is for old people. If you are young and energetic then you should drink coffee, not tea.”

As seen through this quote, Chinese companies are beginning to alter the core component of product offerings to accommodate this shift in consumer purchasing behaviors and preferences. Mei acknowledges that there will continue being a large market for Want Want’s tea products, thus keeping with tradition and staying consistent with their customers who appreciate it, however the increasing demand for coffee drinks from the younger crowd is a trend that

cannot and should not be ignored. Want Want in this case has been able to remove their ethnocentric opinions toward the American trend of coffee and provide their consumers with a new, Western-influenced product.

Chinese and American companies alike have both recognized the demand for American products in countries outside of the United States. Whether they have kept their same product, kept their same brand, or created a new brand with an American product inside, these companies have all found the value in selling “American” to customers and have done so with adaptations to various components of their product offerings. Each company decided to market their products differently to meet the international culture’s demand for American products. They each took a unique approach: Beaverton Foods has entered foreign markets with the same product and packaging, thus fully presenting the American nature of their brand. Oregon Freeze Dry falls next on the spectrum, as they took a multi-pronged strategy. They maintained their American brand and altered their products to match the taste profiles of their target market as well as sold products that were both Western in brand and taste. Finally, Want Want, a Chinese based company, sold internationally-identified products to domestic consumers under their popular and respected brand label, thus aligning themselves with the popular American trend of coffee consumption.

The actions of these companies demonstrate their ability to remove their self-reference criterion to provide their intended markets with the “complex bundle of satisfactions” (Cateora, Gilly & Graham, 2009) that is their international product. Both the creation of the product itself and their recognition of a need to adapt their marketing efforts show their steps taken in

the development of an international marketing strategy. Their achievement in these international efforts was aided by their understanding of culture as well as theories pertinent to marketing products in a foreign culture, as discussed in Chapter 2.

With the consumers wanting these brands and products because of their “American” nature, it is clear these cultures feel the United States has a positive country of origin image. With this effect being influenced by six factors (economy, technology, wealth index, regulatory mechanisms, government, and business history (Roll, 2008)), there are many possible sources of this positive image. To continue capitalizing on the positive correlation between their products and the United States, these companies should dive further into examining the cultural values and opinions of their consumers and pinpoint the root of the culture’s attraction to the United States. By better understanding which of the six factors have an influence on the positive country of origin image, the companies will be able to further appeal to that notion when further developing their product, brand, and marketing strategies.

THE HARM OF ETHNOCENTRIC ASSUMPTIONS

Another major trend present in the responses from those in the food industry as well as the American public as a whole is the belief that China’s economy is focusing on exports. As a result of China’s rapid growth in the past few years, this assumption seems valid from an American perspective. American

businesses see products made in China everywhere; from high end electronics to apparel, soybeans to children's toys, goods imported from China can be found everywhere. As a result, many Americans believe that the Chinese are making every effort to take their business to the next step via exporting. For example, Northwest Food Processors Association feels that to remain competitive and relevant in today's economy, Zepponi feels they need to "learn to compete against other developing economies rather than the farm down the street."

Americans have come to fear the power and omnipotence of the Chinese economy; a staggering 78% of United States citizens feel that the amount of debt their government owes to China is a serious issue and as a country need to adjust their spending habits to help support local business rather than Chinese exports (Riley, 2012). To Americans, this issue is even more pressing than the potential threat of military involvement (Riley, 2012). These beliefs imply that Americans have an ethnocentric opinion toward products from China, as they state they feel they should support local businesses rather than buy from abroad. This statistic also demonstrates a negative country of origin image held by the United States citizens about Chinese products, as the majority feels they should adjust their spending patterns away from Chinese products.

These negative opinions, however, do not seem to be slowing down the interconnectivity between the American and Chinese economies. With a China holding a \$280B trade gap surplus with the United States (Riley, 2012), there is no doubt that China's export business in the United States is huge. With lower labor and production costs, China is a profitable location for businesses to manufacture and import goods. According to the Mei, the focus of the Chinese

economy right now is trending away from exportation. The economy is developing a domestic-oriented focus strategy, contrary to what many Americans assume (Riley, 2012).

This strategy has been evolving over the years, but China's government put an aggressive domestic focus strategy into action after the global financial crisis of 2008. While China continued to fair very well relative to the United States and other global economic superpowers, they saw a dip in their GDP. Estimated by Mei to be around 8.5% in 2008-2010 with actual GDP growth in 2008 being 9.6% ("Economic statistics and indicators," 2012), the decline in the Chinese GDP from their usually flourishing numbers made the country re-evaluate their position in the global marketplace: "[The low GDP] for China was devastating because we are used to consistent double digit GDP growth", according to Mei. This GDP dip was a main driver behind the shift to a domestic-driven economy. The export industry was hit hard by the drop in other economies across the world, particularly the United States. Mei reports that: "Orders just did not come in anymore, especially from the U.S. A lot of the export-oriented factories and companies were closed. One of the biggest shocks was that one of the largest toy manufacturers was in China and it closed because of no export orders."

The domino effect from the United States was permeating into the heart of the Chinese economy. Consumer confidence and spending went down in the United States, thus hurting American businesses. These companies, in turn, began cutting costs and minimizing product orders. As a result of smaller demand for exports, Mei states Chinese export levels to the United States decreased. With less production needed, these factories began laying off workers

and shutting down plants, rendering many Chinese citizens unemployed. “Then they [the Chinese government] said we should change the emphasis of the country’s economy. Instead of focusing on exports, we should focus on the 1.5 billion consumers we have in China” says Mei.

Shifting their economy to a domestic strategy to encourage Chinese consumption and distribution meant two major things to the Chinese economy as a whole, Mei claims. First, they felt developing a stronger domestic demand for these products would further improve their GDP. “We should get those people [Chinese citizens] into consuming more. If everyone else spent a little more, it would be worth a few percentage points every year on the GDP.” Second, developing a stronger domestic demand would mean insulation from the effects of future economic downturn in other countries, he says. “China has faced a lot of pressure on this because the money they are making through the export business. So by diverting into generating more domestic demand, they will have a GDP increase and less export and reliance from the international community.”

As aggregate domestic demand began to build, large international retailers like Want Want have seen an increase in domestic companies looking to compete for the Chinese consumer’s attention. According to Chu, Want Want is dealing with a more fragmented market as a result of this strategy, which has encouraged local and regional wholesalers to enter the food industry.

China has also shifted to focus development efforts on their domestic demand because of international pressures to do so. With the significant trade surplus carried by the country, China has been under scrutiny, says Mei: “Because of the export surplus, China has a foreign reserve of \$3 trillion, which

comes with a lot of pressure. From the US, the EU, and their trading partners, they say you are making a lot of money on us so they want China to buy more products.”

Recognizing the false assumption of Americans feeling that China’s economy is heavily focused on exportation is vital for understanding of the Chinese business environment. By seeing that China is a strong threat to the domestic sale of American products, even while China focused their efforts on consumer demand from within their country, companies will be able to brace themselves for a time when both export and domestic strategies become important to Chinese businesses.

Finally, this example also illuminates the danger of consumer’s assumptions regarding another culture. With 78% of United States citizens feeling that the United States as a country needs to adjust their spending habits to help support local business rather than Chinese exports (Riley, 2012), we see that the American people have demonstrated an ethnocentric attitude toward Chinese products; they have placed them in an “out-group” and seeing their presence as harmful to the local economy. This level of discomfort with these products and the strong push-back to their presence in the economy is occurring even while China is focusing on developing their domestic demand. In the future, if their domestic market gets stronger and China feels exporting should be the focus, American consumers will need to adjust to the potential increase in Chinese products in the United States. Thus, the removal of ethnocentric attitudes towards these products will be of utmost importance, as the number of

Chinese products can be anticipated to increase when their economic strategies change to focus on exports.

CULTURAL VALUES

In addition to themes of the interview content supporting common cultural theories in cross-cultural marketing, interview responses also include demonstration of the executives' respective cultural values. China and the United States are very different on the dimensions of Power Distance, Individualism vs. Collectivism, and Long-Term Orientation (Hofstede, 2001), which was demonstrated in their attitudes toward business activities and decisions.

From the Chinese interviews, we see the embodiment of the values of collectivism, hierarchy, and a future-oriented society. Mei says: "one of the last things you want is people walking down the streets doing demonstrations, which can detriment the power grid of the national leaders." The Chinese culture sees the obedience as very important, because their hierarchical values indicate they need to show respect and honor for those in power. Their high Power Distance culture discourages any display of dissatisfaction with those in power, or as seen by this quote, the government. This also demonstrates their attitude of a collectivist society, for distrust in the government could be disruptive to the group or societal dynamic.

The concept of the Chinese culture's long-term orientation and tendencies was also seen in the interview responses. Mei says about introducing a coffee line

into Want Want's beverage offerings: "What we are trying to project is that tea is an old, traditional Chinese drink that is for old people. If you are young and energetic then you should drink coffee, not tea." Not only does this discussion of the shift from coffee to tea represent the desire for Western brands, but also represents the evolution of Chinese preferences and tastes. This relates to the country's high level of association with the cultural dimension of Long-Term Orientation, as Chinese culture holds high importance on evolution for hopes of a new future (Hofstede, 2001). We also see the example of a long-term orientation from Chi of Ganso: "I think they have to wait. Because this market is going by very fast, so the big marketing competition. We did not do anything to grow the company any differently, just work very hard. I worry because there are many systems that could fail.

The American distinct cultural values were also seen in the responses from executives in the United States companies. The concept of equality, or low power distance, is highly impactful on Zepponi's business, who says: "Quite literally our corporation is owned by our membership, so it makes it pretty dicey thing when the person you are selling to is also determining who is setting the price." The structure of this organization is such that all members are equal, and share responsibilities in expectation the others will be fair and just to all involved. Chambers feels similarly when it comes to equality: "All my customers are important. As a founder of the business, our first customer is equal to our most recent customer and I think you need to treat all your customers well. They are all important." These quotes are indicative of the low power distance American

society, as the businesses are comfortable and expect equal treatment of those involved (Hofstede, 2001).

Americans also feel very differently than Chinese on the dimension of Long-Term Orientation. Considered low in this category, the United States is seen to be short-term focused and tend toward immediate solutions (Hofstede, 2001). Merryman says: “When the sun comes up the next day does that mean there is a crash in that business? That doesn’t mean we crash our business, we just have to then get into retail and other sides of the business.” This response shows the flexibility of strategy in this company. Americans are more comfortable with short-term responses to changes, and therefore the businesses are more culturally comfortable with short term plans and adjustments.

Finally, the interviews showed the individualism of United States culture. Chambers says: “With enough diversification in the crops we grow, we have competitors, but not one that will wipe us out.” By diversifying their company, they have been able to rely only on themselves for success and prosperity, rather than growth being dependent on a specific retailer, market, or consumer group. As a high individualist culture, Americans are reliant on themselves and feel most comfortable when success is in their own hands, rather than at the hands of a group or outside source (Hofstede, 2001), as seen by this quote.

5. DISCUSSION AND CONCLUSION

DISCUSSION

The findings that come from the analysis of the interview responses demonstrate the importance of a full cultural understanding of foreign markets and show the essential and active role that self-reference criterion, ethnocentrism, and country of origin effects play in every-day business in today's global economy. Through the understanding of the driving forces of the responses, we can see examples of both an awareness of the impact of culture on their international consumers as well as a lack of understanding of culture in their international business practices.

As the companies make decisions dealing with branding, product design and market entry strategies- all vital to a successful marketing effort in an international market- we see that they demonstrated both positive strides toward removing their cultural biases, as well as showed a lack of understanding of the impact culture has on business decisions.

Want Want China, Beaverton Foods, and Oregon Freeze Dry have created brands and products based on their ability to recognize cultural needs in their international markets. The desire to be seen as a Western product and brand could not have been realized without their ability to remove their self-reference criterion, as the limitation of their own experiences was broadened by

understanding foreign culture. This, in turn, allowed them to recognize the market's need and satisfy it. Want Want China was able to use their own cultural experiences to see the history behind their culture's view of tea, but then had to better grasp the American pop-culture's view on coffee to create a new, highly-desired product. The theme of the consumer desire for identification with Western brands and products was discussed by many of the executives included in the research study. This illustrates many companies' effectiveness in their international marketing strategies by means of cultural understanding and supports the notion of the effectiveness of the recognition of the country of origin effect, the strategic decisions made around international product adaptation, and the removal of self-reference criterion.

Conversely, we also saw an example of how a lack of understanding of a culture and its motives can lead to assumptions impacted by ethnocentrism. Americans assume that Chinese business agenda revolves mostly around exporting into foreign markets (Riley, 2012). This can be attributed to self-reference criterion and ethnocentrism created through our own experiences, which tell us that United States products are repeatedly being pushed off the shelves to make room for a "Made in China" product; a phenomenon most often exhibited in local big-box retailers. With governmental influence indicating the focus should be developing domestic demand according to Mei and Chu, Chinese businesses are in fact not focusing on displacing American products on American soil, but rather emphasizing the importance of domestic products appealing to their own citizens. This interview provided the perspective of Chinese businessmen, who have been influenced by a completely different culture. Their

take on the Chinese economy has not been influenced by the same experiences Americans had been impacted by. It is the American people who have been influenced by their self-reference criterion and country of origin effects; unable to see past their experiences of Chinese products becoming more readily available, they assume China must be exporting rapidly to become the next international economic superpower (Riley, 2012). It therefore is very important that Americans become aware of their ethnocentric attitudes toward Chinese products, as there could be an increase in their presences should China begin to focus their economic efforts away from domestic and into foreign demand.

Also, the permeation of the cultural values into the opinions of the executives was seen through the interview analysis. Each respective culture's differences on the dimensions of Hofstede's cultural comparison model shined through their interview responses; attitudes toward Power Distance, Individualism vs. Collectivism, and Long-Term Orientation each impacted the businesses and their actions based on the cultural experiences of those making decisions.

What is to be learned from this analysis is the importance of cultural understanding and how it can prove to be successful or could potentially cause harm, which comes from recognizing the theories explaining what lies beneath the interview responses. From these, we see that adjusting one's cultural lens before developing a marketing strategy is crucial for success in selling in a foreign market. "Most misfires or mistakes in international marketing are attributable to the creation of a marketing strategy not properly reflecting cultural influences or a general lack of knowledge about the culture of the target market" (Cateora, Gilly

& Graham, 2009). Creating and evaluating a marketing mix based just on one's own experiences, thus applying their own self-reference criterion, ethnocentrism, or country of origin prejudice, can be catastrophic when marketing to an international consumer who has a very different response to product and culture (Cateora, Gilly & Graham, 2009). Therefore, to move forward successfully in an international marketing opportunity, companies must remove their self-reference criterion, recognize their susceptibility to ethnocentrism toward the foreign country, withhold judgment based on the country of origin effect, and adapt their products to fit the culture of the international market. They must also make every effort to fully understand the foreign culture; the values and norms, their attitudes toward foreign products, and their overall approach to international business as a whole.

CONCLUSION

In conclusion, we see that culture is the cornerstone of effective international marketing strategies between the United States and China. Through the discussion of the cultural traits and ideals of United States and Chinese consumers, we learned about the values of people in these cultures. These values give us an understanding of the driving forces behind decisions made and opinions held by those in their respective cultures. Understanding these cultures highlights both their similarities and their differences, which helps lay the foundation for a business's understanding of their international markets.

Understanding a culture is the first step in developing a successful international marketing strategy. Equally important, however, is being able to recognize one's own cultural biases. By discussing eminent cultural theories applied in marketing of self-reference criterion, ethnocentrism, and country of origin effects, the negative impact that cultural biases plays becomes very clear. "The most effective way to control the influence of ethnocentrism and the self-reference criterion is to recognize their effects on our behavior" (Cateora, Gilly & Graham, 2009), and through this recognition, companies can begin the steps to eliminating them.

Finally, examining interview responses from executives in the American and Chinese food industries illustrated the existence of these theories in ever-day business life and opinion. Uncovering the theories and values beneath the interview responses showed first-hand the subconscious yet profound impact culture has on opinions and decisions.

Through the discussion of the cultural similarities and differences between China and America, the understanding of theories in how to market to cross-cultural consumers, and real-world examples of how these topics are present in business today, we have seen the impact culture has on international business. It is vital for companies to recognize these factors and create their international marketing mix with culture as the cornerstone of their interpretation and understanding.

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APPENDIX

LIST OF INTERVIEW QUESTIONS

The following is a list of all interview questions presented to the executives in their interview session. Please note that only answers to questions in the Marketing section were used for the analysis of this paper.

Core Questions:

1. How did you choose your career path?
 - a. What were some of the biggest obstacles you had to face along the way?
2. What do you know now that you wish you would have known when you started working?
3. What advice would you give to students looking to enter into the food industry?
4. What are some of the challenges you face by being in the food industry?
5. What challenges do you face by taking part in international business with China?

Marketing:

1. Who do you see as your most important customers?
2. Who do you see as your biggest competition?
 - a. How do you position yourself in comparison to them?
3. How has your industry, and as a result your marketing strategy, changed since the global financial crisis of 2008?
4. We know that you do business in many foreign markets. Why?
 - a. How do you alter your marketing strategy to accommodate for these foreign markets?
5. How does the government influence the way your business interacts with customers through marketing and advertising?

Legal System

1. Risk management: What steps does your company take to help manage the risk of running a food business?
2. What are the legal issues you most often encounter?
3. If a legal dispute arises between your company and a foreign customer, which country's laws are used in regards to the dispute?
4. When a legal dispute arises, does your company prefer to use certain forms of mediation or arbitration rather than a public trial?
 - a. Would you prefer settlement out of court than potential bad press from a public trial?
5. Being a food industry, What guidelines are you legally required to follow when making your product?
 - a. Do these guidelines differ in the U.S. vs China?

6. What are some issues that you work with government regulation agencies to deal with? (Of both foreign and domestic governments in China/America)

Management/Human Resources:

*These questions are referring to employees in higher level or management positions, not factory workers.

1. What methods do you use to hire applicants for upper-level positions?
2. What qualifications and characteristics do you look for in an upper-level employee?
3. How do new upper-level employees gain the skills necessary to perform at optimal levels?
4. What role does individual performance play in your organization? Team performance?
 - a. Which do you see as being more important? Why?
 - b. How do you evaluate that performance?
5. How is the manager and employee relationship set up? (Information sharing, delegation of responsibility)
 - a. Do employees participate in decision making?
6. How do you motivate your upper-level personnel? (ex: performance based pay)
 - a. Do you use different methods for different individuals?
7. How do you make employee promotion decisions?
8. What are 1 or 2 of the most important values in your company?
 - a. How do you encourage your management team and employees to share your company's values?

Labor Economics:

1. What determines your employees' wages?
2. What strategies do you have to retain high-level/talented personnel?
3. How will the on-going debates and potential changes in health insurance policy affect that of your company?
4. Would you please describe the safety standards by which your company abides to protect your employees in the work place?
5. What is the women ratio in your company? Would you please evaluate the diversity in the work place in terms of gender, races, age, academic backgrounds, etc?
6. If we have not previously mentioned employees' benefits, would you give us more details on the fringe benefits that your company provides for employees?

TRANSCRIPT OF INTERVIEW RESPONSES: MARKETING QUESTIONS

Dominic Biggi, Beaverton Foods

1. Who do you see as your most important customer?

“A consumer who is looking for that value added product. There is certainly a lot of mustard out there and some people are looking to buy a gallon for \$.89 or are willing to buy our small container for \$3. I still have to convince the retailer, the distributor, etc. that it’s the same messaging. No matter who we are talking to, we are looking for the customer who is willing to spend the extra for a great product.”

2. Who is your biggest competitor?

“I don’t really have one direct competitor. In the consumer’s eyes, it would be French’s or Grey Poupon. There are also a lot of regional competitors and some European imports. French’s doesn’t do a cranberry mustard. In fact, we are looking to do a deal with French’s but they are looking to do what we do. I don’t look into those companies because our culture is just so different. They can’t sell specialty like we can.”

3. How has your industry, and as a result your marketing strategy, changed since the global financial crisis of 2008?

“We have done a number of articles because our business has gone up and thrived. We are privately owned and debt free. Lots of smoke and mirrors in these companies that don’t really understand what to do once the line of credit goes out, they are for sale. There are a lot of companies out there who leveraged themselves and have too much debt. People aren’t going out to restaurants as much but they aren’t going to put a gross mustard on their nice steak if they stay at home so they will invest that extra \$1 for luxury. Our business model is based on when we started which was in the Depression. Europeans didn’t trust bankers, neither did my grandma. The old timers like my grandma who started this put money in a tin cup in your backyard. The best thing we ever did was not put money in the stock market.”

4. What made you chose the countries you sell your products in?

“Well Canada was highly convenient. It is only 4 hours away so why not? We have been doing that for about 40 years with a gentleman up there. Typically

what happens (we just got our 5th order into Great Brittan) but because of the dollar exchange rate, it is more advantageous for many countries to get imports from the United States. What those stores are looking for is unique, American items. Back in England they have a hot Old English mustard but are taking our Coney Island mustard, cranberry, etc.; something that is really unique for them. They like our Beaver brand because it is uniquely American, and that is what they are looking for. That's what happens, when our promotion goes on with something it makes it more special. We ship to New Zealand, Costa Rica, Colombia, Venezuela, and the Caribbean Islands because that's what they are looking for: something uniquely American."

Jim Merryman, Oregon Freeze Dry

2. Do you face much competition with such a unique product?

"In the United States there are 4 major players, and we are the largest in the US. The other 3 are going after very specific market segments. All of them are ingredient suppliers. Most people around the world in the freeze drying industry are ingredient oriented. Whether it be in Japan, Europe, of United States. In China it is even more centralized. You could have a freeze drier located in the middle of a strawberry field. If they freeze dry it they can ship it all over the world so they build it right there. Their main thing is strawberries. In the United States it is very similar to that. We have a lot of ingredient suppliers based on their products. For us, we have chosen to be very diverse and our market segment reflects that we are the largest diversified freeze dryer in the world. We do 450 different products where a lot of other people are just doing a few veggies or fruits. By being that diverse, it helps us stay different than our global competitors. In China there are 300-400 major freeze dryers with lots of capacity, 20 some in Japan, US only has 4, Europe has 14 or so major freeze dryers. They are all competitors in the sense that we are doing the same thing but the differentiation for us is to be diversified."

3. How has your industry, and as a result your marketing strategy, changed since the global financial crisis of 2008?

"At this point in time, what it has done has quadrupled our sales. The adjustment that we had to do, because going into it we were near our capacity. Again we are the largest in the world so we have a huge capacity, but we were close to our capacity. Coming into this crisis it has put everyone into a very

unsure period. On top of that we have earthquakes and tsunamis and freaks and storms and Egypt and Libya and all of these different things going on .There is a lot of turmoil in the world and along with the financial crisis going down. One of our segments is food storage; being prepared for something to happen. It was usually limited to those in China but now its people in Montana and Idaho who keep a million rounds of ammo and a bunker. These people bought emergency food but now its every day normal people like us who just want to be prepared. They are now called “preppers” those who are just being prepared for whatever may happen .Whether there is no electricity because of a big windstorm, wouldn’t it be nice to have some food to just add boiling water to and it will be nutritious, have some flashlights, some water, throw it all into the closet to be prepared. I think the recent Japan issue has now made it go viral if you will. We were the leader who created that business and people know us in the world for backpacking and food storage. We just got inundated with demand for our food storage and products in this prepper market. We cannot build enough drying capacity to keep up with the demand. We have engineering staff working on expansion constantly. Is there an end to this that we need to be careful of and what else is out here and how do we develop market segments? That’s great, we just need to not lose sight of the other market segments and develop up those. Those segments have not been hit with the crisis either. They are not exploding but at the same time we were up 2-4% while ours are up 400%, there is definitely growth in other sides of the business. Staying balanced is huge so if something happens in the prepper business, we won’t collapse. Everyone is now talking about the Mayan calendar. When the world goes away in 2012 just like it did on Y2K (oh wait a minute), then we will be prepared. When the sun comes up the next day, does that mean there is a crash in that business? That doesn’t mean we crash our business, we then have to get into retail and other sides of the business.”

4. You mentioned you mostly import from China but are bringing in some people to expand the export. What are you hoping to get from your exporting to China?

“We have been exporting our Mountain House products since 1978 so we are familiar with that. What happened was they only wanted 2 of our products to be specifically developed for them. We flew in some chefs from Japan and had them here for a month. They developed some products specifically for their taste products. The rest of them they actually wanted to be a US product, be marketed as a US product, and that’s actually part of the marketing scheme. They then handle when it arrives putting a label on it to meet their requirements. The people who are contacting us from China are doing much the same. They want to sell to the Chinese middle class and they believe marketing it as a US made product with a US flavor profile is part of their marketing plan. People who buy it

will be able to say “I can afford to buy products made in the United States. It is not a local product and I am purposely buying something from the US.” They are looking for that mystique and stuff. We are not looking to do anything specifically different. Now whether that marketing plan works for them or not that is their plan, not mine. We just supply with the best, American products possible.”

Karla Chambers, Stahlbush Island Farms

1. Who are your main customers?

“All my customers are most important. As a founder of the business, our first customer is equal to our most recent customer and I think that you need to treat all your customers well. They are all important and they are the most important thing a business has so you better treat them well!”

2. Who do you see as your biggest competition?

“I export to 25 countries, selling ingredient and branded products like grocery and natural food; I am very little in food service. With enough diversification in the crops we grow, we have competitors but not one that will wipe us out. There is not one specific company but each only competes with me on a specific crop.”

3. How has your industry, and as a result your marketing strategy, changed since the global financial crisis of 2008?

“We are so strong in natural foods and the US consumer is demanding so much organic and sustainable product, the natural food segment as continued to grow so much. We have really continued with really aggressive growth in what has been the worst recession in a long time. We did not see a down-turn, we have really just seen substantial growth.”

4. How do you alter your marketing strategy to accommodate for the foreign markets you sell your products in?

“We have exported to a total of 25 countries. We may have only one customer in a country and if they have a short year we would send them something. We go to food shows actively so that we are current on the markets, current on where there are shortages. We are always looking for new contacts and new customers. It’s a combination between the US dollar and where we are really

competitive. The dollar has been weak so it makes our exports very attractive. Then where there are weather events or market disruptions or growth in markets, that really determines where we push product in. We are working direct with large manufactures in these countries that take our products as ingredients. It is more of a direct relationship than the way we would take our branded products and market them in the US.”

EXTRA: We have a few examples of your advertisements here that you have given us. Can you talk briefly about your promotion strategies?

“We will work direct with the grocers in their traditional promotional. With market of choice, we do extensive marketing through their weekly ads. We do a lot of special promotions through maybe magazines or special efforts that really value this type and quality of food. We probably do 15-18 food shows a year, really finding those grocery buyers and those new chains, we are always looking for that next chain of high end grocer and natural foods retailer that will pick up our lines. That’s truly how we have grown to be a national brand throughout the US and Canada. A lot of hard work and then finding the stores with the same quality that match and will want to sell this food.”

David Zepponi, Northwest Food Processors Association

3. How did your company change as a result of the financial crisis?

“There was a lot of impact on our tight, short term credit. We are the only industry that grew in the recession which is kind of cool. Those that are a little more adaptable to the situation; we started in 2001-2-3 to get the word out through the late 90’s we had a lot of challenges and over 57 mergers, closures, consolidations in the NW alone. That’s a lot. They asked us the association to take a look at that to see what was going on. There was a general depression in the industry and so we started looking into it and came up with an “ah-ha” moment. Globalization was killing us and competition so there was more competition and global competition. We re-characterized how we look at ourselves and developed a plan and strategy. We said we were a global traded industry sector and one that needs to compete against other developing economies rather than competing against the farm down the street. They can have product differentiation but as a whole need to collaborate to remain globally competitive. It is just a cluster strategy and Michael Porter’s cluster strategy. It puts together a lot of friendly competitors in a geo area to help all competitors. That’s really what we are doing

and have been doing for 90 years. We brought us all together and then realized that this is a theory and got them thinking about their direction. They started developing new strategies around this same time so that when the recession hit in 2004-5-6-7-8 and they started going down, our farmers had already started restructuring and had anticipated it. Most of them were able to be out ahead of the game. Those adjustments to the globalization and conglomeration reformulated our industry organization and then when the real recession hit, we were already well positioned to take on the world. We have new products and value added products. Even our commodity producers were in great position to take advantage of people wanting and having to eat. Everyone's gotta eat!"

EXTRA: How do you interact with your customers as an association?

"Our companies are domestic and international so it is kind of interesting. In an association it is kind of an interesting dynamic. Your customer is also your owner and also your labor force. You have lots of committees working together and doing the work. Quite literally our corporation is owned by our membership so it makes it a pretty dicey thing when the person you are selling to is also determining who is setting the price. You have to be a good politician. The business we are in is politics. We do the external politics as well, but the internal politics is what we are all about. We are selling but we are also talking to our owners all about the value proposition. So we spend a lot of time as to how we put people together and our marketing approaches is how to build relationships and put people in touch with other people and make it a meaningful relationship. We try to tie it to dollar and cents when we can but it is difficult to do. How do we make the whole group grow instead of just one or two or three. If we spend a lot of time on one company, its competitors in the same area are going to think that they are paying you all this money and you are only helping your competitor do well."

Phillip Mei, Want Want China

1. Who are your main customers?

"Most of the products you see on the table are mostly for children. Some of the other products are actually for the whole family to enjoy. The rice crackers that you see downstairs the packaging is actually quite neutral. You do not see cartoons or teddy bears. It is for the whole family. I think the drinks are different. The coffee is more for teenagers. On the can, in Chinese, it says "I am young. I am

coffee.” It really sends you a message as the target customers that I am young, and I am coffee. In this case, the target consumer group means I am young that I drink coffee instead of tea. What we are trying to project is that tea is an old, traditional Chinese drink that is for old people. If you are young and energetic then you should drink coffee not tea. This is what we are trying to project. We do have products aiming toward young children sector. On the beverages you see this one, a green tea. The packaging design is aimed at young ladies, as you can see by the slimming shape. They are looking for healthy products- that’s why it says slightly sweet, less sugar, less calories. Marketing for the future! We are trying to get them to see that subconsciously. This is a milk drink which is probably aimed at children, with the cartoon characters and colorful packaging.”

2. Do your competitors change per country you are operating in?

“I think that every market is a bit different. Canada is Kristie competing with us on the rice cracker. It also depends on the cracker; we have the baby rice snacks wherever we go it is the same people; Heinz, Gerber. Our products are really unique and no other company produces the same product. We are the only company the markets this product on the international field. I think that baby rice for us is huge because we have a lot of competitors, but theirs are not the same. In a way we are competing on the other hand, I think we have an advantage because we have a unique product. In China, we have about a 75% market share. We are asking ourselves, why not 99%? China we still have some room for growth. In China, the market is so big. You have these small regional players. They are like mushrooms. They come up here and there and compete with you locally. Our strategy then is to introduce a Viking brand of rice crackers and we beat them on the price with a better quality. The result is the small little factory will be closed; at least we hope. After they go out of business, we stop marketing the fighting brand and come back with the main brand. The Want Want brand is a corporate premium brand, so that we have other ones like Yuppie, the sub brand. We have other fighting brands that we use regionally that we use just to fight competitors and put them out of business.”

3. How did your company change as a result of the financial crisis?

“I don’t think our company really changed much after we listed our stocks on the Hong Kong stock exchange. We carried on what we do well. I think the listing of our stock in Hong Kong is just for the shareholder value. It doesn’t tie into our day to day product strategy. I think that if you look back to China’s economy during the financial crisis, China was doing remarkably well. We still had GDP growth of about 8.5%. For china that is devastating because we are used to double digit GDP growth. The main thing about the economy in China is that

China's economy is mainly supported by domestic demand. I think mainly in the past it has relied heavily on the export that plays a heavy role in the growth but in the financial crisis, the export of China really suffered because the orders did just not come in anymore, especially from the US. A lot of the export oriented factories and companies were closed. One of the biggest shocks was that one of the largest toy manufacturers in the world was in China and it was closed because of no export orders. So a lot of workers were out of the job because factories were closed. They were all being laid off because orders were less. They then said we should change the emphasis of this country's economy. Instead of focusing on exports, we should focus on the 1.5 billion consumers in China. We should get those people into consuming more. If everyone else spent a little more, it would be worth a few % points of your GDP growth. In order for them to spend more, they need to have more money. The government has then set to increase the minimum wage in double digits. This is not 10% we are talking about, but 15, 18, 20%. Every city has a different minimum wage because it depends on the cost of living level. A rural inner province area would be much lower than for example, Shanghai. Every local government sets their own minimum wage increase level. At the same time, they want to create more jobs for these people. If you have 2 million people on the job and they then go onto the streets, that's pretty serious. Especially for a government which is more like a dictatorship kind of governments. One of the least things you want is people walking down the streets doing demonstrations, which can detriment the power grid of the national leaders. So with these people being laid off with no work, these workers are then going home. The government is trying to install programs to create employment opportunities for these workers at home. A lot of workers in the factories in China are from rural or inner provinces of China. Most of the industrial areas are eastern and southern seaboard areas. A lot of the workers are from inner and come to Guangzhou or Shanghai. When they go back home there are no factories, no infrastructure, no factories so the government will create employment overseas. They will create infrastructure and jobs so that they don't walk through the streets demonstrating that they don't have the money to buy their rice. They also want to increase the minimum wage so that they have more money to spend. Hierarchy of needs; if you only have the wages to spend money on basic needs, you will only do that. As you get more money, you will go to a restaurant and then maybe a TV set. The government then says ok, we will have incentive programs. They say if you buy a refrigerator, you will get a rebate. If you buy these items, you will get a cash rebate to get them spending money. Governments are spending money on infrastructure too to build highways, freeways, train, airports, etc. This is creating a lot of employment opportunities. People have more money so they spend more so the GDP goes up. That is just domestic demand, not even export. The Chinese government is changing that. Because of

the export surplus, China has a foreign reserve of \$3T, which comes with a lot of pressure. From the US, the EU, their trading partners say you are making a lot of money on us so they want China to buy more products. Also their other issue is they want to push the RMB exchange rate up. The US government always talks that The RMB is undervalued and it should move up in the exchange rate. It is all about the international trade. So China has faced a lot of pressure on this because the money they are making through the export business. So by diverting into generating more export demand, they will have a GDP increase and less export and reliance from the international community. We saw with the financial crisis the export business really suffered and then we saw unemployment. I think that China did a good job in making the transition and the transition is still going on now. Diverting the growth from export to domestic demand in this 5 year plan and the goal is to double the wages. For business, the challenge is the rising cost of wages and increase in labor not by a little, but by 20% or higher. Also, the other issue is China has a labor shortage problem. With 1.3B, how is that possible? The fact is that when these people are in the factories on the Eastern seaboard they go back home. Now that there is infrastructure and jobs at home they don't come back to the factories. Why travel 200K to Guangho and not see their kids and families. On top of that, the trip will cost a lot of money. They don't go home very often because they cant afford to and want to save a lot of money. The train ticket home probably cost 1 month salary. Some of my colleges here takes them 3 days to get home for Chinese New Year. It s a slow train and costs a lot of money. So for these factory workers, they don't go home very often and are separated from their families because it is too expensive. They also have living expenses to rent an apartment and eat here. There are costs associated with leaving your hometown and working somewhere else. If they have a job at home, they then eat at home and live at home with their family. This saves money. So if they have employment opportunities and even though the wages are less, they would stay home.”

Everett Chu, Want Want China

1. Who are your main customers?

“We are dealing with more fragmented consumers because of wholesalers. In terms of the modern trade, the largest customer is Hakima. Then is Walmart. For a single customer, Hakima is largest and most substantial customer to the company.”

3. How has your industry, and as a result your marketing strategy, changed since the global financial crisis of 2008?

“In China, we did not sense the financial crisis at all. Most of our items are ranging from 1-3 Chinese RMB per pack. If you happen to visit inner land cities in China back in 2008, they really didn’t know what the financial crisis was. They are still everywhere and they are still leading their ordinary lives and spending their money buying Want Want Products.”

2. Who do you see as your biggest competition?

“We don’t have direct competition .That is the philosophy of this company .We don’t enjoy competition. We do not produce and sell the same things as other companies. In order to enable our company to have price setting power from the beginning. That is why we do not have direct competition.”

5. How does the government influence the way your business interacts with customers through marketing and advertising?

“The government does not get very involved in sales and marketing strategy.”

Richard Chi, GANSO

3. How has your industry, and as a result your marketing strategy, changed since the global financial crisis of 2008?

“I think they have to wait. Because this market is going by very fast, so the big marketing competition. We did not do anything to grow the company any differently, just work very hard. I worry because there are many systems that could fail. Supply chain, etc. This holiday, we just grew from last year 30%. We are just worrying that we will not be able to keep up and the sales companies won’t be able to keep up either. Between trucks and phones and factories, we need to make sure it works.”