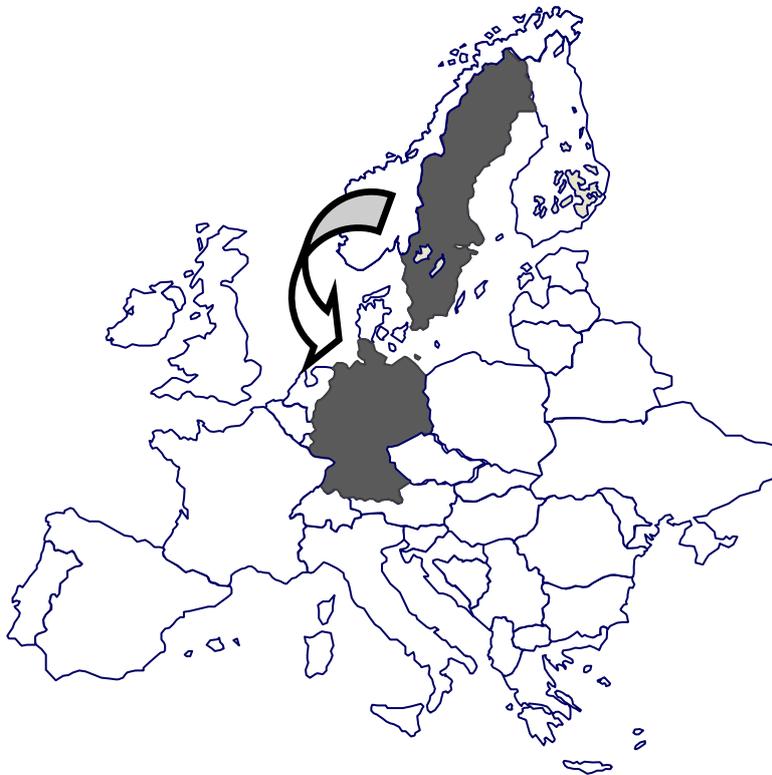




School of Business,  
Economics and Law  
GÖTEBORG UNIVERSITY

# Cultural Impacts on Manufacturing Swedish Companies' Marketing Mix in Germany

- A Comparative Case Study about Six Companies' Standardization or Adaptation of the Marketing Mix



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## Preface

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This is a bachelor thesis written within international marketing at School of Business, Economics and Law, University of Gothenburg. The process of the thesis has been interesting, educating and fun, especially, since the subject is of high relevance to both of us.

We would like to thank the respondent companies, Wasa Bröd AB, Göteborgs Kex AB, The Absolut Company AB, Nudie Jeans Marketing AB, Filippa K AB and Precimeter Group, for having time to participate in the survey. This thesis would not have been possible to write without your help.

Special thanks are pointed to our supervisor, Margreth Nilsson Molnár, for great supervising and helpful guiding advices.

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## Sammanfattning

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Ett lands kultur påverkar hur utländska företag utformar sin marknadsföringsmix genom att antingen anpassa eller standardisera den. Ju mer kunskap som företagen har om kulturen i målmarknaden desto lättare kan de utforma en mer framgångsrik marknadsföringsmix.

Huvudsyftet med den här uppsatsen är att ta reda på vilka anpassningar och vilka standardiseringar av marknadsföringsmixen som görs på grund av tysk kultur vid en internationalisering till Tyskland. Detta kommer att göras genom att analysera hur tysk kultur påverkar tillverkande svenska företags marknadsföringsmix och deras val av standardisering eller anpassning. Uppsatsens andra syfte är att visa på hur viktigt det är med kunskap om målmarknadens kultur.

I kapitel två blir läsaren introducerad till den teoretiska basen inom marknadsföringsteori och kulturteori som stödjer uppsatsen problem och syfte. Teorierna inkluderar den traditionella marknadsföringsmixen som är ett känt och väl använt koncept och består av de fyra P'na: pris, produkt, påverkan och plats. Även en utvidgad version av marknadsföringsmixen med fler P'n blir granskad. Den teoretiska basen inkluderar även fyra välkända och accepterade kulturmodeller. Dessa är Terpstras kulturmodell, Hofstedes kultur dimensioner, Trompenaars kultur dimensioner och Halls kulturmodell om high och low context. Baserat på insamlad kunskap och i enlighet med uppsatsens syfte definierar vi kultur som allt i ett land som formar en individs beteende. Det är ett brett begrepp som inkluderar språk, historia, religion, utbildning, teknologi, social organisering, politik, lagar, värderingar och attityder. Kulturdefinitionen blir sedan använd på Tyskland och dess kultur i kapitel fyra.

För att kunna besvara uppsatsens problem har vi valt en kombination av explorativ undersökning, deskriptiv undersökning och fallstudie vilka vi återger i kapitel tre. Detta innebär att vi får en större del av informationen från fallstudien. Den deskriptiva fasen var användbar när vi identifierade kulturella faktorer som skapar förändring i marknadsföringsmixen. Våra data är insamlad genom en kvalitativ metod och vi använder oss av primära samt sekundära datakällor.

I kapitel fem återges intervjuerna med de sex svarande företagen: Wasa Bröd AB, Göteborgs Kex AB, The Absolut Company AB, Nudie Jeans Marketing AB, Filippa K AB och Precimeter Group.

Analysen och slutsatsen i kapitel sex och sju visar att pris-, påverkan- och platsmixen verkar vara svåra att standardisera vid en internationalisering till Tyskland. Anledningen till anpassningen var främst tysk kultur, men inte alltid. Produktmixen verkar vara möjlig att standardisera, och anledningarna verkar snarare vara en önskan att ha ett konsistent märke, skalfördelar och att det är enklare. Resultaten påvisar att det är viktigt för svenska företag att ha kunskap om tysk kultur när de internationaliserar till Tyskland.

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## Summary

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The culture of a country influences the way foreign companies design their marketing mix applying standardization or adaptation. The more knowledge of the target country's culture that the company possesses, the easier it is for it to design a more successful marketing mix.

The main purpose of this thesis is to find out what adaptations and standardizations of the marketing mix have been made due to German culture when internationalizing to Germany. This will be done by analyzing how the German culture affects manufacturing Swedish companies' marketing mix and their choice of adaptation or standardization. The second purpose of our thesis is to point at the importance of cultural knowledge of the target market.

In chapter two the reader is introduced to the theoretical base within marketing theory and cultural theory that supports the problem and purpose of the thesis. This includes the traditional marketing mix that is a widely used concept and consists of the four P's: price, product, promotion and place. An extended marketing mix with additional P's is also reviewed. The theoretical base also includes four widely known and accepted culture models, namely Terpstra's cultural model, Hofstede's cultural dimensions, Trompenaars' value dimensions and Hall's cultural model regarding high and low context. Based on gained knowledge and according to the purpose of the thesis, we define culture as everything in a country that forms an individual's behavior. It is a wide conception including language, history, religion, education, technology, social organization, politics, law, values and attitudes. The culture definition is thereupon applied on Germany and its culture in chapter four.

In order to answer to the problem of the thesis, we have chosen a combination of exploratory research, descriptive research and case study which we review in chapter three. This means that we gain a large part of the necessary information through the case study. The descriptive phase was useful when identifying cultural variables causing changes in the marketing mix. The data is gathered through a qualitative method and we make use of primary as well as secondary data sources.

In chapter five the reader can enjoy the submitted interviews with the six respondent companies: Wasa Bröd AB, Göteborgs Kex AB, The Absolut Company AB, Nudie Jeans Marketing AB, Filippa K AB and Precimeter Group.

The analysis and conclusion in chapter six and seven show that the pricing mix, place mix and promotion mix seem to be hard to standardize when internationalizing to Germany. The reason for adaptation has mostly been German culture, but not always. Moreover, the product mix seems to be possible to standardize, but the reasons seem rather to be a wish of having a univocal brand, scale economies and that it is easier than German culture. The results imply that knowledge of German culture is of importance for Swedish companies when internationalizing to Germany.

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# 1 BACKGROUND, PROBLEM AREAS AND PURPOSE

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*In this chapter, we present an introduction to our subject. Starting with a brief overview over marketing and culture, thereupon we introduce Germany and relevant facts. We round up with a problem discussion that is followed by problem definition, purpose, delimitations and perspectives. At last, we present a general outline of the thesis.*

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## 1.1 Choice of Subject

Marketing is of high interest to us and after one year of studying in Germany, we have also developed a strong interest in Germany and its culture. Hence, we wanted to use the opportunity of this essay to deepen our knowledge about Germany and apply marketing theory focusing on German culture and its effects on Swedish companies' marketing mix. There is a difference in culture between Sweden and Germany that needs to be taken into account, but not all Swedish companies consider this. Our wish is that this thesis will be of help to companies interested in Germany as target market. Since we are both very interested in German culture and in marketing the choice of subject was natural.

## 1.2 Marketing and Culture

There are several reasons for a company to internationalize. Prior to the internationalization process, the company stands for great possibilities, but also for great challenges. It will face a new culture, which means that domestic marketing knowledge needs to be combined with international marketing knowledge in the creation of their marketing mix for the new target market. Hence, we find it important to introduce central concepts such as international marketing, the marketing mix and internationalization and culture.

### 1.2.1 Definition of International Marketing

International marketing is very different to domestic marketing, not only in the aspect of turning to more than one country. Czinkota and Ronkainen have defined international marketing as follows:

*"(...) international marketing is the process of planning and conducting transactions across national borders to create exchanges that satisfy the objectives of individuals and organizations."*<sup>1</sup>

In the last few years literature has been published, with new definitions like "global marketing" with the meaning that they coordinate marketing actions to more than one country. Both global and international marketing means taking marketing actions in more than

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<sup>1</sup> Czinkota, M. R., Ronkainen I. A., *International Marketing*, (2004), p. 4

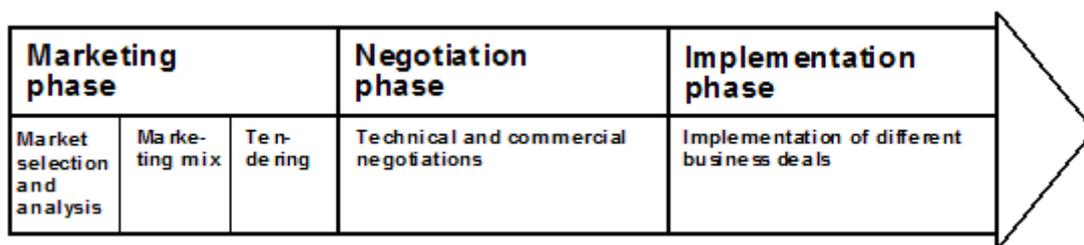
one country, but global marketing is when the actions are standardized over the world and international marketing when the message is differentiated for each country.<sup>2</sup>

### 1.2.2 The Marketing Mix and Internationalization

In the internationalization process, some of the most important decisions concern the marketing mix and how it should be practiced. The traditional marketing mix contains the four Ps: price, product, place and promotion and it was first introduced in 1962 by Neil Borden.<sup>3</sup> The names of the four Ps have remained the same since the introduction, though their meanings have been expanded. There have been attempts to add additionally Ps such as Magrath's extra three Ps: personnel, physical facilities, and process management<sup>4</sup>, as well as Kotler's extra two Ps: power and public relations.<sup>5</sup>

The process of internationalization can occur in two ways, planned or unplanned. The planned international business process consists of a marketing phase, a negotiation phase and an implementation phase (see figure 1.1).<sup>6</sup>

**Figure 1.1 The Planned International Business Process**



**Source:** Molnár, J. & Nilsson Molnár M., *International Marketing, Negotiations and Business Deals*, (2003), p. 5

In comparison the unplanned international business process includes an initial random phase, negotiation phase and implementation phase. This means that instead of planning the process the customer finds the company and it shrinks the initial phase to just tendering.<sup>7</sup>

### 1.2.3 Culture – An Introduction

Culture is a wide conception and many have defined it in different ways. One definition of culture is that it is the underlying value framework that guides an individual's behavior. It is not influencing what individuals do, but how they do it.<sup>8</sup>

There are many ways of describing culture and with the following figure (see figure 1.2), we would like to illustrate how a new culture can be explored.<sup>9</sup> The iceberg illustrates that some

<sup>2</sup> Johansson, J.K., *Global Marketing – Foreign Entry, Local Marketing and Global Management*, (2003), p. 9f

<sup>3</sup> Magrath, A. J., *When Marketing Services 4p are Not Enough*, (1986), p. 44

<sup>4</sup> Yudelson, J., *Adapting Mccarthy's Four P's for the Twenty-First Century*, (1999), p. 62

<sup>5</sup> Pheng Low, S. & Tan, M., *A Convergence of Western Marketing Mix Concepts & Oriental Strategic Thinking*, (1996), p. 40

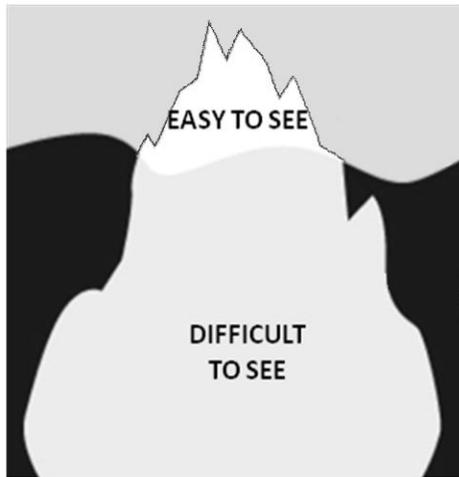
<sup>6</sup> Molnár, J. & Nilsson Molnár M., *International Marketing, Negotiations & Business Deals*, (2003), p. 5

<sup>7</sup> Ibid, p. 11

<sup>8</sup> Derensky, H., *International Management*, (2006), p. 83f.

cultural dimensions are easily seen whereas some are very difficult to detect. A new culture can only be fully understood after a deep dive underneath the surface.<sup>10</sup>

**Figure 1.2 The Iceberg**



**Source:** Schneider, S.C. & Barsoux, J-L., *Managing Across Cultures*, (2003), p. 20 (modified)

### 1.3 Germany – An Introduction

In this section, we present a brief review of Germany including general facts. We find this justified since it is needed to have a common knowledge of a country to understand its culture. A deeper presentation of Germany follows in chapter four.

Germany is situated in central Europe, has an area of 356 733 km<sup>2</sup> and a population of 82.37 million people. The capital of Germany is Berlin and it is located in eastern Germany. German is the official language and the currency is Euro (See table 1.1).<sup>11</sup>

**Table 1.1 General Facts**

Germany	General Facts
Location	Middle Europe
Area	356 733 km <sup>2</sup>
Population	82,37 million
Capital	Berlin
Largest cities	Berlin, Hamburg, Munich
Language	German
Government Type	Federal Parliamentary Republic
Currency	Euro

<sup>9</sup> Hennessey, D. & Jeannet, J-P., *Global Marketing Strategies*, (2001), p. 77f

<sup>10</sup> Schneider, S.C. & Barsoux, J-L., *Managing Across Cultures*, (2003), p. 20

<sup>11</sup> Central Intelligence Agency - The World Fact Book, <https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html>,

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**Source:** Central Intelligence Agency - The World Fact Book (modified)

Germany is known as an export industry with a well developed domestic economy that has its ground in the large domestic market and the many middle large businesses. German export partners are mainly France, United States and United Kingdom and import partners are mainly Netherlands, France and Belgium (See table 1.2). In 2007 Germany's GDP per capita (PPP) was about \$34,100, the GDP composition by sector was 0.9 percent in agriculture, 30.1 percent in industry and 69 percent in services. The labor force in Germany consisted of 43.54 million people in 2007 and out of them 2.8 percent worked in agriculture, 33.4 percent in the industry and 63.8 percent in services. However, mainly due to costs from the reunification of Germany, stagnation has been a large problem and the stagnation is also one of the reasons for the high unemployment rate, which was nine percent in 2007.<sup>12</sup>

**Table 1.2 Exports and Imports**

Exports	\$1.354 trillion (2007 est.)
Exports- Commodities	machinery, vehicles, chemicals, metals and manufactures, foodstuffs, textiles
Exports- Partners	France 9.7%, United States 7.5%, United Kingdom 7.3%, Italy 6.7%, Netherlands 6.4%, Austria 5.4%, Belgium 5.3%, Spain 5% (2007)
Imports	\$1.075 trillion (2007 est.)
Imports- Commodities	machinery, vehicles, chemicals, foodstuffs, textiles, metals
Imports- Partners	Netherlands 12%, France 8.6%, Belgium 7.8%, China 6.2%, Italy 5.8%, United Kingdom 5.6%, United States 4.5%, Austria 4.4% (2007)

**Source:** Central Intelligence Agency- The World Fact Book (modified)

## **1.4 Problem Discussion and Problem Definition**

### **1.4.1 Problem Discussion**

The marketing mix highly depends on culture. This area is very interesting and the knowledge of a foreign culture can be a determining factor of success when companies internationalize. Sweden is a small country with a long export tradition and the domestic market is in a stagnating phase for many products. This implies that many companies have to internationalize in order to secure business and improve profits. This makes it even more important for Swedish companies to have cultural knowledge of foreign target markets. The process of internationalization can be planned or unplanned. However, only the planned contains a marketing mix designed for the target market, implying that these companies have to occupy themselves with the question of standardization or adaptation.

Germany and Sweden have a deep tradition of trade, especially since Germany is the largest export market of Sweden.<sup>13</sup> Germany and Sweden are close geographically, yet, despite this

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<sup>12</sup> Central Intelligence Agency - The World Fact Book

<sup>13</sup> Swedish Trade Council <http://www.swedishtrade.se/tyskland/?objectid=1126&pageid=1070>

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fact they differ in their cultures. This implies that knowledge of the target market's culture is significant. However, many companies still choose to standardize large parts of the marketing mix although it might be an advantage to adapt parts of it. Many companies have made mistakes in their marketing mix when internationalizing to Germany, and many have succeeded, which gave rise to an interest to study how companies adapt or standardize their marketing mix with regard to German culture.

To be able to deepen our knowledge in this subject we need to study and characterize the marketing mix and its specific factors, finding out which marketing mix tools are important in our case. We also need to study culture to find out which variables we should include, in order to make a definition of it. The subject of the thesis also includes the need to find out what characterizes German culture. Acquiring this information will enable us to draw conclusions about how the marketing mix gets affected by German culture. To find out the effects on the marketing mix we will interview manufacturing Swedish companies that have taken marketing mix actions in Germany regarding their marketing mix.

Important issues throughout the thesis are:

- What adaptations and standardizations of the marketing mix are made regarding price, product, place and promotion when internationalizing to Germany?
- Are the adaptations and standardizations of the marketing mix made due to German culture?
- Are there differences between industries, such as industrial products, food- and beverage industries and garment industry regarding their adaptations in price, product, place and promotion?
- Is it important for Swedish companies to possess knowledge about German culture when having an active marketing mix in Germany?

#### **1.4.2 Problem Definition and Research Areas**

In accordance to our problem discussion, we have identified the main problem of the thesis as follows:

*Main problem:* How do manufacturing Swedish companies design their marketing mix when internationalizing to Germany and were standardizations and adaptations made due to German culture?

To be able to answer the main problem we have identified four research areas that we need to analyze and answer.

##### **Research Area One – Pricing Mix**

The pricing mix as a marketing mix tool affects all other marketing mix decisions. The company has the choice to standardize or adapt it when internationalizing to Germany. Both

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alternatives have pros as well as cons, which often are due to culture as we have defined it, which is why we find this area important to research.

*Research Area One:* How do manufacturing Swedish companies adapt the pricing mix according to German culture when internationalizing to Germany?

### **Research Area Two – Product Mix**

The product mix as a marketing mix tool comes with many decisions in a process of internationalization such as adaptation or standardization of the core product, actual product and augmented product. This makes research about companies' adaptations or standardizations within the product area important.

*Research Area Two:* How do manufacturing Swedish companies adapt the product mix according to German culture when internationalizing to Germany?

### **Research Area Three – Promotion Mix**

The promotion mix as a marketing mix tool is very hard to standardize when operating in other cultures, since people in different cultures have different preferences. This calls for a need to find out companies' adaptations of the promotion mix due to culture as we have defined it.

*Research Area Three:* How do manufacturing Swedish companies adapt the promotion mix according to German culture when internationalizing to Germany?

### **Research Area Four – Place Mix**

The place mix as a marketing mix tool includes for example channels, coverage, assortment and place, which all may be the object for decisions about standardization or adaptation due to culture as we have defined it, which is why we find this area important to investigate.

*Research Area Four:* How do manufacturing Swedish companies adapt the place mix according to German culture when internationalizing to Germany?

## **1.5 Purpose**

The purposes of this thesis are:

- The main purpose of the thesis is to find out what adaptations and standardizations of the marketing mix have been made due to German culture when internationalizing to Germany. This will be done by analyzing how the German culture affects manufacturing Swedish companies' marketing mix and their choice of adaptation or standardization.
- The second purpose of the thesis is to point at the importance of cultural knowledge of the target market.

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## 1.6 Delimitations

The delimitations of the thesis are as follows:

- This thesis deals with the company perspective of the marketing mix. This means that we do not consider the consumer perspective.
- We have chosen to analyze cultural influences on the marketing mix that are part of the planned internationalization process. Remaining areas in the internationalization process will not be considered.
- Due to the diversity of culture theories within the matter of this thesis, we have chosen to include only four widely known and accepted culture theories.
- We will limit us to use the factors specified in our research model when analyzing.
- The analyzed companies must fulfill set criteria defined in chapter three:
  - Criteria 1: Manufacturing companies (not service)
  - Criteria 2: Active marketing mix in Germany
  - Criteria 3: Swedish companies at foundation
  - Criteria 4: Interviewed person has sufficient knowledge
  - Criteria 5: Planned internationalization process to Germany

## 1.7 Perspective

This is a bachelor thesis focusing on cultural effects on international marketing regarding the marketing mix in Germany. It is written out of an academic perspective with hopes of being of interest for Swedish companies that are about to take marketing mix actions in Germany.

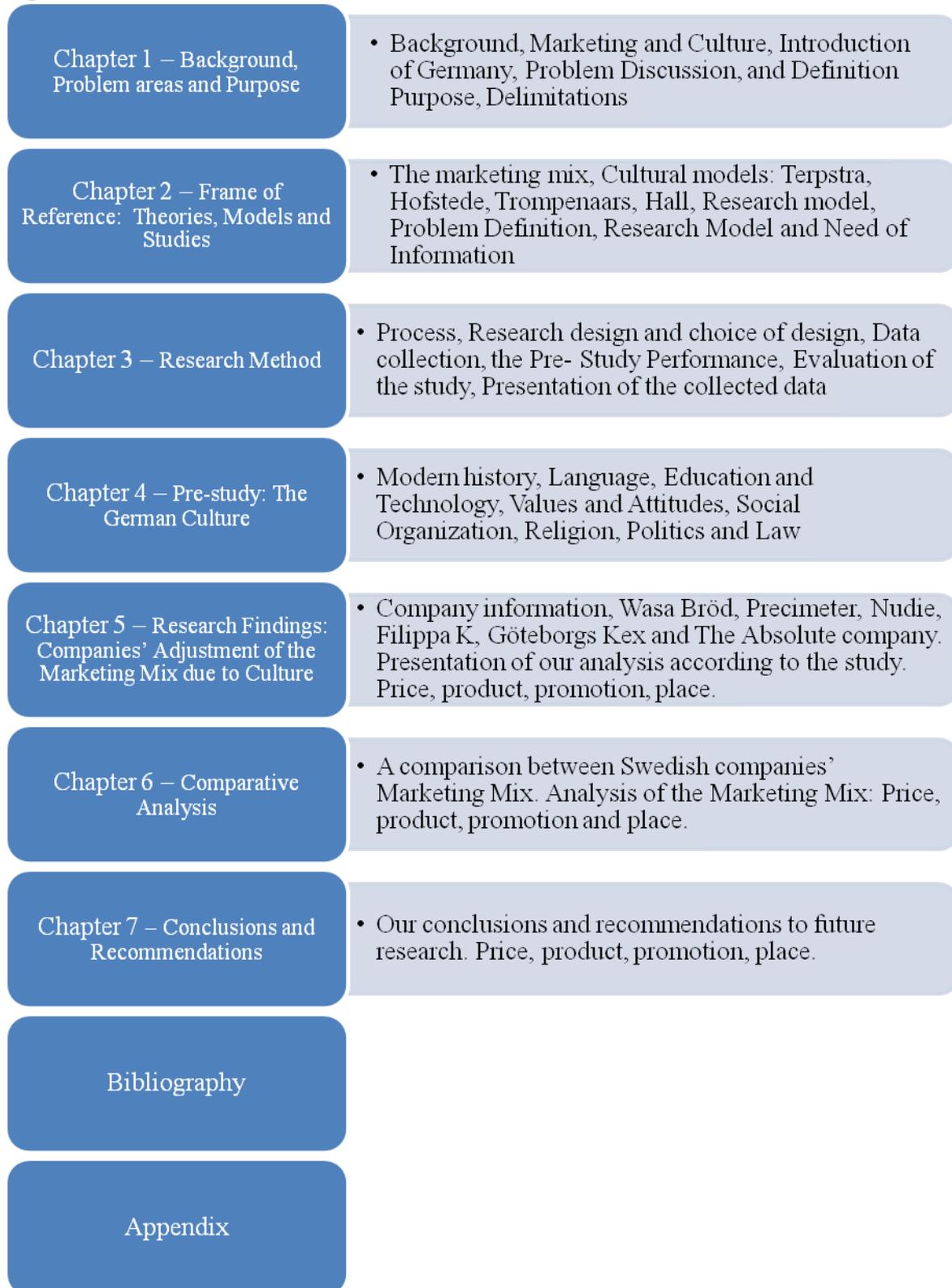
Furthermore, this thesis is written out of a cultural perspective, as well as a Swedish perspective.

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## 1.8 General outline of the thesis

The general outline of the thesis is shown in Figure 1.3

**Figure 1.3 General outline of the Thesis**



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## 2 FRAME OF REFERENCE, THEORIES, MODELS AND PREVIOUS STUDIES

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*The chapter starts with an overview of the frame of reference. Thereupon, a presentation of the marketing mix and its traditional components as well as some additional components is reviewed. We look especially into international decisions regarding the traditional marketing mix. Afterwards, we continue with different cultural models: Terpstra's culture model, Hofstede's culture dimensions, Trompenaars' value dimension and Hall's model of high and low context. At the end, we discuss, choose and present the research model according to the subject of the thesis.*

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### 2.1 Overview of the Frame of Reference

In order to get a better overview of the reference sources, we have made an overview of the chosen literature (See table 2.1).

**Table 2.1 An Overview of the Frame of Reference**

Theory:	Authors/Sources:
2.2 The Marketing Mix	<ul style="list-style-type: none"><li>• Kotler, P. et al., <i>Principles of Marketing</i>, (2005)</li><li>• Molnár, J. &amp; Nilsson Molnár M., <i>International Marketing, Negotiations and Business Deals</i>, (2003)</li><li>• Kotler, P., <i>Kotlers Marknadsföring</i>, (1999)</li><li>• Homburg, C. &amp; Krohmer, H., <i>Marketingmanagement</i>, (2006)</li><li>• Mårtensson, R., <i>Marknadskommunikation. Kunden. Varumärket. Lönsamheten.</i>, (2008)</li><li>• Pheng Low, S. &amp; Tan, M., <i>A Convergence of Western Marketing Mix Concepts and Oriental Strategic Thinking</i>, (1995)</li><li>• Magrath, A. J., <i>When Marketing Services 4p are Not Enough</i>, (1986)</li><li>• Dahringer, L. &amp; Mühlbacher, H., <i>International Marketing: A Global Perspective</i>, (1991)</li><li>• Cundiff, E., &amp; Hilger, M., <i>Marketing in the International Environment</i>, (1984)</li></ul>

2.3.1 Terpstra's Culture Model	<ul style="list-style-type: none"> <li>• Terpstra, V., <i>International Marketing</i>, (1987)</li> <li>• Czinkota, M.R. &amp; Ronkainen I. A., <i>International Marketing</i>, (2004)</li> <li>• Kotler, P. et al., <i>Principles of Marketing</i>, (2005)</li> <li>• Usunier, J-C., <i>Marketing Across Cultures</i>, (2000)</li> </ul>
2.3.2 Hofstede's Cultural Dimensions	<ul style="list-style-type: none"> <li>• Hofstede, G. &amp; Hofstede, G. J., <i>Organisationer och Kulturer</i>, (2005)</li> <li>• Hofstede, G., <i>Culture's Consequences</i>, (1984)</li> <li>• Derensky, H., <i>International Management</i>, (2006)</li> <li>• Johansson, J., <i>Global Marketing</i>, (2003)</li> </ul>
2.3.3 Trompenaars' Value Dimensions	<ul style="list-style-type: none"> <li>• Perlitz, M., <i>Internationales Management</i>, (2004)</li> <li>• Trompenaars, A. &amp; Hampden-Turner, C., <i>Riding the Waves of Culture</i>, (1998)</li> <li>• Johansson, <i>Global Marketing</i> (2003)</li> </ul>
2.3.4 Hall's High and Low Context	<ul style="list-style-type: none"> <li>• Hall, E. &amp; Hall, M., <i>Understanding Cultural Differences</i>, (1990)</li> <li>• Homburg, C. &amp; Krohmer, H., <i>Marketingmanagement</i>, (2006)</li> </ul>

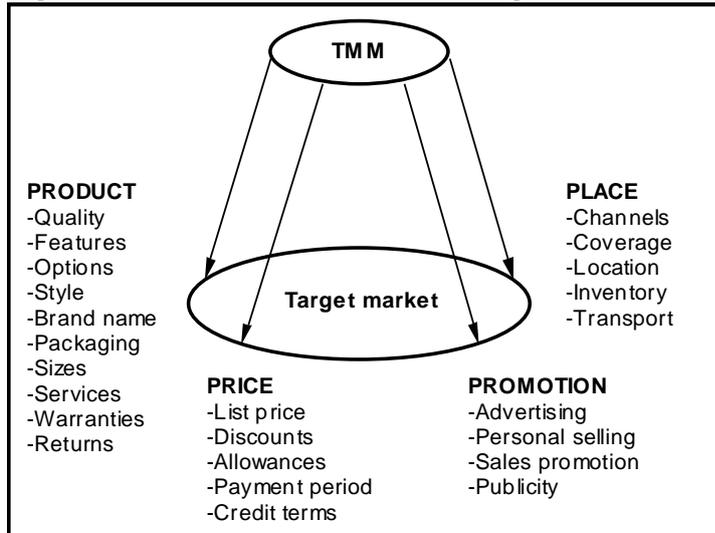
## 2.2 The Marketing Mix

The marketing mix is one of the most dominating ideas in modern marketing. It includes everything that a firm can do to influence the demand for its product. It is used to control and arrange companies' marketing actions in a tactical way in the subgroups: price, promotion, place and product.<sup>14</sup>

To be able to fully understand the issues of this thesis it is important to have a basic knowledge regarding the marketing mix and its components. An overview over its ingredients is presented in figure 2.1

<sup>14</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 34

**Figure 2.1 The Theoretical Marketing Mix**



**Source:** Molnár, J. & Nilsson Molnár M., *International Marketing, Negotiations and Business Deals*, (2003), p. 4

### 2.2.1 Price

The first P in the marketing mix represents the price. Kotler et al. define it in the following way:

*“The amount of money charged for a product or service, or the sum of the values that consumers exchange for the benefits of having or using the product or service.”<sup>15</sup>*

The price as a marketing mix tool includes factors like list price, discounts, allowance, payment period and credit terms to be able to reach to the target market.<sup>16</sup> It has to be coordinated with the rest of the marketing mix since the price is a strong signal. For example if positioning in the premium market the price also has to signal it. The price is also an indicator of the quality, which means that consumers tend to believe that the higher price the higher quality.<sup>17</sup> It differs with regard to the rest of the marketing mix, since it creates revenues whereas the others are about spending money.<sup>18</sup>

List price is the price without any discounts.<sup>19</sup> Discounts are a price reduction of the list price. Allowance is a deduction of the list price with a certain amount of money.<sup>20</sup> Payment period is the time until the invoice has to be paid. Credit terms are the conditions that the buying company needs to follow regarding a credit.

<sup>15</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 665

<sup>16</sup> Molnár, J. & Nilsson Molnár, M., *International Marketing, Negotiations and Business Deals*, (2003) p. 4

<sup>17</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 668

<sup>18</sup> Kotler, P., *Kotlers Marknadsföring*, (1999), p. 127

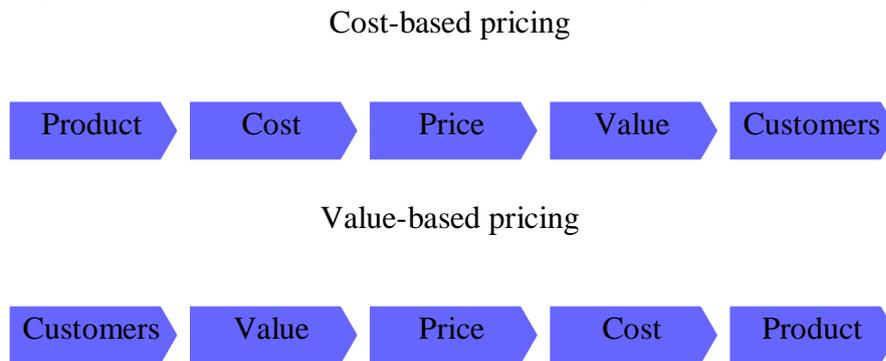
<sup>19</sup> Ibid, p. 128

<sup>20</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 693

The pricing decisions are affected by external environmental factors as well as internal company factors. Internal can be: marketing objectives, marketing mix strategies, costs and organization for pricing. External can be: nature of the market and demand, competition, other environmental factors such as economy, resellers and government.<sup>21</sup>

A company can apply different pricing strategies such as cost-based pricing, value-based pricing or competition-based pricing. In cost-based pricing, costs decide the lowest price producers should charge for the product. Production, distribution, selling and rate of return which all have to be covered by the price. This means that a company with lower costs can sell their products cheaper. This cost based pricing strategy is commonly used.<sup>22</sup> In value-based pricing, pricing occurs according to perceived value. This means that the company starts by setting a target price according to perceived value of the product for the customer and thereupon the rest of the product decisions such as product design, features and afforded costs etc. are derived from the price (See figure 2.2).<sup>23</sup> In competition-based pricing, the company sets the price with regard to competitors' similar products.<sup>24</sup>

**Figure 2.2 Cost-based and Value-based Pricing**



**Source:** Kotler, P. et al., *Principles of Marketing*, (2005), p. 684 (modified)

### 2.2.2 Product

The second P in the marketing mix stands for the product. The definition of product is according to Kotler et al. as follows:

*“Anything that can be offered to a market for attention, acquisition, use or consumption that might satisfy a want or a need. It includes physical objects, services, persons, places, organizations and ideas”<sup>25</sup>*

The product can be divided into three levels: core product, actual product and augmented product. Every level includes product mix tools (see below).

<sup>21</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 665

<sup>22</sup> Ibid, p. 670, 680

<sup>23</sup> Ibid, p. 683

<sup>24</sup> Ibid, p. 685

<sup>25</sup> Ibid, p. 539

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The *core product* includes the functional benefit of a product and it is seen as a collection of physiological-technical qualities. The buyer reaches satisfaction through the functional product qualities. This limited perspective is frequently used within the area of real assets where services are not considered as a product.<sup>26</sup>

The *actual product* additionally includes all attributes that deliver the core product benefits such as packaging, features, style, quality and brand name. Here there are also immaterial qualities considered.<sup>27</sup> In comparison to the core product, it also focuses on functional customer satisfaction, but in difference, the product can be completely immaterial.<sup>28</sup>

Packaging is how the product is packed in a container or wrapper. It gives possibilities such as designing packaging concepts stating what the package should be or do for the product.<sup>29</sup> Features are the extras that differentiate the product. Style is what the product looks like.<sup>30</sup> Quality is how well the product performs, what it promises.<sup>31</sup> Branding is the process of creating a link between the product and the brand. This has become so important that few products are unbranded today. Branding helps buyers in many ways, for example, it signals the quality. It also gives the supplier several advantages, for example makes it easier to process orders and track down problems, as well as adds value to consumers and society, for example signals information and help consumers to decide. The selection of a brand name is a difficult task and many factors need to be considered, it should represent the product and its benefits, fit into the target market and to the marketing strategies.<sup>32</sup>

The *augmented product* is the broadest way of perspective. It includes additional consumer services and benefits built around the core and actual product such as installation service, after-sale service and repair, warranty service, delivery service, and credit and financing service.<sup>33</sup>

### 2.2.3 Promotion

The third P in the marketing mix introduces promotion. Kotler et al.'s definition of promotion is:

*“Activities that communicate the product or service and its merits to target customers and persuade them to buy.”*<sup>34</sup>

For a company to succeed it isn't enough with just a good product, it needs to communicate the product in a way that builds and maintains relationships. If the company is not visible, it does not exist. Hence, communication is one of the most important tasks for a company.<sup>35</sup> The

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<sup>26</sup> Homburg, C. & Krohmer, H., *Marketingmanagement*, (2006), p. 563

<sup>27</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 539

<sup>28</sup> Homburg, C., & Krohmer, H., *Marketingmanagement*, (2006), p. 563

<sup>29</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 550

<sup>30</sup> Ibid, p. 546f

<sup>31</sup> Ibid, p. 546

<sup>32</sup> Ibid, p. 549, 560

<sup>33</sup> Ibid, p. 540, 552

<sup>34</sup> Ibid, p. 34

<sup>35</sup> Mårtensson, R., *Marknadskommunikation. Kunden. Varumärket. Lönsamheten.*, (2008), p. 14

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promotion mix contains advertising, personal selling, sales promotion, public relations and direct marketing. Advertising is explained by everything that a company pays for in the purpose of promoting and presenting something. It cannot be personal. Personal selling is described by when the purpose is to build customer relationships and make sales by having a sales force. Sales promotion means every short-term action that a company takes in the purpose of getting higher sales. Public relations deal with building public relationships as well as image mostly through publicity. Direct marketing is described as the direct way of connecting customers such as telephone, email, mail and the internet.<sup>36</sup>

Not only the tools in the promotion mix communicate the message, but also the rest of the marketing mix such as product design, channels and price, which is why it is very important coordinate the entire marketing mix.<sup>37</sup>

#### **2.2.4 Place**

Finally the last P in the original marketing mix represents the place. Kotler et al. define place as:

*“All the company activities that can make the product or service available to target customers.”<sup>38</sup>*

The place mix includes tools like distribution channels, coverage, assortments, locations, inventory and transports. A company can either sell its product on its own or it let someone else do it. This means that for a company to succeed the entire marketing channel needs to be successive and competitive. The choice of distribution channel is one of the most important decisions that a company makes since it is the link, where the product is sold, between the company and the target market. It also affects every other marketing decision such as pricing for example if using mass merchandisers or high-quality specialty stores.<sup>39</sup>

Coverage refers to, to what extent the market is covered, it can be geographically as well as in what kind of stores the product is sold, for example luxury stores or budget. Assortment is defined as the selection of products. Location is defined as where the product can be bought. Inventory includes how the store is furnished.<sup>40</sup> Transport is defined as how the product gets transported to the store.<sup>41</sup>

#### **2.2.5 Extended Marketing Mix**

However, there have been attempts to extend the original marketing mix with more Ps. Kotler introduced another two Ps in respectively, 1984 and 1986 standing for power and public relations. He recognized the need of power and public relations due to the need of satisfying other parties such as governments, trade unions, and other interest groups than the target

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<sup>36</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 719

<sup>37</sup> Ibid, p. 720

<sup>38</sup> Ibid, p. 34

<sup>39</sup> Ibid, p. 858

<sup>40</sup> Ibid, p. 885

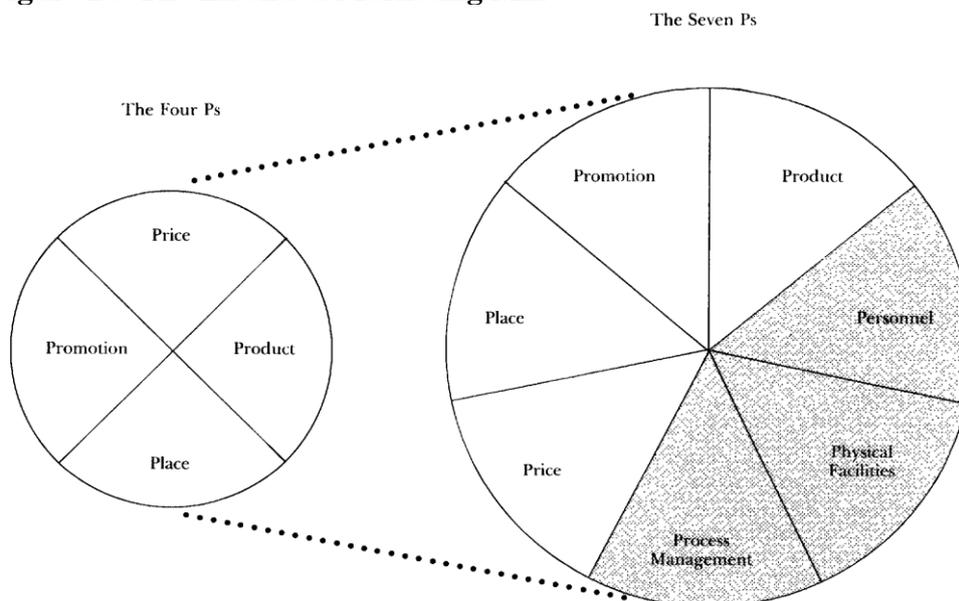
<sup>41</sup> Ibid, p. 886

market. This need comes from increasing competition leading the companies to internationalize. According to this extended view, previous uncontrollable external factors like political environment are no longer regarded but need to be handled like the rest of the marketing mix.<sup>42</sup>

Furthermore, Magrath has defined another three Ps: personnel, physical facilities, and process management applying to service business (See figure 2.3). They are important tools when making a tactical marketing plan for service businesses.<sup>43</sup>

*“When service businesses try to develop marketing and tactical programs around the four Ps, one of the fundamental difficulty they encounter is making the four Ps fit the nature of their operations. The four Ps ignore important service marketing realities: namely personnel, physical facilities, and process management. These three Ps are interconnected and represent vital marketing elements in the management of service business”<sup>44</sup>*

**Figure 2.3 The Extended Marketing Mix**



**Source:** Magrath, A. J., *When Marketing Services 4p are Not Enough*, (1986), p. 45

Personnel are a very important factor when creating and delivering a service since customers identify and associate the firm with them. Physical facilities facilitate the performance of the delivery of the service. Customers enjoy the service but in order to make it possible the company needs their physical assets. Process management is needed to assure service availability and consistent quality. Since services are intangible and not possible to store it is crucial that the process management is working well.<sup>45</sup>

<sup>42</sup> Pheng Low, S. & Tan, M. A., *Convergence of Western Marketing Mix Concepts and Oriental Strategic Thinking*, (1995), p. 40

<sup>43</sup> Magrath, A. J., *When Marketing Services 4p are Not Enough*, (1986), p. 48

<sup>44</sup> *Ibid*, p. 47

<sup>45</sup> *Ibid*, p. 48

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### 2.2.6 Standardization versus Adaptation of the Traditional Marketing Mix

On a global basis, a company has to choose between a standardized marketing mix and an adapted marketing mix. This means that for every aspect price, product, promotion and place the company has to choose between standardization and adaptation. A standardized mix means that the company uses the same marketing mix in all the company's markets. An adapted marketing mix means that the company adjusts the marketing mix with regard to the market where it acts. This method carries more costs but may also lead to higher return due to the customization.<sup>46</sup>

There are many factors to be included when deciding whether to standardize or not. Those are the market, external environment, the product, cost and other financial factors, and the corporate environment. The target markets need to be similar to make standardization successful. Reasons for standardization in the marketing mix are for example economies of scales in different areas, lower costs in different areas, less complex administration and less complex organization.<sup>47</sup>

The ability of standardization of the product matters whether it is a consumer-, industrial product or service. For example, industrial products are often more appropriate for standardization.<sup>48</sup> Industrial products are less influenced by cultural values such as language, attitudes, religion and social roles.<sup>49</sup>

There are four different levels of standardization of the marketing mix<sup>50</sup> (see figure 2.4). The more standardized marketing mix the more economies of scales, lower costs, and less complexity. Marketers are often most determined about standardizing the basic product, since it means most advantages.<sup>51</sup>

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<sup>46</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 229

<sup>47</sup> Molnár, J. & Nilsson Molnár, M., *International Marketing, Negotiations and Business Deals*, (2003), p. 50

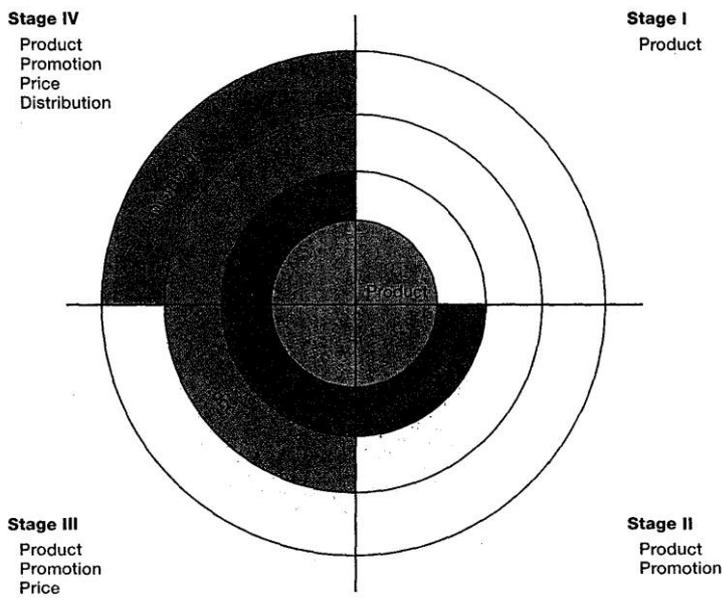
<sup>48</sup> Dahringer, L. & Mühlbacher, H., *International Marketing: A Global Perspective*, (1991), p. 40

<sup>49</sup> Cundiff, E. & Hilger, M., *Marketing in the International Environment*, (1984), p. 278

<sup>50</sup> Dahringer, L. & Mühlbacher, H., *International Marketing: A Global Perspective*, (1991), p. 39

<sup>51</sup> Cundiff, E., & Hilger, M., *Marketing in the International Environment*, (1984), p. 246

**Figure 2.4 Stages of Marketing Mix Standardization**



**Source:** Dahringer, L. & Mühlbacher, H., *International Marketing: A Global Perspective*, (1991), p. 39

### **Standardized or Adapted Price**

When a company exists in more than one country, it needs to decide whether it should have the same pricing mix as in the home country or if it should apply adapted pricing mix. Most companies adjust their prices according to local pricing levels and costs, but there may be other reasons for adapted prices such as competitive factors, economic conditions, regulations and laws, development of the retailing and wholesaling system and differences in consumer perceptions and preferences. Other reasons can be due to different marketing objectives.<sup>52</sup>

Recently, development that leads to changes such as the internet has occurred making standardized prices more desirable, where it is possible to buy products from other areas as well as compare prices. Beyond internet, the change to a single currency within EMU has made it more difficult to differentiate prices within the Euro-zone.<sup>53</sup>

### **Standardized or Adapted Product**

In the product context, the company needs to decide whether to alter the product itself for different markets or to standardize the product. Being standardized means having a consistent image as well as lower manufacturing costs. It also decreases work with research and development, advertising and product design, since it only has to be done once. However, standardizations occur at the expense of adaptation. Consumers differ in their attitudes, cultures, and buying behavior and markets differ in their competition, economic conditions, physical environments and legal requirements, which means that companies sometimes have

<sup>52</sup> Kotler, P. et al., *Principles of Marketing* (2005), p. 701

<sup>53</sup> Ibid, p. 238

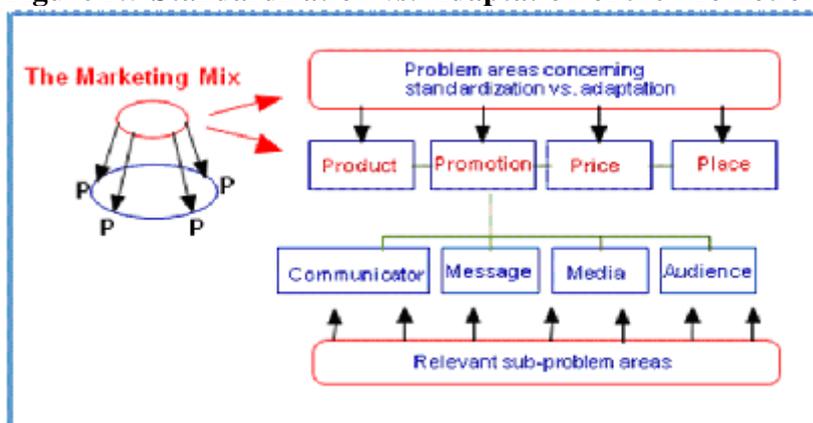
to adapt their product offerings. For example, names, labels and colors can have different meanings or consumers may prefer different packages. Another example is that Europeans like functional, efficient, recyclable and understated boxes, in comparison to Japanese that have completely different values. There may also be a need of changing the label contents due to different information needs or difficulties understanding the used language.<sup>54</sup> Different markets can also have different preferences with regard to product size or durability.<sup>55</sup>

### Standardized or Adapted Promotion

A choice between standardization and adaptation exists also within the promotion mix. It is extra important to consider the fact of cultural diversity in this context. Cultural differences such as traditions, beliefs, language, music, values and lifestyles affect the choice of promotion mix and how it is done. Hence, brand managers tend to believe that it is hard to standardize the promotion mix.<sup>56</sup>

Many companies have made mistakes by not understanding meanings when translating slogans or other communication into the language of the target market, implying it is important to use a native speaker of the target market when adapting to its language.<sup>57</sup> Beyond translation problems, the promotion message can have problems such as low education level with regard to the product of the consumer. If the target market is large and complex with many forms and alternatives of media, this means it can be hard choosing the right media addressing the positioned audience.<sup>58</sup> It is also important that the communicator understands the local culture<sup>59</sup> (See figure 2.5).

**Figure 2.5 Standardization vs. Adaptation of the Promotion Mix**



**Source:** Molnár, J. & Nilsson Molnár, M., *International Marketing, Negotiations and Business Deals*, (2003), p. 50 (modified)

More and more international marketers make use of cultural models to understand the cultural values of the target market that influences the negotiation behavior, in order to adapt selling

<sup>54</sup> Kotler, P. et al., *Principles of Marketing* (2005), p. 569

<sup>55</sup> Cundiff, E., & Hilger, M., *Marketing in the International Environment*, (1984), p. 252

<sup>56</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 780

<sup>57</sup> Cundiff, E. & Hilger, M., *Marketing in the International Environment*, (1984), p. 111

<sup>58</sup> Ibid, p. 330

<sup>59</sup> Ibid, p. 336

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styles and create as good personal selling as possible.<sup>60</sup> However, it isn't appropriate to adapt to all cultural norms of the target market, for example if being Christian it isn't appropriate to adapt to the religion of a Muslim target market participating in a Muslim prayer. The marketer must find out which norms to follow and which not to follow, by having a good knowledge of the target market.<sup>61</sup>

### **Standardized or Adapted Place**

Designing international distribution channels can be a difficult task since each country has its own distribution system in different development stages. This means that companies often need to adapt to the existing structures. It is a challenging task designing efficient and effective channel systems between various countries.<sup>62</sup> All countries have different types of intermediaries and the number of them varies. The retailers also differ, but with regard to size and character, being independent or large-scale retail chains. For the exporting company this means they are required to find out the applied channel system in the target market in order to build a successful distribution system.<sup>63</sup>

## **2.3 Culture Theories**

To gain knowledge of culture we have studied different culture theories that we present in the following. The selected theories are of importance within international marketing theory. We have chosen a diversity of models starting with Terpstra's culture model, Hofstede's cultural dimensions, Trompenaars' value dimensions and finally Hall's culture model regarding high and low context.

### **2.3.1 Terpstra's Culture Model**

Terpstra has constituted a wide culture model of great importance to marketing theory. He defines culture as:

*"(..) the man-made part of our environment, or the distinctive way of life of a people. Culture is not biologically transmitted; any given culture, or a way of life is learned behavior which depends on the environment and not on the heredity."*<sup>64</sup>

To understand an unfamiliar culture it is important to study its features and dimensions. Terpstra has organized cultural dimensions into eight key areas; language, religion, values and attitudes, education, social organization, technology and material culture, politics and law (See figure 2.6). An analysis of those key areas can lead to an understanding of how the culture can impact the company's business activities in a new country and culture and how they should form their marketing activities.

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<sup>60</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 826

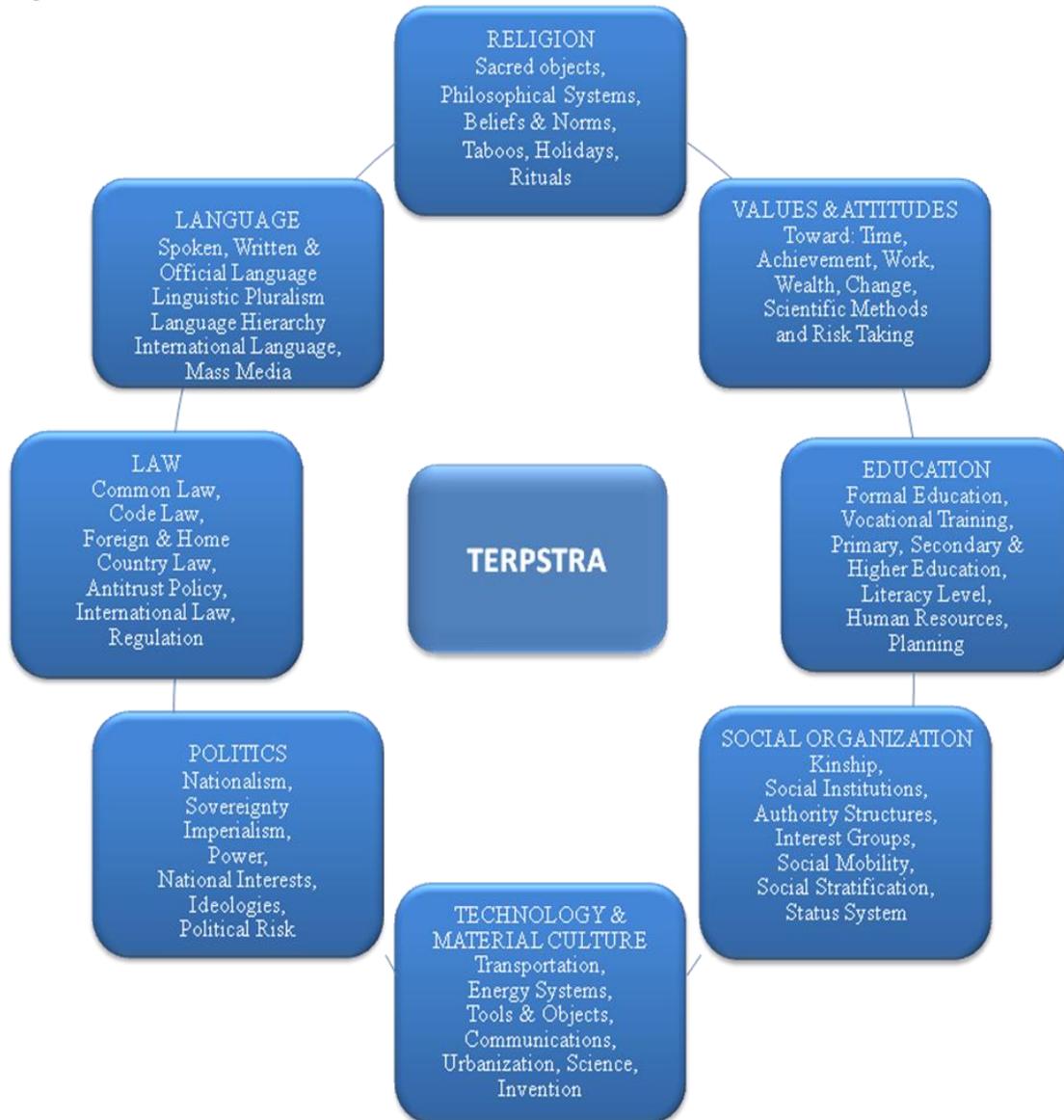
<sup>61</sup> Cundiff, E. & Hilger, M., *Marketing in the International Environment*, (1984), p. 102

<sup>62</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 882

<sup>63</sup> Ibid, p. 239

<sup>64</sup> Terpstra, V., *International Marketing*, (1987), p. 87

**Figure 2.6 The Cultural Environment In International Business.**



**Source:** Ricks, D.A., *Big Business Blunders*, (1983), p. 12 (modified)

The eight dimensions of culture are described further in the following sections.

### Language

The language is the first cultural difference between two countries that gets noticed when arriving in a new country. It reflects values and the nature of the society. By learning the language, a person gets familiar to a part of the new culture and the unique characteristics of the language. There are two ways of communicating, verbal and non-verbal. The spoken language (verbal) is the most important and the fastest changing part of the language. Both the verbal and the nonverbal language differ widely between countries and cultures.<sup>65</sup> The differences in non-verbal communications and the importance of the subject is researched and explained by Hall. This subject will be further described in the chapter 2.3.4

<sup>65</sup> Czinkota, M. R. & Ronkainen, I. A., *International Marketing*, (2004), p. 59f

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An industrialized country has a very rich vocabulary within for example technology and business, while a developing country has a rather poor vocabulary until new technology is presented to them. Each language has its own special areas and words (Eskimo language for example has many different words for snow while English only offers one) where there are no good translations into other languages.<sup>66</sup>

In a few countries, there is more than one spoken language and to solve or ease an eventual communication problem, a lingua franca has been developed. One example is Canada with its French and English language, although Canada is one country, there are at least two cultures within the country with its own attitudes and social values. Languages can cause severe difficulties within international business, but by knowing more than one language, a bridge can be created to ease some of those difficulties.<sup>67</sup>

When launching a product in a new country and culture, the company has to be aware of the meaning of its brand name in different languages. There are many pitfalls companies have fallen into, for not having sufficient knowledge about its brand name and meaning in different languages. Good examples for this phenomenon are the refreshing drinks “Pocari Sweat” or “Zit”. No English speaking person would like to buy a drink associated with sweat. Knowledge about the new language is therefore an obligation before marketing a new product.<sup>68</sup>

## **Religion**

Terpstra’s next dimension of culture is the religion of a country. To fully understand a culture one needs to learn and understand the internal, psychic or mental behavior that drives an individual to a certain action. The religion together with its beliefs and attitudes gives the best information and understanding about a culture. By increasing the cultural understanding, the risk of business failure declines.<sup>69</sup>

This knowledge is very vital since it affects a number of areas, for example, mores, the religious holidays, consumption patterns (taboos or requirements), the economic role of women and the cast or status systems. Religious holidays vary and within international marketing, it is important to be aware of when and where they occur. In addition, consumption patterns vary widely due to mores. Muslims for example are not allowed to drink alcohol or to eat pork and products seen as deceptive are not allowed.<sup>70</sup> In some religions, it is an obligation to follow religious requirements, in others a recommendation. A religion or the church can, if they have a major role in the society delay or even block a product or service if they believe it might be a thread to the society. On the other hand, the religious leaders can also ease an introduction of a product by welcoming it. In countries with

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<sup>66</sup> Terpstra, V., *International Marketing*, (1987), p. 94f

<sup>67</sup> Ibid, p. 97f

<sup>68</sup> Kotler, P. et al., *Principles of Marketing*, (2005), p. 560f

<sup>69</sup> Terpstra, V., *International Marketing*, (1987), p. 103

<sup>70</sup> Usunier, J-C., *Marketing Across Cultures*, (2000), p. 469

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more than one religion, it might be necessary to adjust marketing actions to holidays and consumption patterns.<sup>71</sup>

### **Values and Attitudes**

Another important cultural dimension is according to Terpstra values and attitudes. A person's behavior is often based on values and attitudes. Our values guide us in life and help us take decisions and to separate right from wrong. They also set our priorities of what we wish to achieve in life. When marketing new products a company has to understand its markets and the attitudes of the buyers in order to form proper advertisements. The attitudes towards a few subjects and how they affect us are presented here.

The *attitude towards marketing activities* varies widely in the world. In societies with high disapproval against marketing, marketing tends to be an underdeveloped area and it is not seen as attractive to work within marketing. It is, however, well accepted in the United States and in Western countries to work within marketing. This has brought them to a leading marketing position and a comparative advantage within marketing for western products.

Within the Hindu or Buddhist countries, the ideal is a wish for nirvana or "wantlessness" and the attitude towards wealth and material gain is relatively negative, whereas in Western countries materialism and a very positive *attitude towards wealth and acquisition* exists.

In tradition oriented societies, the *attitudes towards change* are very conservative and they are revering their ancestors and their behavior. In those countries a new product would be marketed as an already known, but with modifications, but in western countries where change is favored and the word "new" is seen as positive, a launch of a product becomes an event and the new features are stressed.

The biggest cultural difference is the *attitude towards time*. In western countries (Europe and the United States), time is money and it should be spent carefully and efficiently. In eastern countries (Asia), time exists and will always exist. Their time perspective is longer and much more relaxed as they believe in reincarnation. Life after death does not end but start again.

The attitudes discussed above are all influencing consumer behavior in different ways and knowledge about those areas is vital when developing marketing programs.<sup>72</sup>

### **Education**

After language and religion, education comes as the next cultural dimension according to Terpstra. He has defined it as follows:

*"Education includes the process of transmitting skills, ideas, and attitudes, as well as training in particular disciplines. Even primitive peoples have been educated in*

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<sup>71</sup> Terpstra, V., *International Marketing*, (1987), p. 109

<sup>72</sup> *Ibid*, p. 112

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*this broader sense. For example, the Bushmen of South Africa are well educated in the restricted culture in which they live.*"<sup>73</sup>

Education is not only what is learned in school, but also what an individual learns from his or her surroundings. The surroundings can be family, friends, an area in which a person lives, school and work. They all transmit a culture which forms an individual. Since the skill and educational level differs widely from country to country, it is important to modify the information according to its recipients. For a market that is used to use a certain product, a detailed manual is not necessary or wished, whereas in new markets or when the product category is new as well as when there is a high rate of illiteracy, a descriptive manual is crucial for understanding how the product works.<sup>74</sup>

### **Social Organization**

Furthermore, Terpstra has identified social organization as an important cultural dimension. His definition of social organization is:

*"Social organizations refers to the way people relate to other people"*<sup>75</sup>

Social organizations can be family or social groups depending on geography, education, age and or status. In North America, a family is defined as mother, father and unmarried children; in less developed countries on the contrary a family includes grandparents, cousins, uncles and aunts. The family is in the latter case of great importance since they provide protection, psychological support, and a kind of economic insurance. Although family is still very important in developed countries, the importance declines with time and economic development. A social group can consist of a territory, the neighborhood or the city in developed countries and in developing countries the tribal grouping; it can also be an interest group or association.<sup>76</sup>

To create a successful segmentation a company has to consider the culture's features, how the social organization is built and how it affects its marketing actions.

### **Technology and Material Culture**

Terpstra also introduces technology and material culture as a cultural dimension. According to him it can be defined as follows:

*"The tools, artifacts, and technology of a society are its material culture. Material culture involves techniques and physical things, but only those made by man, as opposed to those found in nature"*<sup>77</sup>

To exemplify, a Christmas tree is a part of culture although a tree is not. Material culture is how people prioritize their living, meaning what they prioritize to spend their money on.

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<sup>73</sup> Terpstra, V., *International Marketing*, (1987), p.100

<sup>74</sup> Ibid, p. 102

<sup>75</sup> Ibid, p. 112

<sup>76</sup> Ibid, p. 102

<sup>77</sup> Ibid, p. 88f

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The material culture is related to how the society organizes and implements different activities. When one categorizes, it is often made within standards of living, privately but also business related. The business related ones can be exemplified with which technological standards the companies have.

### **Politics**

Another significant cultural dimension is concerned with politics. Terpstra's definition of the political environment is as follows:

*“The political environment of international marketing includes any national or international political factor that affects its operations or its decision making”*<sup>78</sup>

The political environment is affecting the companies' national but also international actions. The political climate depends on the power of the government and its role in the society. It depends on the political ideology, on the international relations and on the relationship between the business world and the authorities. The political risk can be measured and looked into with help from the BERI Index – “Business Environment Risk Intelligence” index.

### **Law**

Terpstra's last major cultural dimension is law. The laws in a country are forming the rules of the game, which is how a company behaves and what they are allowed to do. They set product standards, control ingredients and safety of the products. Within international business, there are three dimensions that are necessary to be considered: The laws of the exporting countries, the international legislation and the laws of the importing country. International law is defined as:

*“(...) the collection of treaties, conventions and agreements between nations which have, more or less, the force of law.”*<sup>79</sup>

#### **2.3.2 Hofstede's Cultural Dimensions**

Hofstede has been researching the impact of cultures within business and international marketing. He has identified four cultural dimensions, which describe how individuals in each culture behave and what business people have to consider and understand before they do business with another country and culture.

The four cultural dimensions are power distance, individualism, masculinity and uncertainty avoidance and they are described further in the following text. A fifth dimension, long-termism has later been introduced by Hofstede. This dimension will not be described further here, but under Trompenaars' “Attitudes toward Time”

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<sup>78</sup> Terpstra, V., *International Marketing*, (1987), p. 119

<sup>79</sup> *Ibid*, p. 131

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## Power distance index

The first dimension that defines cultural differences according to Hofstede is power distance. It is according to Hofstede defined as following:

*“Power distance is a measure of the interpersonal power or influence between B (The Boss) and S (The Subordinate) as perceived by the least powerful of the two, S.”<sup>80</sup>*

This means how accepting the society is: that there is an unequal distribution of power within institutions. Inequality can be found within a few different areas such as between sexes, social status, prestige, wealth and power, but the degree of inequality differs.<sup>81</sup> At work, hierarchy and inequalities are found in every relationship, e.g. boss – employee. In cultures with high power distance (Malaysia, Mexico and India), the employees accept inequalities and respect the different positions in the hierarchy. In cultures/countries with low power distance (Israel, Austria and Denmark), the employees see their boss as equal, and cooperate instead of only taking order.<sup>82</sup>

## Uncertainty avoidance

Hofstede’s next dimension that defines culture is concerned with uncertainty avoidance. It is described by Hofstede as follows:

*“Uncertainty about the future is a basic fact of human life with which we try to cope through the domains of technology, law and religion. In organizations, these take the form of technology, rules and rituals”<sup>83</sup>*

The uncertainty avoidance index comprises three factors: rule orientation, employment stability and stress. In each culture the results of the values differ which gives each culture its own features. In cultures with a high level of uncertainty avoidance, for example Germany, Greece, Japan and France, people try to protect themselves with laws or company rules which they tend to follow in each situation.<sup>84</sup> Their achievement ambitions are likely to be low as is the belief in individual advancement. At the same time, there is a higher anxiety level, more worry about the future and higher job stress.<sup>85</sup> In countries with low uncertainty avoidance (Sweden, United Kingdom and Singapore), company activities are less formal and structured, managers take greater risk and job mobility is high.<sup>86</sup>

## Individualism

The third cultural dimension according to Hofstede is named individualism. It is by Hofstede described as:

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<sup>80</sup> Hofstede, G., *Culture’s Consequences*, (1984), p. 70f

<sup>81</sup> Ibid, p. 65f

<sup>82</sup> Derensky, H., *International Management*, (2006), p. 95f

<sup>83</sup> Hofstede, G., *Culture’s Consequences*, (1984), p. 110

<sup>84</sup> Ibid, p. 110

<sup>85</sup> Ibid, p. 132f

<sup>86</sup> Ibid, p. 140f

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*“(...) the relationship between the individual and the collectivity which prevails in a given society. It is reflected in the way people live together, nuclear families, extended families, or tribes”<sup>87</sup>*

Individualistic behavior refers to when the individuals have an “I” consciousness, are self-oriented, are taking care of themselves (knowing they have to) and act individually. The opposite – collectivism – is if they act as a group, setting the best of the group before the individual. Hofstede's findings indicate that individualistic countries are often wealthy with balanced power structure. Typical individualistic countries are United States, United Kingdom and Australia and typical collectivistic countries are Pakistan, China and Singapore.

Individualism is found both in society and in organizations. In society, individualism can be found in the core family and collectivism in the extended family where grandparents and cousins are included.

### **Masculinity**

Hofstede's next dimension that describes cultural differences regards masculinity. He defines masculinity as:

*“The duality of the sexes is a fundamental fact with which different societies cope in different ways; the issue is whether the biological differences between the sexes should or should not have implications for their roles in social activities (...) The predominant socialization pattern is for men to be more assertive and for women to be more nurturing.”<sup>88</sup>*

This refers to the traditional values: assertiveness, materialism and a lack of concern for others.<sup>89</sup> In masculine societies, there is a strong achievement motivation, money and materialism are important<sup>90</sup>, and to have a career is seen as necessary to be successful (live to work)<sup>91</sup>. Typical masculine countries are Japan, Mexico and Germany. In feminine societies work is less central (work to live), employees prefer shorter working days before a raise of salary and there is a belief in equality<sup>92</sup>. Countries that are seen as feminine are Norway, Sweden and Switzerland.<sup>93</sup>

### **2.3.3 Trompenaars' Value Dimensions**

Trompenaars' value dimensions have been compared with the work of Hofstede. His cultural studies are very important within international marketing as well as within international management.<sup>94</sup> According to Trompenaars', culture can be compared to an onion (see Figure 2.7). What you see at first is only one layer. To truly understand a culture you have to unpeel

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<sup>87</sup> Hofstede, G., *Culture's Consequences*, (1984), p. 148

<sup>88</sup> Ibid, p. 176

<sup>89</sup> Johansson, J., *Global Marketing*, (2003), p. 70f

<sup>90</sup> Hofstede, G., *Culture's Consequences*, (1984), p. 200

<sup>91</sup> Ibid, p. 205

<sup>92</sup> Ibid, p. 200

<sup>93</sup> Derensky, H., *International Management*, (2006), p. 95f

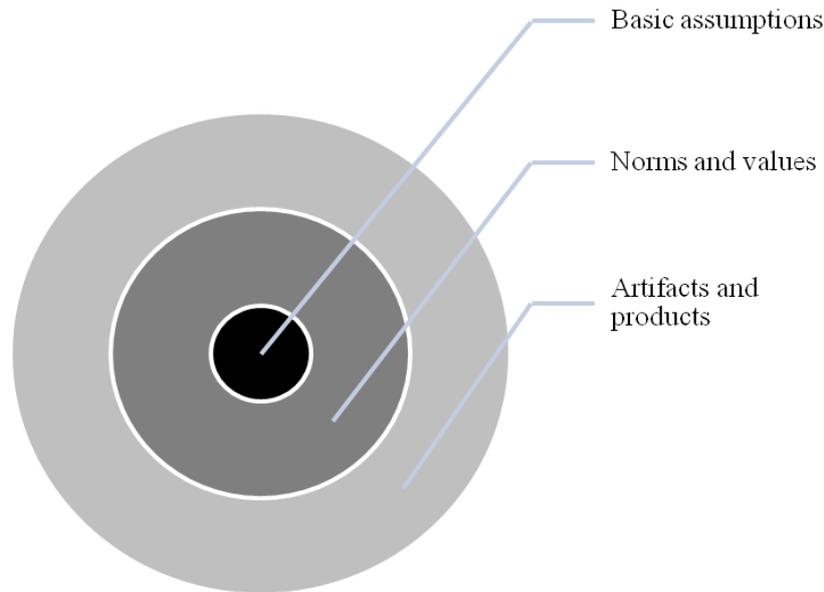
<sup>94</sup> Perlitz, M., *Internationales Management*, (2005), p. 252f

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the onion, layer by layer.<sup>95</sup> Trompenaars' work comprises seven value dimensions, universalism versus particularism, individualism versus communitarianism, neutral versus emotional, specific versus diffuse, achievement versus ascription, attitudes towards time, and attitudes towards the environment, which are described briefly in the following pages.

**Figure 2.7 The Manifestations of Culture – The Cultural Onion**



Source: Trompenaars, F., *Riding the Waves of Culture*, (1998), p. 22 (modified)

### **Universalism versus Particularism**

One of Trompenaars' value dimensions that describes culture measures human behavior in the frame of universalism versus particularism. The universalistic person always tries to do the right thing, not depending on the situation.<sup>96</sup> The particularistic person always fits his action to the situation. Each circumstance is valued and afterwards a decision is taken. Cultures with typical universalistic point of views are the United States, Sweden and Germany while Russia, China and Venezuela are particularistic countries. Typical universalistic characteristics are to focus more on rules than on relationships, a deal is a deal. Legal contracts are drawn up clearly, and a trustworthy person is someone who honors the contract and what has been said.<sup>97</sup>

### **Individualism versus Communitarianism**

Trompenaars' second value dimension that describes culture deals with human individualism versus communitarianism. Individualism can be explained as when the individual identifies himself as an individual putting himself in the first room. Communitarianism can be described

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<sup>95</sup> Trompenaars, A. & Hampden-Turner, C., *Riding the Waves of Culture*, (1998), p. 6

<sup>96</sup> Johansson, J., *Global Marketing*, (2003), p. 79

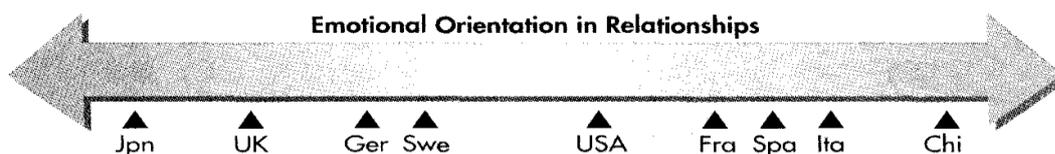
<sup>97</sup> Trompenaars, A. & Hampden-Turner, C., *Riding the Waves of Culture*, (1998), p. 48

by when individuals see themselves as parts of a bigger group. Typical individualistic countries are the United States, Romania, the Czech Republic, Nigeria or Israel and typical communitarian countries are Japan, India, Egypt or Mexico.<sup>98</sup> This dimension can be directly compared to Hofstede's individualism versus collectivism<sup>99</sup>

### Neutral versus Emotional

Trompenaars' third dimension that deals with cultural behavior concerns neutral versus emotional behavior. Business people within the neutral dimension do not speak about or show emotions, they see business as only business without emotional involvement<sup>100</sup>. The countries are graded to what extent they are neutral or emotional within relationships (See figure 2.8).

**Figure 2.8 Emotional Orientation in Relationship – Neutral versus Emotional**



**Source:** Derensky, H., *International Management*, (2006), p. 97 (modified)

Among the neutral countries are the United Kingdom and Japan. In the emotional countries, (southern Europe and Latin America<sup>101</sup>) emotions are well accepted and showing them is not unusual or seen as strange. It is rather seen as a natural part of the business process.<sup>102</sup>

### Specific versus Diffuse

Trompenaars has also identified specific versus diffuse behavior as an important cultural dimension. He describes it as follows:

*“The degree to which we engage others in specific areas of life and single levels of personality, or diffusely in multiple areas of our lives and at several levels at the same time”<sup>103</sup>*

Societies can be categorized by their degree of involvement in relationships. At the one extreme stand specific relationships. In specific relations, everything is about doing business. The potential contract is driving the relationship putting modest weight into relationships and the focus lies on optimizing.<sup>104</sup> Typical features for the specific relationship are directness, that they are controversial, they separate work and private life and are seen as open-minded.

<sup>98</sup> Perlitz, M., *Internationales Management*, (2004), p. 253

<sup>99</sup> Johansson, J., *Global Marketing*, (2003), p. 79

<sup>100</sup> Ibid, p. 79

<sup>101</sup> Perlitz, M., *Internationales Management*, (2004), p. 253

<sup>102</sup> Trompenaars, A. & Hampden-Turner, C., *Riding the Waves of Culture*, (1998), p. 8

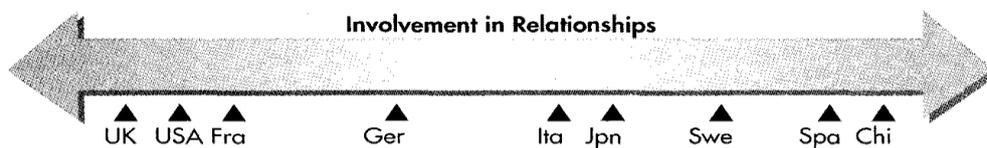
<sup>103</sup> Ibid, p. 81

<sup>104</sup> Ibid, p. 9

The private sphere is small and specific persons are very open and open-minded to new people and experiences.

At the other extreme lies the diffuse relationship, here doing business is much more than just a contract. Relationships between the partners are highly valued and higher prioritized than the actual contract. Private life and business are interacting with each other during the business process.<sup>105</sup> Within diffuse relationships the private sphere is large, and it takes time to get to know someone, but when entering the private sphere a close relationship is bonded. People can be described as indirect and introvert, they avoid direct confrontation and link private and work life. In many diffuse countries, a good private relationship is required before the business relationship can continue.<sup>106</sup> Typical specific cultures are Western Europe or the United States and typical diffuse countries are China, Indonesia or South American countries (See figure 2.9).<sup>107</sup>

**Figure 2.9 Involvement in Relationship – Specific versus Diffuse**



**Source:** Derensky H., *International Management*, (2006) p. 97 (modified)

### **Achievement versus Ascription**

Trompenaars' dimension about achievement versus ascription illustrates how someone is judged. Is it depending on recent performance (achievement), or on family, age, gender, or on connections (ascription)?<sup>108</sup> A typical ascription country where status is important is the United States. Countries like Germany, Italy or Russia appertain to the achievement cultures.<sup>109</sup> To illustrate the differences, ascription would be "Where you have studied" and achievement would be "What you have studied".<sup>110</sup>

### **Attitudes towards Time**

Moreover, Trompenaars has identified attitudes towards time as a significant cultural dimension. Different cultures have different perspectives towards time. In some cultures the past and its activities or achievements are higher valued than those of today or future plans. In those cultures, time is thought of as a circular process without any beginning or ending, for example India, and the Arab countries. In other cultures, the future plans and where someone is today is the only important matter. Here time is of greater importance as it is seen as a

<sup>105</sup> Perlitiz, M., *Internationales Management*, (2004), p. 253

<sup>106</sup> Trompenaars, A. & Hampden-Turner, C., *Riding the Waves of Culture*, (1998), p. 9

<sup>107</sup> Perlitiz, M., *Internationales Management*, (2004), p. 253

<sup>108</sup> Johansson, J., *Global Marketing*, (2003), p. 79

<sup>109</sup> Perlitiz, M., *Internationales Management*, (2004), p. 253

<sup>110</sup> Trompenaars, A. & Hampden-Turner, C., *Riding the Waves of Culture*, (1998), p. 9

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linear process, with a distinct beginning and end. Typical linear countries are the United States, Holland and Sweden.<sup>111</sup>

### **Attitudes towards the Environment**

Trompenaars' last dimension that describes culture is attitudes towards the environment. Does the environment affect me or do I affect the environment? In eastern cultures, the people have great respect for others not wishing to affect others in any way. In western cultures, the people do not wish to be affected by the environment. This is illustrated by the "Sony Walkman" Eastern countries uses it to not disturb others, while western countries do not wish to be disturbed by others.<sup>112</sup>

#### **2.3.4 Hall's High and Low Context**

The (social) anthropologist Hall has presented a model of culture that compares cultures on a scale from high to low context.<sup>113</sup> Context means the surrounding information of an event. Together the event and the context create meaning, where the relation between the event and context depends on culture. Hall presents the following definition:

*"A high context (HC) communication or message is one in which most of the information is already in the person, while very little is in the coded, explicit, transmitted part of the message. A low context (LC) communication is just the opposite; i.e., the mass of the information is vested in the explicit code."*<sup>114</sup>

This means that in high context countries non-verbal message is much more important than verbal. The message can be found in the behavior, tone of voice, facial expressions and gestures. Examples of high context countries are Asian countries. In low context cultures, the intentions lie in the spoken verbal message.<sup>115</sup> Examples of low context countries are United States, Germany and Scandinavian countries.

The difference of high and low context countries and their needs of information affect every relationship between the countries. This creates problems for example when low context countries trade with high context countries. People in high context countries tend to get irritated if getting information they don't need. At the same time low context countries get irritated when getting to little information.<sup>116</sup>

### **2.4 Discussion: Frame of Reference**

In this section, we summarize and discuss the above presented theories starting with the marketing mix and finishing with the cultural models. Based on gained knowledge, we define culture and choose appropriate factors according to the subject of the thesis to include in the research model.

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<sup>111</sup> Trompenaars, A. & Hampden-Turner, C., *Riding the Waves of Culture*, (1998), p. 10

<sup>112</sup> Ibid, p.10

<sup>113</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 6

<sup>114</sup> Ibid, p. 6

<sup>115</sup> Homburg, C. & Krohmer, H., *Marketingmanagement*, (2006), p. 1095

<sup>116</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 9

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### **2.4.1 The Marketing Mix**

The marketing mix is widely known and applied. However, there is more to the marketing mix than just the traditional four Ps, such as Kotler's two Ps and Magrath's three Ps. Yet, we chose to look on the impacts of culture on the traditional four P's: price, product, place and promotion, since Magrath's three P's, personnel, physical facilities and process management, apply to the service sector and Kotler's two P's don't seem to have had as high penetrating power.

We found price, product, place and promotion to be relevant components in the marketing mix in the manufacturing business. Regarding price, we have chosen to include pricing strategy, list price, discounts and allowances and payment period. Regarding product, we have chosen to focus on the core product, actual product and augmented product. In the matter of promotion we include advertising, sales promotion, personal selling, direct marketing and public relations. And finally, regarding place we include distribution channel, market coverage assortment, inventory and transport/delivery.

### **2.4.2 Culture Theories**

After reviewing four significant models that describe culture, we have formed us a valuable picture of what culture is. This was significant for us in order to be able to form our own definition of culture.<sup>117</sup> The models that we have examined have been of difference to each other in more than one aspect. Terpstra's culture model is a very wide model including more than all other reviewed models, especially than Hall's model of high and low context. Trompenaars' and Hofstede's models are similar to each other both describing culture in cultural value dimensions. Sweden and Germany are graded similar within Hall's model of high and low context and within some dimensions within Trompenaars' and Hofstede's models implying that the similar aspects are of less importance when analyzing Germany out of a Swedish perspective.<sup>118</sup>

All models will be regarded within the pre-study about German culture whenever it is possible and relevant. However, we have chosen a modified version of the cultural model of Terpstra to lie as ground in the pre-study since it is a very wide model, covering almost all cultural aspects.<sup>119</sup> Some dimensions within Trompenaars' and Hofstede's culture models are of particular interest such as masculinity, uncertainty avoidance and specific versus diffuse.

### **2.4.3 Culture Defined**

Based on reviewed culture models we have defined culture. Our definition of culture serves as base in the thesis and it has been explained to the respondent companies prior to the interviews. After performing the interviews, the analysis and conclusions will be based on our perspective of culture.

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<sup>117</sup> See Section 2.4.3

<sup>118</sup> See Section 2.3

<sup>119</sup> See Chapter 4

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Our definition of culture:

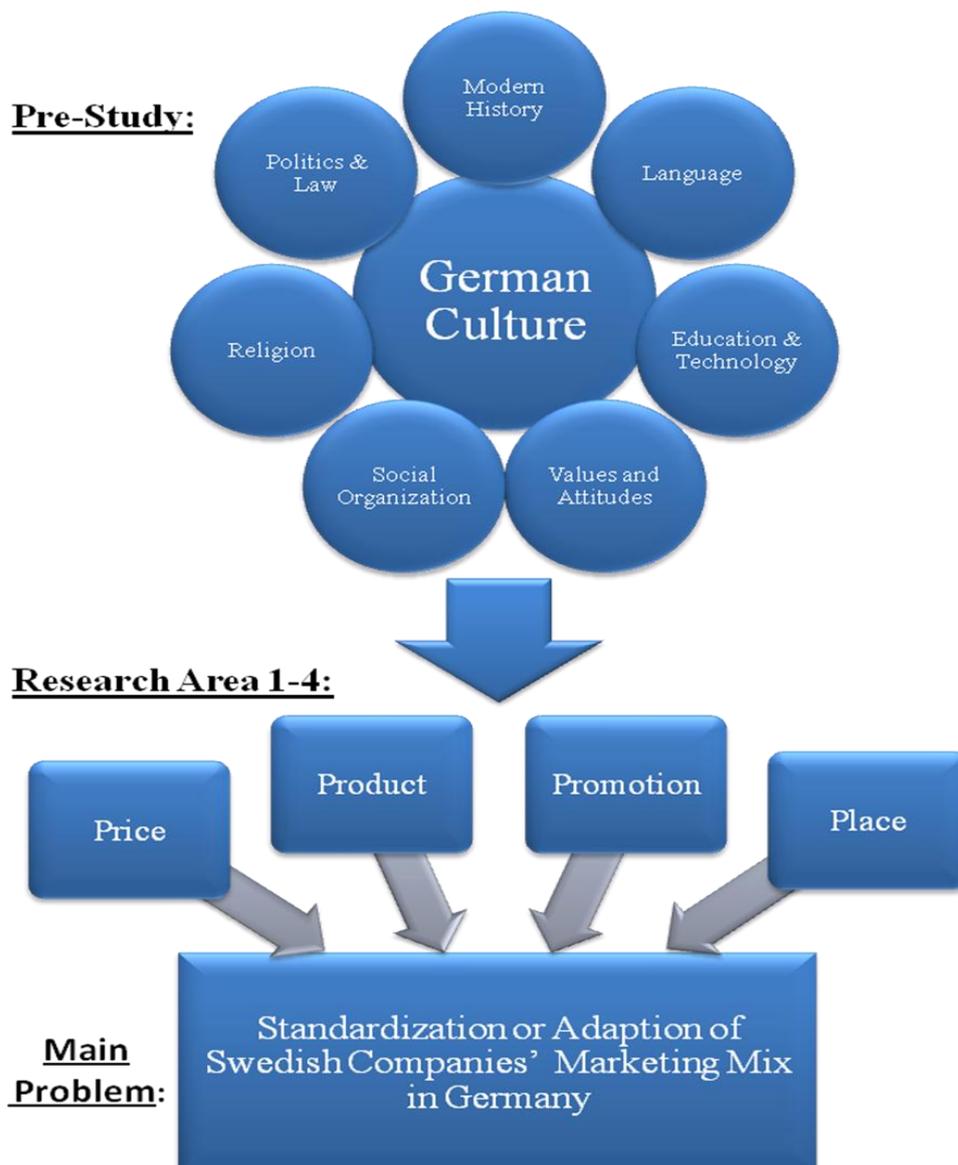
*“Culture is everything in a country that forms an individual’s behavior. It is a wide conception including language, history, religion, education, technology, social organization, politics, law, values and attitudes.”*

## 2.5 Research model, Problem Definition and Need of Information

### 2.5.1 Research Model

Based on the chosen theories, we have created a research model (See figure 2.10), according to the subject of the thesis. The model is divided into a pre-study and four research areas, which all are of great importance in order to be able to analyze and draw conclusions with regard to the problems of the thesis. We found it important to have four research areas, since this way the organizing of the interviews becomes significantly easier.

**Figure 2.10 Research Model**



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The cultural variables are chosen in accordance to our definition of culture and will be applied on German culture. This matter is presented in the pre-study on German culture in chapter four.

Thereupon, we will formulate questions for the interviews according to our four research areas regarding the companies' adjustment on price, product, promotion and place, which we will ask in personal or telephonic interviews. The results of the interviews are presented in chapter five.

The gathered information ends with the main problem of the thesis regarding standardization or adaptation of Swedish companies' marketing mix as presented in the research model.

### **2.5.2 Need of Information**

According to the problem discussion and definition, purposes of the thesis and delimitations, we have identified some areas of information need that we need to be able to answer our main problem.

*Pre-study:* We need to describe German culture according to the variables language, modern history, education and technology, values and attitudes, social organization, religion, law and politics. The information will come from secondary sources, such as literature and databases. We find this important, since we need a base of knowledge about German culture to be able to perform the interviews as well as be able to analyze the answers.

*Research area 1-4:* Thereupon, we need information about companies' adjustments regarding the question within the four research areas respectively: How do manufacturing Swedish companies adapt the pricing mix/ product mix/ place mix/ promotion mix according to German culture when internationalizing to Germany?

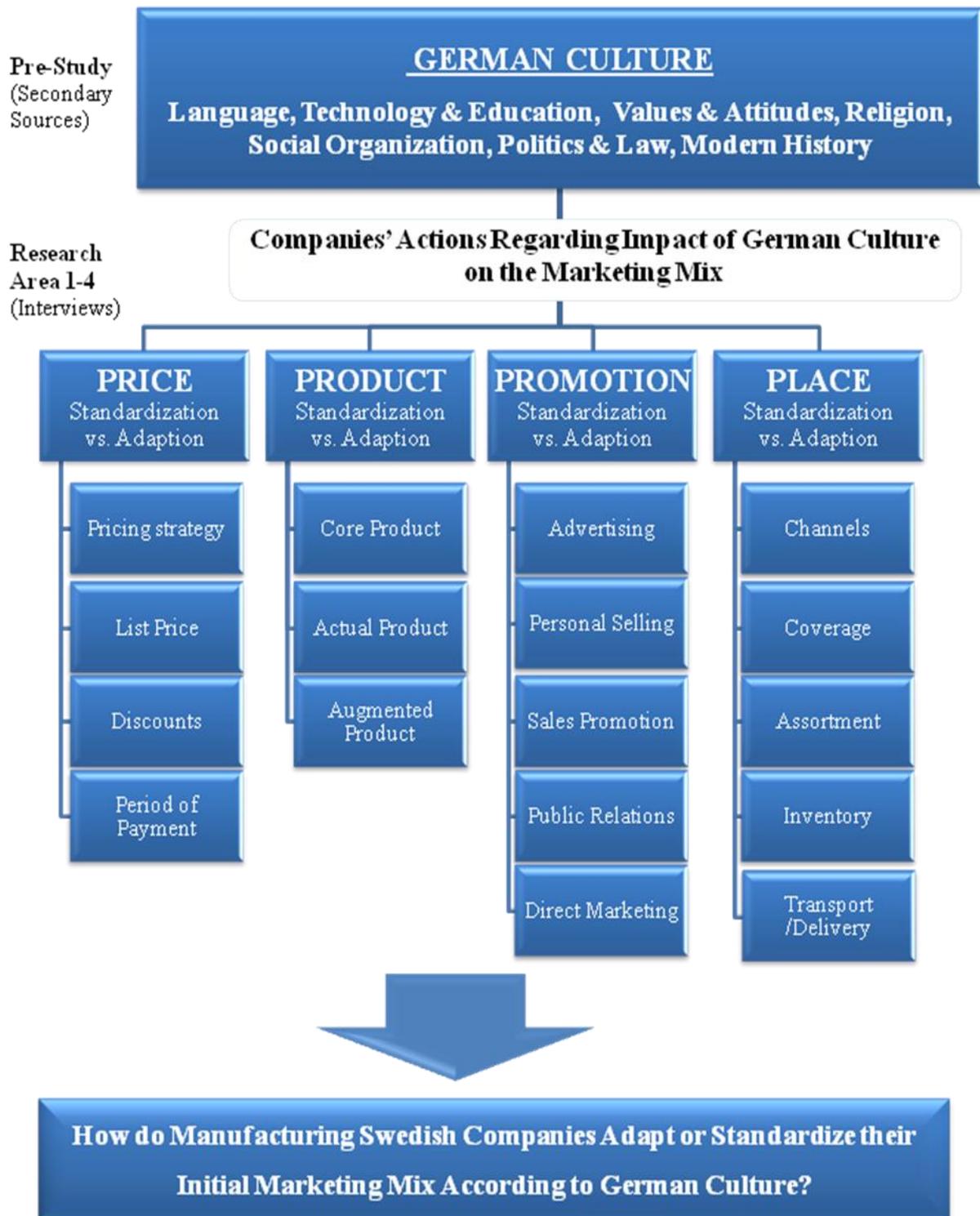
This information we will collect through interviews with relevant companies. After having collected information through interviews, we will be able to answer our main problem.

*Main problem:* How do manufacturing Swedish companies design their marketing mix when internationalizing to Germany and were standardizations and adaptations made due to German culture?

No new information is needed, since we will base the analyses and conclusion on previous chapters. Here, we will try to find connections between companies' adjustments on price, product, promotion and place and German culture.

Figure 2.11 Shows an overview of our information needs for our study.

**Figure 2.11 Information Needs**



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### 3 RESEARCH METHOD

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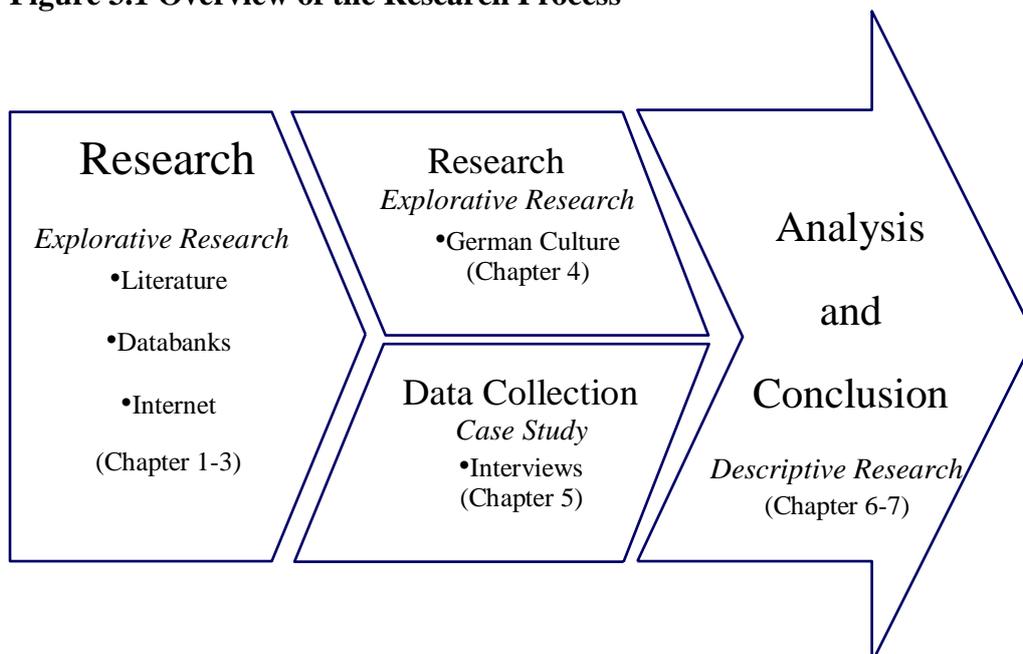
*This chapter describes the procedure of this thesis according to theoretical as well as practical aspects. Starting with a brief layout plan, research design and choice of design, this is followed by data collection. After reviewed theory under every subheading, we choose and explain our approach in consideration to the subject of the thesis. Thereupon, we explain how we performed the survey and evaluate and summarize the survey. Finally, the analysis and presentation of the collected data is discussed.*

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#### 3.1 Research Process

The purpose of research method is to show the process of the thesis so that others can replicate and evaluate the thesis under the same circumstances.<sup>120</sup> To get an overview over the process we have conducted a brief layout plan of the thesis shown on figure 3.1. In chapter 1-3, we make use of explorative research focusing on research mainly through literature, databanks and internet. Thereupon, we move on with explorative research about German culture in chapter four and collecting data in a case study from representative companies in chapter five. Finally, we apply a descriptive approach in which we analyze and draw conclusions with regard to the collected data in chapter 6-7.

**Figure 3.1 Overview of the Research Process**



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<sup>120</sup> Backman, J., *Rapporter och Uppsatser*, (1998), p. 37

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## 3.2 Research Design and Choice of Design

Research design provides the basic plan that holds the essay together by structuring the research, guiding the data collection and analysis phase.<sup>121</sup> Choosing the right design makes the outcome of the study more likely to be consistent with the research objective. According to Kinnear there are different types of research within international marketing: exploratory, conclusive and performance-monitoring. The research depends on which information that is needed in the process of the essay.<sup>122</sup>

### 3.2.1 Exploratory Research

The first type of research according to Kinnear is the exploratory research which is most useful at the beginning work phase of an essay. It is often used when there is a lack of knowledge within the area and it helps in the process of identification and definition of the problems in the essay as well as the way how to solve them. Important is to collect as much information as possible within the problem areas. Since this research is characterized by lack of knowledge, it is also characterized by flexibility. This helps in finding information that can lead to new ideas. Various procedures are common in the exploratory research, such as secondary sources, interviews or case observations. This phase gives guidance to the entire process of the essay.<sup>123</sup>

### 3.2.2 Conclusive Research

Kinnear's next type of research is called conclusive research. It can be divided into descriptive and casual research.

The main reason to apply descriptive research is to identify the cause of an event. However, it doesn't explain the relationship between cause and effect. It is used when: picturing characteristics and frequency of phenomena, deciding associated variables and how they are related to each other, making predictions of phenomena. Important when performing good descriptive research is that the problem is clearly stated, the research objects are specified and that the information need is detailed.<sup>124</sup> Descriptive research comes mainly from secondary sources as well as interrogations of respondents.

Casual research is used to explain and in the process of finding cause effect relationships. It is useful when there is a need of understanding the causing variables to an effect and when understanding how the relationship works between the effect and the cause. The main sources of data are interrogating respondents and experiments.<sup>125</sup>

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<sup>121</sup> Kinnear, T. & Taylor, J., *Marketing Research -An Applied Approach*, (1987), p. 123

<sup>122</sup> Ibid, p. 124

<sup>123</sup> Ibid, p. 125

<sup>124</sup> Ibid, p. 126-127

<sup>125</sup> Ibid, p. 128

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### 3.2.3 The Case Study

Another type of research is the case study which is often used within qualitative research. It is especially useful when the objects are complex. In Backman, Yin defines the characteristics of a case study as:

*“(...) investigates a contemporary phenomenon within its real-life context; when the boundaries between phenomenon and context are not clearly evident; and in which multiple sources of evidence are used”<sup>126</sup>*

When applying case study as a research tool it is common that the research problem requires full understanding to be able to reach desirable results. After decided upon the research problem, choosing relevant case objects to analyze follows. The case can for example consist of one or several organizations. A case study can have different purposes; it can be exploratory or descriptive.<sup>127</sup>

### 3.2.4 Choice of Design

Our choice of research includes different types of research and the choice is based on the information that is needed. The types of research chosen in this thesis are a combination of exploratory research, case study and descriptive research.

The exploratory phase will be used in the beginning phase as well as in the pre-study in order to help us defining the problem and research areas. It will be helpful in the search of information throughout the entire thesis until the case study. The exploratory research was especially valuable in the matter of finding appropriate theories, models and when finding useful information for the pre-study about German culture. The information comes from secondary sources such as databases and literature. We find it appropriate that this phase is characterized by flexibility, since we have made some minor change of course in the subject. This type of research will also be used when deciding upon which companies the interviews will include.

Since the matter of this thesis is complex and doesn't categorize easily, we have decided to apply case study as a research tool. The companies will be treated as cases, giving us larger opportunities of understanding them within their real-life context.

After gathered information in the exploratory phase, the descriptive phase fits our subject since it is about identifying causes of happenings. Applied on this thesis it means identifying cultural variables causing changes in the marketing mix. The identified causing variables will be based on information gathered in the frame of reference and pre-study (the exploratory phase) as well as the interviews (the case study).

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<sup>126</sup> Yin in Backman, J., *Rapporter och Uppsatser*, (1998), p. 49

<sup>127</sup> Backman, J., *Rapporter och Uppsatser*, (1998), p. 48f

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### 3.3 Data collection

In the following we review methods of data collection such as the qualitative and quantitative methods and types of data sources such as primary and secondary data.

#### 3.3.1 Qualitative and Quantitative Method

The two data collection methods, qualitative and quantitative method are both useful in the process of an essay. However, their appropriateness varies according to the type of survey.

##### Qualitative method

Qualitative method works through questioning a few individuals that have relevant knowledge. This can be done in small groups or in individual deep interviews. It focuses on why something is happening.<sup>128</sup> However, it is important to consider is that the researcher conducting qualitative methods are also instruments of the data collection, since they interpret the interviews.<sup>129</sup> This implies that the way the researcher focuses on and experiences data influences the results and the meanings of the survey.<sup>130</sup>

##### Quantitative method

Quantitative method consists of questioning many individuals to be able to explain what is happening and the frequency of it. It makes use of formal and structured research procedures so that possible bias in the data is reduced.<sup>131</sup>

#### 3.3.2 Data Sources

There are two types of data sources: primary data and secondary data. Both are briefly explained in the next parts.

##### Primary Data

Primary data is information that previously hasn't been collected or published. Common methods are questionnaires, interviews, accountancy and direct observation.<sup>132</sup> It is important to choose a method carefully, since there are advantages as well as disadvantages with the different methods. It is to be considered that collection of primary data in foreign countries comes with a high cost.<sup>133</sup>

Questionnaires can, for examples, be done by mail. This is a cheap way of reaching out to many individuals. The advantages of this method are that the individuals can answer many questions without being influenced by the interviewer whenever they have the time. Disadvantages are that the questions cannot be explained, which means that the questionnaire must be well performed, and there is a risk of non-response errors. This method is also time

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<sup>128</sup> Kinnear, T. & Taylor, J., *Marketing Research -An Applied Approach*, (1987), p. 135

<sup>129</sup> Patton, M., in Baker, S. & Gentry, J., *Framing the Research and Avoiding Harm*, (2006), p. 322

<sup>130</sup> Baker, S. & Gentry, J., *Framing the Research and Avoiding Harm*, (2006), p. 322

<sup>131</sup> Kinnear, T. & Taylor, J., *Marketing Research -An Applied Approach*, (1987), p. 135

<sup>132</sup> Dahmström, K., *Från Datainsamling till Rapport*, (2005), p. 75

<sup>133</sup> Craig, S. & Douglas, S., *International Marketing Research*, (2005), p. 63

consuming and the individuals sometimes have to be reminded before answering as well as the lack of knowledge regarding who the respondent is.<sup>134</sup>

Interviews can be made either personal or on the phone. The fastest way of conducting data is by doing telephone interviews and this method is often cheaper, compared to personal interviews. The interviewer has the advantage of being able to explain questions and stimulate the respondent to give qualitative answers in both telephone interviews as well as personal interviews. Some of the disadvantages of telephone interviews are that there is a big risk that the proportion of unreachable respondents is large, it may be hard finding phone numbers and it is not possible to have too long interviews.<sup>135</sup>

Some of the advantages of personal interviews are that many and difficult questions can be asked, visual aids can be applied and open questions can easier be answered. However, personal interviews also have disadvantages such as they are expensive, time consuming and there is the risk of an interviewer-effect. An interviewer effect is when the interviewer influences the respondent.<sup>136</sup>

Table 3.1 shows a comparison between different communication approaches where above discussed factors related to personal interviews and telephone interviews can be seen in an overview. Additionally, it shows characteristics of mail interviews, e-mail interviews and computer disk interviews.

**Table 3.1 Comparison between Communication Approaches**

	Personal Interview	Telephone Interview	Mail Interview	E-mail Interview*	Computer Disk Interview*
Cost per unit	High	Low	Low	Very low	Low
Time span	Fairly long	Long	Short	Very short	Short
Administration of the field study	Difficult	Fairly simple	Simple	Simple	Simple
Nonresponse error	Low	Moderate	High	High	High
Ability to control who is responding	Very high	High	Low	High	High
Ability to control the environment	Limited	Low	Low	Limited	Limited
Anonymity for the respondent	Impossible	Impossible	Possible	Impossible	Impossible
Flexibility in the questioning	High	Fairly high	None	None	Some
Durability of the interview	2-3 hours	5-30 minutes	5-10 pages	5-10 pages	5-10 pages
Limitations of the technique used	Non	Many	Many	Many	Many
Possibility of in-depth questions	High	Moderate	Low	Low	Moderate

\* Because lack of history concerning use of e-mail interviews and computer disk interviews, the judgments are quite uncertain.

**Source:** Molnár, J, & Nilsson Molnár M., *International Marketing, Negotiations and Business Deals* (2003) p. 133

<sup>134</sup> Körner, S. & Wahlgren, L., *Praktisk Statistik*, (2006), p. 24

<sup>135</sup> Dahmström, K., *Från Datainsamling till Rapport*, (2005), p. 98

<sup>136</sup> *Ibid*, p. 95

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## Secondary Data

Secondary data is information that previously has been gathered and published.<sup>137</sup> It is widely used within international marketing research since it is much more available and easier to gather. It is also lower in cost than primary data.<sup>138</sup>

### 3.3.3 Choice of Data Collection

In this thesis, we apply a qualitative method performing interviews with six companies. This is due to the fact that our subject doesn't categorize easily into brief survey questionnaires, but rather needs discussions to get useful data. The limited time set for the process of the thesis also implied it to be hard collecting enough quantitative data from companies.

We have primary data from the interviews with the companies collected in the case study, which we have performed by using personal interviews at the company in question or by telephone interviews. The choice of interview method was due to our wish of getting reliable answers, having a discussion with the respondent and being able to explain the questions. As instrument of the interviews we have conducted a questionnaire that laid as basis for the discussions.<sup>139</sup> We have used the same questionnaire in all interviews, but due to the complexity of the subject and due to the fact that the companies belong to different industries the discussions and answers have been various.

In the exploratory phase of this thesis, we have made use of secondary data from books, articles, journals and internet to gain a fundamental base of knowledge comprised in chapter 1-3 as well as in the pre-study presented in chapter four. It was an appropriate choice since within international marketing secondary data is more available and cheaper to gather than primary data. While searching for information Google Scholar was of great help and we have used keywords such as: the marketing mix, the extended marketing mix, international marketing, culture, culture models, Hofstede, Terpstra, Trompenaars, Hall, Germany and German culture.

## 3.4 The Pre-Study

To be able to perform the interviews and analyze the answers according to the subject of the thesis, we have performed a pre-study about German culture. We collected the information through secondary sources such as literature and databases. This knowledge with information serves as base when performing the interviews helping us in asking relevant questions as well as understanding the respondent's answers. It was also a necessity to have gained knowledge about German culture when analyzing the answers of the interviews to see whether the culture had been an affecting factor or not.

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<sup>137</sup> Dahmström, K., *Från Datainsamling till Rapport*, (2005), p. 75

<sup>138</sup> Craig, S. & Douglas, S., *International Marketing Research*, (2005), p. 63

<sup>139</sup> See Appendix I-II, Interview Guide

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## 3.5 Performing the Data Collection

In the following section, we explain how we carried out our interviews starting with selection of research respondents, establishing contact, interview guide and interviews. Finally, we describe how we analyzed and summarized the collected data.

### 3.5.1 Selection of Research Respondents

There are two main methods of selecting the respondents, probability selection and non-probability selection.<sup>140</sup>

In a probability selection every individual must have a probability to be included in the sample. The probability doesn't have to be the same for all individuals and it also has to be identified for all the individuals. Some methods within this area are for example simple random sampling and systemic sampling.<sup>141</sup>

A non-probability selection can for example be an expert sampling, quota sampling or just making use of the available respondents. Common is also to set some criteria and choose the respondents according to them.<sup>142</sup>

Our target population contains all Swedish companies that have taken marketing mix actions in Germany. However, due to the limited scope of this thesis we will not be able to include all in our study. Since the probabilities of being included in the sample are unknown, we have chosen non-probability sampling with focus on judgment sampling. We have also set up some criteria that the companies have to fulfill to be allowed to take part in the study.

Criteria 1: Manufacturing companies (not service)

Criteria 2: Active marketing mix in Germany

Criteria 3: Swedish companies at foundation

Criteria 4: Interviewed person has sufficient knowledge

Criteria 5: Planned internationalization process to Germany

### 3.5.2 Establishing Contact

We started by sending our chosen companies an email or phoning them, to see whether there was a possible interest to take part in the study. In some cases, it was possible for us to come to the company and in other cases; we performed the interviews on the phone. This was due to the fact that the company was not situated close enough or the respondent found it more appropriate to be interviewed over the phone.

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<sup>140</sup> Körner, S. & Wahlgren, L., *Praktisk Statistik*, (2006), p. 30

<sup>141</sup> Ibid, p. 30ff

<sup>142</sup> Ibid, p. 33ff

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### 3.5.3 The Interview Guide

The interview guide is based on the research model and begins with an explanation of our definition of culture in order to be completely sure that the respondent has full understanding of the matter. Having the four Ps as base, we made questions with regard to what is important concerning every single P.<sup>143</sup> The same questions were asked regarding every aspect and included the questions: whether the company applied standardization or adaptation and what German cultural aspect laid as base for the decision. Follow-up questions are not included in the interview guide, but were asked whenever it was possible.

### 3.5.4 Interviews

The personal interviews were made at the company with appropriate member of staff. We kept to the prepared subjects on the questionnaire, but let the respondent speak freely within the frames of discussion. We found this important due to the fact that every company has different experiences and to be able to get satisfying results the interviews had to be deep.

The same procedure has been followed in the telephone interviews except for the fact that it was performed on the phone. We found the answers and discussions in the telephone interviews to be shorter than the ones we got in the personal interviews. In table 3.2 we have summarized the interviewed companies with relevant facts. In case of missing information and confirmation of already retained information, we sent the material to the respondent company for a further verification.

**Table 3.2 Interviewed Companies**

	Date	Company	Contact	Position	Interview method
1	081202	Barilla-Wasa AB	Karin Brynell	Marketing Director	Telephone interview
2	081202	Precimeter Group	Magnus Ternér	Marketing Manager	Personal interview
3	081204	Nudie Jeans Marketing AB	Oscar Fritzson	Sales Coordinator	Telephone interview
4	081205	Filippa K AB	Eva Boding	Marketing Director	Telephone interview
5	081211	Göteborgs Kex AB	Martin Thoma	Export Area Manager	Personal interview
6	081215	The Absolut Company AB	Ann Ystén	Marketing Director	Telephone interview

### 3.5.5 Analyzing and Summarizing the Interviews

After conducting the interviews, we summarized every interview the same day to diminish the risk of forgetting details. In order to get a good overview we conducted tables over the companies' adaptations or standardizations regarding pricing mix, product mix, promotion mix and place mix. Thereupon, we analyzed them according to our research model as well as collected knowledge. In the analysis we have tried to find connections between the pre-study

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<sup>143</sup> See Appendix I-II, Interview Guide

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about German culture and our four research areas: pricing mix, product mix, promotion mix and place mix. Afterwards we were able to draw conclusions according to the subject of the thesis.

Our results of the interviews are presented in chapter five, where we show all the answers from the companies regarding their adaptations or standardizations of price, product, place and promotion. In chapter six, we analyze the companies' answers and what adjustments were made due to German culture. Finally, in chapter seven we draw conclusions according to impact on companies' adjustments of the marketing mix regarding price, product, place and promotion due to German culture. Thereupon, we make recommendations for further readings.

### **3.6 Evaluation of the study**

In this section, we evaluate the study looking at validity, reliability and possible error sources. We find this significant since they all influence the results of the study.

#### **3.6.1 Validity of the Study**

The conception of validity means how well the study measures the wanted factors. Hence, a high validity is desirable. This means that the parameters describing the variable need to be relevant and fit the purpose that they should measure. If this is not the case there will be systematic errors. This is especially important when measuring attitudes and abstract qualities.<sup>144</sup> There are three different types of validity: internal validity, face validity and external validity. Internal validity describes how well the study measures the wanted factors among the interviewed respondents. Face validity refers to the degree that a survey seems to be generally plausible but without being able to proof it. External validity describes to which degree the results from a survey is generally plausible in other external situations.<sup>145</sup>

As wanted, we have analyzed the effects of German culture on Swedish companies' marketing mix by asking Swedish companies about their adjustments of the four P: price, product, promotion and place. Their answers measure our wanted factors giving the study a high internal validity. Though, regarding the external validity it is hard to make a statement. Thereupon, we have analyzed connections between their answers and German culture. Regarding this, there may be a risk that we have missed important factors meaning that the validity of the study can be decreased. However, we believe this risk is limited.

#### **3.6.2 Reliability of the Study**

Reliability means the degree of authenticity in the survey. A high reliability implicate that there are few haphazard and systematic errors. It is necessary that the survey has a high reliability to be able to have a high validity, since if there are many errors we do not measure

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<sup>144</sup> Dahmström, K., *Från Datainsamling till Rapport*, (2005), p. 334

<sup>145</sup> Chisnall, P., *Marketing Research*, (1997), p. 34

what we are supposed to measure.<sup>146</sup> In case of a high reliability, it should be possible to perform the same survey under same circumstances and get pretty much the same results.<sup>147</sup>

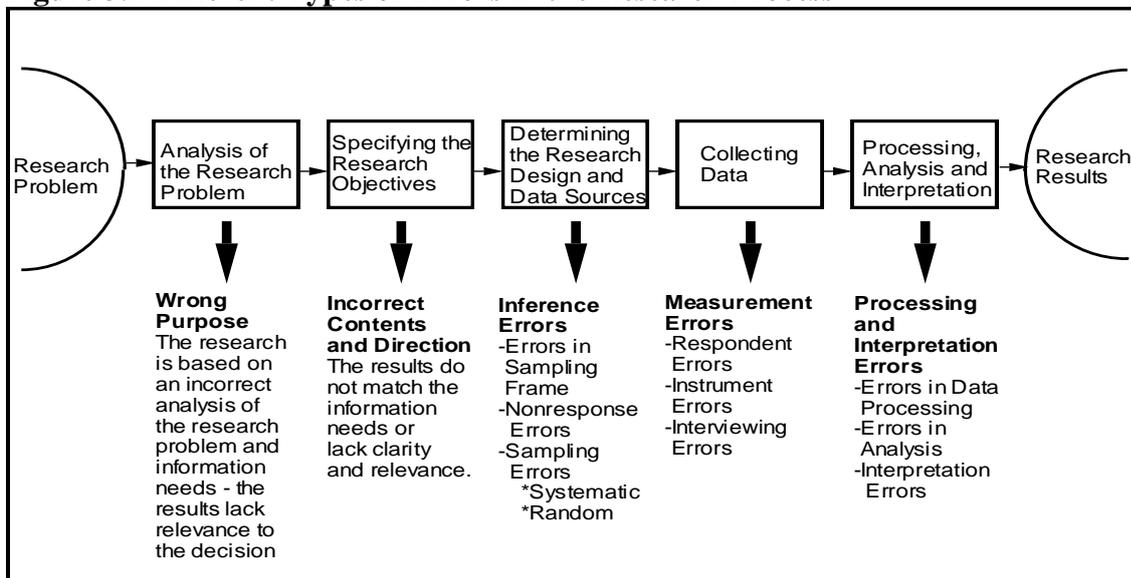
The reliability of this study depends on how good we have performed the survey. As in all surveys, there may be a risk of systemic errors giving the study a lower reliability and hence a lower validity. However, we have tried to be accurate and to perform the entire research as well as possible.

### 3.6.3 Error Sources of the Study

In a process from having a research problem to finding its results there are several different types of possible errors of which all leads to that the results doesn't match the research problem (see figure 3.2). It is important to be aware of possible error sources in order to diminish them.

In the analysis of the research problem, there is a possibility of choosing the wrong purpose. However, the purpose of this thesis is within the given time frames carefully prepared and has been clearly stated throughout the thesis. In the process of specifying the research objectives, you can choose wrong contents and direction. Concerning this, we believe to have chosen the research areas properly in accordance to our purpose. Moreover, when determining the research design and data sources inference errors may be a problem, but we hope this risk to be low. Measurement problems may arise when collecting data (see below) and finally, there is a risk of processing and interpretation errors which we hope to have limited through a careful and extensive analysis.<sup>148</sup>

**Figure 3.2 Different Types of Errors in the Research Process**



**Source:** Molnár, J. & Nilsson Molnár, M., *International Marketing, Negotiations and Business Deals*, (2003), p. 141

<sup>146</sup> Dahmström, K., *Från Datainsamling till Rapport*, (2005), p. 334f

<sup>147</sup> Chisnall, P., *Marketing Research*, (1997), p. 34

<sup>148</sup> Molnár, J. & Nilsson Molnár M., *International Marketing, Negotiations and Business Deals*, (2003), p. 141

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In this thesis it is especially vital to be aware of the possible error sources that can arise when collecting data, since a large part of the gathered information comes from the interviews. Errors can arise in the measure instrument, measure method, the interviewer or the respondent.<sup>149</sup>

*Measure instrument-* In case we have conducted the questionnaire based on not relevant sources we will not be able to draw desirable conclusions in the line of the problem areas of the thesis. Therefore, it is important that the questionnaire has high reliability as well as validity. It is also possible that the respondent doesn't possess all relevant information.<sup>150</sup> However, the questionnaire is well prepared and approved by our supervisor which decreases this risk.

*Measure method-* In case the chosen method of measure is inappropriate for the questions there may be errors.<sup>151</sup> However, since we have chosen personal interviews and telephone interviews this risk is limited due to the fact that we can solve upcoming problems and questions on spot.

*Interviewer-* There may be a risk of interviewer effect if the interviewer has said or shown information affecting the respondent.<sup>152</sup> However, since the companies' adjustments on the marketing mix remain the same even if the interviewer does affect them, we do find this risk limited.

*Respondent-* If the respondent doesn't understand the asked questions or if he isn't interested in the interview, he may forget or leave out important information.<sup>153</sup> This is something that we cannot control, but since all the respondents seemed interested and they all work within our research area (marketing), we find this risk limited as well.

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<sup>149</sup> Dahmström, K., *Från Datainsamling till Rapport*, (2005), p. 335

<sup>150</sup> Ibid, p. 335

<sup>151</sup> Ibid, p. 335

<sup>152</sup> Ibid, p. 336

<sup>153</sup> Ibid, p. 336

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## 4 PRE-STUDY – THE GERMAN CULTURE

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*In this section, we present a study of German culture. We find this important since we believe that to be able to analyze the answers collected in the interviews according to the subject of the thesis, we need a basic knowledge of German culture. We review modern history, language, education and technology, values and attitudes, social organizations, religion, and politics and law.*

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### 4.1 The German Culture

#### 4.1.1 Modern history

Germany's complicated and interesting history has formed Germany as it is today. Most dominating is the presence of the two world wars, which have led to the division of Germany into West Germany and East Germany in 1949, a couple of years after the end of the Second World War. Germany lost large parts of its territory and the remaining area was divided between the allied (United States, Great Britain, France and the Soviet Union). The American, British and French constituted West Germany (BRD) consisting of west parts of the country and West Berlin, Bonn was made capital. The Soviet Union constituted East Germany (DDR) consisting of east parts of the country except West Berlin, East Berlin was made capital.<sup>154</sup>

West Germany became a democratic market economy and grew to an economical power with economical help from the United States and the Marshall plan. The country participated in the foundation of the European Coal and Steel Community in 1957 and joined NATO in 1955.

In difference, East Germany was led by a communistic political system applying planned economy. This meant the agriculture was collectivized and the Soviet Union took control over the industry. The disparity of the two countries made a large difference in life quality, which got many people to escape from East Germany to West Germany. To stop the escape, the Berlin wall, which divided Berlin into two parts, was built in 1961. The wall remained until November 1989.

West Germany and East Germany reunified in 1990 and created the Federal Republic of Germany that exists today.<sup>155</sup>

#### 4.1.2 Language

The official language in Germany is German. Due to immigration, there are other large language groups as well such as Turkish, Serbo-Croatian and Greek.<sup>156</sup> The German language is based on difficult grammar, making it difficult for foreigners to speak perfect German. Within the German language, it is possible to be friendly and informal by addressing friends

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<sup>154</sup> Swedish Trade Council, <http://www.swedishtrade.se/landrapporter/?objectID=5644>

<sup>155</sup> Ibid

<sup>156</sup> Nationalencyklopedin, <http://www.ne.se.ezproxy.ub.gu.se/artikel/334099>

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“Du” and within formal circumstances where one wishes to show respect “Sie” is used.<sup>157</sup> This aspect of distanced politeness can be complicated for foreigners to understand and apply.<sup>158</sup>

Germans learn from a young age to be exact in their way of expressing themselves. This can be difficult for other cultures that are used to wrapping up their message. There are words for almost everything with exact meanings making the German language rich.<sup>159</sup>

When doing business in Germany the language becomes more official using an elevated form with uncommon terms that can be hard for foreigners to understand.<sup>160</sup> However, German business people are well-educated in English, but when being customer in their own country they prefer to speak German.<sup>161</sup>

German is the official language of Germany, Switzerland and Austria having together about 94 million mother tongue speakers. Added can be that German is commonly learnt over the world, mainly in Europe, giving the language a high rate of usefulness. However, lately English has taken over as lingua franca in some areas such as scientific publications.<sup>162</sup>

Since the Germans value their language high it can be of advantage for foreigners who wish to enter the German market, to learn German or alternatively to find a native agent. Due to the language, the sales volumes can increase dramatically if the product is presented in German instead of in English. This is an advantage even though the lingua franca of international business is English.<sup>163</sup>

The Basic Law in Germany stipulates:<sup>164</sup>

*“Every person shall have the right freely to express and disseminate his opinions in speech, writing and pictures and to inform himself without hindrance from generally accessible sources. (...) There shall be no censorship.”*

This freedom of speech and press is very important, since it forms the ground for 333 regional daily newspapers, ten national daily newspapers, ten quality publications, nine popular newspapers as well as for all other authors. The press is in the hands of the society, meaning that the government or political parties can not censor information large scale.<sup>165</sup>

### **4.1.3 Education and Technology**

Germany’s population is strongly focused on education, science and research.<sup>166</sup> The school system is a question of decision for every state making the school system different from state to state. In the public educational system, it is common that all pupils are in the same school

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<sup>157</sup> Usunier, J-C., *Marketing Across Cultures*, (2000), p. 429

<sup>158</sup> Schaupp, G. & Graff, J., *Business Etikette in Deutschland*, (2006), p. 21

<sup>159</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 50

<sup>160</sup> Ibid, p. 68

<sup>161</sup> Gesteland, R., *Cross-Cultural Business Behaviour*, (2005), p. 315

<sup>162</sup> Clyne, M., *The German Language*, (1995), p. 4ff

<sup>163</sup> Ferraro G.P., *The Cultural Dimension of International Business*, (1994), p. 43

<sup>164</sup> See Section 4.1.7

<sup>165</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 171

<sup>166</sup> Ibid, p. 118ff

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from grade one to four and from grade five to twelve or thirteen. It consists of Hauptschule, Realschule and Gymnasium into which the pupils are divided according to their learning ability.<sup>167</sup>

After the public educational system a wide range of universities and Fachhochschulen follows. Fachhochschulen are practical oriented technical colleges giving the students specialized, high quality education as well as work-experience. Due to the fact, that schooling is decided upon in every state, universities and colleges often specialize in local needs of industries.<sup>168</sup>

Germany is famous for its universities and its quality, and many students travel far to be able to take part in them. After the United States and Great Britain, Germany is the third most preferred host country for international students. It is also well-known for its international research, patents, inventions and innovations. “Made in Germany” has become a sign of quality. The research is not only made within the universities. German industries undertake a lot of own research bringing German industry to a competitive position. There is a culture of technology that can be seen in Germany’s advanced systems as well as well-developed infrastructure.<sup>169</sup>

German companies have historically had a leading position in many industries mainly through differentiation and sophisticated segments. Strong competitiveness can be found in incremental product and process innovation in already established technologies. Examples are machinery and chemicals where the products and production processes are complex. To be added is the fact that the development of new industries is not easy in Germany.<sup>170</sup>

The German market is much formed by its product standards, known as DIN (Deutsche Industrie Norm).<sup>171</sup> These standards with over 30 000 different norms are from the view of a foreigner seen as non-tariff barriers but from the German view it is only about safety.<sup>172</sup>

#### **4.1.4 Values and Attitudes**

Time is central in the German culture. It is the German way of organizing life. For example, it is very important to keep the time not being late.<sup>173</sup> In the German culture being late signals unreliability.<sup>174</sup> The German way of working makes them reliable since it is often a lot of work behind decisions. Moreover, Germans like to keep control and be informed about details.<sup>175</sup> They do not take unnecessary risks, which imply that they are highly graded in their uncertainty avoidance index.<sup>176</sup> The word “idiotensicher” (idiot proof) is a typical feature of

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<sup>167</sup> Nationalencyklopedin, <http://www.ne.se.ezproxy.ub.gu.se/artikel/334099>

<sup>168</sup> Porter, M., *The Competitive Advantage of Nations*, (1990), p. 368f

<sup>169</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 118ff

<sup>170</sup> Porter, M., *The Competitive Advantage of Nations*, (1990), p. 356ff, 367

<sup>171</sup> Ibid, p. 372

<sup>172</sup> Usunier, J-C., *Marketing Across Cultures*, (2000), p. 285

<sup>173</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 35

<sup>174</sup> Gesteland, R., *Cross-Cultural Business Behaviour*, (2005), p. 315

<sup>175</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 35f

<sup>176</sup> Brannen, M.Y. & Salk, J., *Partnering Across Borders*, (2000), p. 466

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uncertainty avoidance and the term is often used when a product has been tested in its usage and in every kind of misuse to proof its safety.<sup>177</sup>

Germany is a typical low context country and its advertisement and product packages are full of information about the product and its features.<sup>178</sup> German consumers tend not to care that much about image marketing and within consumer and business services demand develops slow.<sup>179</sup> Germans are known for providing more information than what is really needed and they are fond of facts and figures. They value honesty and directness, which often can be seen as rude from foreigners not being used to it.<sup>180</sup>

Germany is also graded high on Trompenaars' scale of achievement,<sup>181</sup> meaning that achievements are of importance, which is something that can be found in the importance of titles. Germans take their work seriously and do what they say they do. Mistakes are unwanted and they want the work to be of top standard.<sup>182</sup> This sense of order and discipline can be seen in the way of how companies are structured following hierarchical and patriarchal values. Yet, there seem to be a high and sustained commitment to the industry among workers.<sup>183</sup>

Germans seem to dislike change often living in the same house for generations<sup>184</sup> and working for the same industry as well. They value privacy highly. This implicates that it is important to know what is allowed to ask and what goes in the zone of privacy.<sup>185</sup>

Germany is also graded high on Hofstede's scale of masculinity<sup>186</sup>, meaning that Germans value achievement, challenge, money, performance, assertiveness and materialism.<sup>187</sup> Regarding materialism, Germans seem to appreciate owning things even if not having use of it directly: things have a special value.<sup>188</sup> Women in masculine countries have traditionally been expected to stay at home raising the children. However, due to the Basic Law, which speaks for equal rights for women and men, Germany has advanced within this regard. More women than men are studying now, and many of them want careers. In Western Germany, 67 percent of the women work and in Eastern Germany, 73 percent of the women work.<sup>189</sup>

Both buyers from households and industry are demanding and sophisticated, they are also value oriented meaning that they want the money to be worth whatever they buy. The product

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<sup>177</sup> Usunier, J-C., *Marketing Across Cultures*, (2000), p. 288

<sup>178</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 71

<sup>179</sup> Porter, M., *The Competitive Advantage of Nations*, (1990), p. 373

<sup>180</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 46f

<sup>181</sup> Perlitz., M., *Internationales Management*, (2004), p. 253

<sup>182</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 52f

<sup>183</sup> Porter, M., *The Competitive Advantage of Nations*, (1990)), p. 374ff

<sup>184</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 38

<sup>185</sup> *Ibid*, p. 46f

<sup>186</sup> Derensky, H., *International Management*, (2006), p. 95

<sup>187</sup> Nakata, C., & Sivakumar, K., *Instituting the Marketing Concept in a Multinational Setting*, (2001), p. 260

<sup>188</sup> Hall, E. & Hall, M., *Understanding Cultural Differences*, (1990), p. 46

<sup>189</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 141

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should have high quality and in case this quality is not delivered Germans complain directly making German buyers among the toughest in the world.<sup>190</sup>

Due to their environmental awareness, a change in preferences has occurred from plastic bottles to reusable glass.<sup>191</sup> This awareness is also seen in the German consumption of paper. German coffee filter is yellow-brown (naturbraun) whereas for example the French is white. Another example of how the Germans show they are environmental friendly is their toilet paper, which is mostly not bleached with any chlorine based chemicals.<sup>192</sup>

#### **4.1.5 Social Organization**

The family is Germany's most important social reference, having strong bonds with the parents is of importance for the younger people. The family as a social institution has increased in importance over the years and the traditional values about family have change towards a wider view. Germany has developed far with regard to social standard having high standard as well as being well educated. However, the country still suffers from the time when Germany was divided and must continually work on the social standard to be more constant all over the country.<sup>193</sup>

The population is aging in Germany: 13.8 percent is between 0-14 years (male 5,826,066/female 5,524,568), 66.2 percent is between 15-64 percent (male 27,763,917/female 26,739,934) and 20 percent is over 65 years (male 6,892,743/female 9,622,320).<sup>194</sup> Today, one person out of four is over 60 years old. However, lately German life and lifestyles have changed towards more independency. Yet, the elderly often value strong bonds to the family and prefer to live close by.<sup>195</sup>

There are about 15 million people with immigrant background in Germany: the largest groups are Turks, Italians, Poles, Romans, etc. This high degree of immigrants forces Germany to work actively with integration questions which has lead to that the contact between Germans and immigrants being closer, as well as the ethnic cultural variety, which has become more accepted among Germans.<sup>196</sup>

Germany is a welfare state having social securities such as unemployment insurance and long term insurance, however, under certain circumstances and terms. Being a well-fare state means that the state should protect the natural bases of the citizens' life, but the individual must also take responsibility for his own social welfare. Most people are health insured and accident insured, but this must the individual take care about.<sup>197</sup>

Studies of organizations have shown that organizations in Germany are characterized by well-defined job-roles, the individual is of value, leader has absolute authority, rules are often more

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<sup>190</sup> Porter, M., *The Competitive Advantage of Nations*, (1990), p. 372

<sup>191</sup> Usunier, J-C., *Marketing Across Cultures*, (2000), p.116

<sup>192</sup> Ibid, p.153

<sup>193</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 135ff

<sup>194</sup> Central Intelligence Agency - The World Fact Book

<sup>195</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 147

<sup>196</sup> Ibid, p. 149

<sup>197</sup> Ibid, p. 150

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important than the situation, job security is important, expertise and hierarchy is crucial and they have a well-defined distinction between business and personal life.<sup>198</sup> Hierarchy is basic rule in Germany with regard to companies, especially when doing business.<sup>199</sup>

Trade unions have a strong influence on some parts of the marketing environment in Germany. The stores opening hours are strongly restricted, closing 18.30 working days, at 14.00 every Saturday and are closed on Sundays. Historically has every try towards liberalization been heavily fined and the Germans have been forced to adjust to the opening hours instead of the opposite. This has led to a development of mail order service giving the Germans the opportunity to shop at any time. Examples of mail order firms are: Neckermann, Bertelsmann and Quelle.<sup>200</sup> In 1997 the German catalogue industry was the strongest in the world relative to country size.<sup>201</sup>

#### **4.1.6 Religion**

Germany has a history of Christianity since a couple of hundred years AD. The church has through the history had a strong political power. In the 16<sup>th</sup> century, it came clear that the religion had two areas: the Roman-Catholic and Protestant.<sup>202</sup> Today, Germany has no state church and consists of Protestant 34%, Roman Catholic 34%, Muslim 3.7%, unaffiliated or other 28.3%.<sup>203</sup> The latter third contains many citizens from East-Germany that often don't belong to a specific confession. Few Jewish people lived in Germany after the Second World War but now they increased in number again. Other religions such as Muslims have also increased.<sup>204</sup>

There is a guarantee of freedom of religion and to be allowed to exercise the religion which is stated in the Basic Law.<sup>205</sup>

The 16 states decide when their holidays should be, however, there are some general holidays: New Year's Day, Good Friday, Easter Saturday, Easter Monday, First of May, Ascension Day, Whit Monday, Christmas Day and Boxing Day. As seen, most of them refer to Christianity. Stores are closed and no-one works on these days. To be mentioned is also that most stores including food stores are closed on Sundays.<sup>206</sup>

#### **4.1.7 Politics and Law**

The German political system today has been built with regard to lessons learnt from history. As ground lies the constitution, which is formed by the Basic Law, founded by the Parliamentary Council. The Basic Law sets human dignity in first place and defines Germany

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<sup>198</sup> Brannen, M.Y. & Salk, J., *Partnering Across Borders*, (2000), p. 466

<sup>199</sup> Gesteland, R., *Cross-Cultural Business Behaviour*, (2005), p. 316

<sup>200</sup> Usunier, J-C., *Marketing Across Cultures*, (2000), p.105

<sup>201</sup> Ibid, p. 397

<sup>202</sup> Nationalencyklopedin, <http://www.ne.se.ezproxy.ub.gu.se/artikel/334099>

<sup>203</sup> Central Intelligence Agency - The World Fact Book

<sup>204</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 148

<sup>205</sup> Ibid, p. 148

<sup>206</sup> Deutsch Schwedische Handelskammer, <http://www.handelskammer.se/sv/ueberschweden/helgdagar-i-tyskland/>

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as a democracy, social constitutional and federal state. The people form political parties that act upon their will. Since the electoral system is designed to make it hard for one party to rule, coalition governments are common. The German parliament consists of the elected party representatives and the President and it is called the Bundestag. Germany's political system shares many similarities with most European political systems.

Germany consists of a central Federal Government and 16 federal states that all have own independent governments but with limited authority. They divide the power with the Federal Government according to detailed laws set in the Basic Law. This means that Germany is based on a centralized as well as decentralized system. For example, since the Basic Law says living conditions in Germany should be comparable, economic and social policy is centralized. But many other areas are decentralized such as schooling, internal security, police, finance and organization of local self-government.<sup>207</sup> The federal parliament consists of two houses: Bundestag and Bundesrat where the states are represented.<sup>208</sup> The states are represented in the Bundesrat which is involved in the process of federal legislation.

Germany is highly graded with regard to political and legal stability. This fact makes Germany attractive to foreign companies as well as invite to investments and entrepreneurial activity.<sup>209</sup>

Germany is part of the European Union and thus part of the European Single Market. Within the European Union, many laws and rules are the same or are about to converge creating a homogenous field of action especially for companies from other European countries such as Sweden.<sup>210</sup>

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<sup>207</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 50ff

<sup>208</sup> Swedish Trade Council, <http://www.swedishtrade.se/landrapporter/?objectID=5644>

<sup>209</sup> Hintereder, P. et al., *Facts About Germany*, (2008), p. 50ff

<sup>210</sup> Europeiska unionens portal, [http://europa.eu/abc/history/index\\_sv.htm](http://europa.eu/abc/history/index_sv.htm)

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## 5 RESEARCH FINDINGS- COMPANIES' ADJUSTMENT OF THE INITIAL MARKETING MIX DUE TO CULTURE

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*In this chapter, we present the interviewed companies and their answers regarding standardization or adaptation of the marketing mix. We have chosen to interview three companies within the food and beverage industry, two companies within the garment industry and one industrial company. Starting with Wasa Bröd AB, Göteborgs Kex AB, The Absolut Company AB, Nudie Jeans Marketing AB, Filippa K AB, and finally Precimeter Group.*

*Every part starts with an introduction of the company presenting the respondent and relevant company facts. Thereupon, we lay out the implemented interview presenting the respondent's answer regarding standardization or adaptation of the marketing mix as well as cultural reasons of its choice.*

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### 5.1 Wasa Bröd AB

Respondent in the interview is Karin Brunell, marketing manager at Wasa Bröd AB.

Wasa Bröd bakes crisp bread and has been on the market for more than 100 years. In the 1950s its export of the crisp bread to Europe as well as to the United States started. Wasa Bröd's largest markets outside Sweden are the other Scandinavian countries and Germany, closely followed by Poland, the Netherlands, France and the United States. The company has production facilities in Filipstad in Sweden, Celle in Germany and Hamar in Norway.<sup>211</sup>

#### 5.1.1 Price

The German market is by Wasa Bröd seen as a low-price-market and there is a strong downward pressure on prices. The business climate is tough and it is difficult to enter, but the German market has a big potential, due to its large population within the small area. Wasa Bröd adapts its *pricing strategy* having a cost based pricing strategy in Germany. The company also adapts its *list prices* to the local markets, which means that each country has different prices. Germany for example, has lower prices than France or Sweden. The advantage for this low price strategy is that Wasa Bröd exists on the market, yet with a lower profitability, otherwise the German market would have been very hard to compete in.<sup>212</sup>

Wasa Bröd did not want to answer the questions of *discounts* and *period of payment*.

#### 5.1.2 Product

The *core product* is standardized, since it is seen as most rational within production. The actual product is standardized in the matters of *package*, *size*, *quality*, *features*, *brand name*

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<sup>211</sup> Wasa Bröd AB

<sup>212</sup> Ibid

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and recipes. The only part not being standardized is the language of the text on the *label*, which differs from country to country.

The advantage of standardization according to Wasa Bröd is economies of scales and the disadvantage is that the product is less flexible. A more optimized mix would be to have bigger packages in Sweden and smaller in Germany due to the differences in consumption patterns.

The augmented product is limited, since Wasa Bröd doesn't offer installation service, warranty service or delivery service to its end-customers. *After sales service* exists, but only in the matter of reclamations in stores and the procedure is standardized.<sup>213</sup>

### 5.1.3 Promotion

The *advertising message* is locally adapted to the German market since the Germans have a different type of consumption and a different relation to the product compared to the Swedes. In Germany Wasa Bröd build its promotion on "Swedishness" using metaphors like "Healthiness and pureness" but it does not use any kind of *communicator*.

Wasa Bröd's *target group* of the advertising is the active German women between 30-40 years old. This is an adaptation since its target group in Sweden is broader and consists of men and women (25-50 years). The company only uses the *media*: TV, since it is seen as the most cost effective and gives it local presumptions to affect its target group and market in the best way. The company's choice of media is adapted to the German market.

*Personal sales* is adapted and is used for the stores and chain stores, however, it is not used for the end customers. Wasa Bröd's German sales office works to find successful concepts and cooperation's with department stores. It uses *sales promotion* adapted to the German market containing information in German about its coming products, different types of price promotion as well as sales promotion on the package. Price promotion can be exemplified by different types of discounts.

The reason for the adapted personal sales and sales promotion is mainly due to the fact that the products are still in a more initial phase than in Sweden. Hence, Wasa Bröd needs to assist the German market with as much services as possible such as a German sales office with native German speakers and different kind of sales promotions to get higher sales and higher brand awareness.

*Public relations* are locally adapted. In Germany Wasa Bröd uses it within product promotion, to promote new products to inform about how healthy the products are and to work the magazines and newspapers. The company focuses especially on the fact that it is founded in Sweden and it wants Germans to connect the brand with Sweden and "Swedishness".

Since crisp bread in Germany is in a growth phase and in Sweden it is in a mature phase, there is also a difference in the overall type of promotion. In Germany Wasa Bröd works to increase

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<sup>213</sup> Wasa Bröd AB

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the knowledge of its product whereas in Sweden it tries to strengthen its position and introduces new products. No *direct marketing* is done.<sup>214</sup>

#### 5.1.4 Place

Wasa Bröd adapts its *distribution channels* to the opportunities of the German market. The company sells the products through distributors such as IKEA and super markets. Having distributors over the entire German market, Wasa Bröd covers the entire German market. The *coverage* is adapted to the German structure of the market: geographically as well as according to the type of distributor.

The *assortment* of products is adapted being smaller in Germany compared to Sweden, since Germans do not consume as much per capita as in Sweden. However, Germany has a large population which means that large sales can be reached anyway. Wasa Bröd's *inventory* is adapted to the German market and the company uses the German standards, ¼ - displays.

The *transport* and *delivery* is locally adapted, but the structure is very similar to that of Sweden. Wasa means, it has to adapt the delivery to have a chance on the German market, hence the company offers negotiations about the delivery so that every business chain is satisfied.<sup>215</sup>

### 5.2 Göteborgs Kex AB

Respondent in the interview is Martin Thoma, Export Area Manager at Göteborgs Kex AB.

Göteborgs Kex produces cookies and such. It was founded 120 years ago and has since grown to be a European actor. It entered the German market in 2001 by exports but the products have been sold in the country for several years through IKEA. Göteborgs Kex has recently started to make use of the agent it is using today and is now continuing the expansion on the European market. Göteborgs Kex has the impression that since the German market is the biggest in Europe it is also the most attractive and most important.<sup>216</sup>

#### 5.2.1 Price

Göteborgs Kex applies adapted *pricing strategy* towards every target market. The *list prices* are also adapted to each market. In Sweden and Norway Göteborgs Kex has 40 % and 60 % share of the market respectively. This implies that the company has larger possibilities to set prices as it wishes in Sweden and Norway. But in a competitive market like Germany, it adapts its prices according to the market, since the German market is characterized by hard downward pressure on prices.

The German market is a tough market and it has been said that within a radius of 80 km of any bigger city in Germany, it is possible to buy any existing produced product. To be added is that Germany has many large close-by situated cities. Germans are very price concerned

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<sup>214</sup> Wasa Bröd AB

<sup>215</sup> Ibid

<sup>216</sup> Göteborgs Kex AB.

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being interested in getting a low and good price as well as good quality. It is seen as completely normal for high-income earner as well as low-income earner to do the grocery shopping in low-price stores like Aldi and Lidl. The German market is characterized by strong consumer power, consumers don't accept unmotivated high prices.

Göteborgs Kex doesn't use any *discounts* or *allowances*, but a substitute to discounts called "Netto-netto Preis", which means that each customer gets the lowest price possible, which is due to the strong price pressure. The "early-payment" discount (Skonto), practiced by many other companies, has not yet been practiced by Göteborgs Kex. The *period of payment* is standardized having 30 days as standard and the company uses invoices for all its customers.<sup>217</sup>

### 5.2.2 Product

The *core product* is produced in Gothenburg and it is standardized all over the world. Concerning the actual product, the *label* is adapted with regard to the language on the package. In Germany it is German and in Sweden Swedish. *Features, package, quality* and *brand name* are standardized. Reasons for this are economies of scale as well as wishes of being a univocal brand. Göteborgs Kex has had no reasons to adapt the entire actual product to the German market since it has experienced sales success through IKEA.

The *after-sales services* are standardized and in case of complaints, the customer has to turn to the Swedish main office. However, Göteborgs Kex would like to have a German person handling complaints, but it hasn't yet been necessary.

Since it is a food-product Göteborgs Kex has no *installation service, warranty service* or *delivery service* included in the product for end customers.<sup>218</sup>

### 5.2.3 Promotion

The overall promotion is adapted to the German market due to the difference in market share. In Sweden, Göteborgs Kex has a big market share and advertises heavily with TV advertisement to build the brand, and different sales promotion activities to increase sales.

The advertising is adapted and consists of an advertisement leaflets called "Handzettel" which is sent every week to the households with different offers. The *message* is adapted to the German market consisting of promotion which fits in the initial phase of the products and the message is in German. Göteborgs Kex doesn't use any *communicator* and its *target group* consists of families with children, adults in the age of 25-45 years old. This is adapted since the target group in Sweden is broader. The leaflet paper is the only *media* that the company uses for advertisement in Germany. This advertisement is also seen as Göteborgs Kex's *direct marketing*, hence it is adapted. The pro's of little advertisement as applied in Germany, is that the costs are low but on the other hand, sales are also low.

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<sup>217</sup> Göteborgs Kex AB.

<sup>218</sup> Ibid

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Göteborgs Kex has adapted *personal selling* using agents in Germany and in Sweden the company make use of own sales force. The *sales promotion* is adapted and consists of special offers in the weekly advertisement leaflet as well as ¼ - displays used during campaigns. The adaptation is due to the tougher market climate where more products compete for less space as well as the different language.

*Public relations* are adapted and are only done in cooperation with the Swedish Trade Council that arranges “Schwedische Woche” (Swedish weeks) as an in store activity. Göteborgs Kex has been participating in these events.

Since the products also are sold in Ikea's Swedish Stores, Göteborgs Kex hopes to increase knowledge and trial of the product. Through this channel, the company has understood that there is a demand for the product and that Germans like the product. In a near future, Göteborgs Kex wishes to make use of more promotion for the products. The decision has been based on this fact.<sup>219</sup>

#### **5.2.4 Place**

The *distribution channels* are adapted to the German market as Göteborgs Kex sells through supermarkets, which have chosen to be Göteborgs Kex's reseller. Since the company values the brand highly it has chosen not to sell its products through low price stores like Aldi.

The market *coverage* is adapted and limited to northern Germany and in the bigger cities. The *assortment* is also adapted to the smaller German market. In Sweden, Göteborgs Kex sells 50 different products, within different categories. In Germany it only sells five different products, since the German market still is in its initial phase. Göteborgs Kex has focused on the products that sell best and tries to reach a satisfying volume.

Their *inventory* is also adapted and it uses a ¼-display (In Sweden normally a ⅓ - display) which is rented from a German company, since it is a requirement from the stores. This is more expensive for Göteborgs Kex but on the other hand, it sells more since the display is bigger and easier seen by the customers. Göteborgs Kex rents it, fills it up with its products and deliver to the store. After the delivery, the responsibility for the display is left over to the store, until the products are sold.

The *delivery* is adapted to the German market being pre-paid (included in the offered price) and Göteborgs Kex delivers to Germany and the central warehouse of the receiver. It also offers delivery direct to the store. Göteborgs Kex wishes to succeed in the German market is clearly shown by its willingness to adapt to German terms.<sup>220</sup>

### **5.3 The Absolut Company AB**

Respondent in the interview is Ann Ystén, Marketing Manager at The Absolut Company.

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<sup>219</sup> Göteborgs Kex AB.

<sup>220</sup> Ibid

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The Absolut Company started producing vodka about 130 years ago, but the Absolut Vodka as we know it today was first launched in 1979. The company produces Vodka, unflavored as well as with different flavors. The Absolut Company started its expansion in the United States and entered the German market first in the 90s. Since The Absolut Company is today owned by Pernot Ricard it has a German sales division together with the other Pernot Ricard brands. The German market is seen as a large off-trade market, meaning that most of the consumption of Absolut products occurs at home.<sup>221</sup>

### 5.3.1 Price

The type of *pricing strategy* is confidential; however, The Absolut Company applies a global strategy with local adaptations. The company is now owned by the Pernot Ricard, which has subsidiaries in each country and the *list price* is therefore adapted, being negotiated with every distributor in each target market. The German market is seen as a price-intensive, brand-intensive and activity-intensive market.

The headquarter in Stockholm creates *discount* strategies and guidelines for the subsidiaries to follow, but local adaptation is possible, that makes competition in the German low-price market more possible. The *period of payment* is adapted to the customer since each department store, chain or restaurant has its own negotiation process. This way The Absolut Company can award good customers and also protect itself against bad customers, giving them different credit terms.<sup>222</sup>

### 5.3.2 Product

The Absolut Company has standardized the *core product*. The *package* in the matter of the bottle is standardized as well as the *labels*. However, the company has different skins or limited editions, but they are not specific adapted to the German market. A skin can for example be Absolut Brazil, or the limited edition Absolut Disco. The Absolut Company points out that under each skin or limited edition there is a standardized Absolut Vodka bottle. The *features* are standardized, but as already pointed out skins or limited editions are used on the label. The *quality* and *brand name* are standardized to give a univocal impression of the product everywhere.

The *after-sales services* are adapted handling reclamations locally through the distributors. The Absolut Company doesn't apply any *warranty services*, *installation service* or *delivery service*, since it is not a business where it is necessary to offer the end customers this kind of services as a part of the product.<sup>223</sup>

### 5.3.3 Promotion

The Absolut Company uses many different types of promotion to communicate the *message* in Germany as well as in the entire world. The company applies a global concept but with local adaptations or executions. Each event or communication message has to fit within "The

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<sup>221</sup> The Absolut Company

<sup>222</sup> Ibid

<sup>223</sup> Ibid

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Absolut World” concept but adjustments for local taste and preferences are made for the German market.

A typical adaptation would be an event recently carried out in Germany when launching the Absolut Disco. The Absolut Company rented some Porches, which are loved in Germany and wrote Taxi signs on them with the message: “This would be possible in an Absolut world”.

A typical execution would be “Absolut Brazil”, where different artists have designed their own skin for the Absolut bottle. Another example is the exhibition of Helmut Lang “Alles Gleich Schwer“.

The executions are created according to local taste and preferences with an event to increase the attention. The *communicator* is standardized and is always the bottle or the brand Absolut, but the Absolut Company doesn’t make use of any spokesperson.

The Absolut Company has a global definition of the *target group*, with adaptations towards every country, but this information is confidential. The company performs local research to gain knowledge about its customers since the consumer behavior differs widely between for example Berlin and Sao Paulo. There are differences within consumption patterns, where the people see the advertisements, how they perceive the product, the brand and so on, which is why The Absolut Company has an adapted target group.

The Absolut Company uses every kind of *media* for its promotion and it is also locally adapted to the different markets. In Germany it uses TV and print as above the line media. The company also uses the Internet, its own website with blogs and information. The Absolut Company is also seen in other companies’ websites in different cooperation’s.

*Personal sales* are adapted to each market but the main concept is the same. In Germany there is one brand ambassador who educates the sales force (200 persons), takes care of prestige customers and works as a first contact to The Absolut Company. The *sales promotion* is adapted and consists of the different editions: Absolut Disco, Absolut Masquerade, Absolut Fashion but also of “buy a bottle and get a glass for free” campaigns. The Absolut Company is trying to build up the brand in all channels. It uses a lot of adapted *public relations*, and a good example is the event in Germany with the Porches as taxis. Public relations, events, different cooperation’s and campaigns in stores are often used as below the line media.

The Absolut Company doesn’t use traditional *direct marketing* like post, but it does so through newsletter inviting to the website, emails and through other creative co operations. All direct marketing actions done in Germany by the Absolut Company are adapted and influenced by the German culture, by its preferences, how Germans shop and what they shop.<sup>224</sup>

### 5.3.4 Place

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<sup>224</sup> The Absolut Company

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The *distribution channels* are adapted to the structure of the German market. The Absolut Company has a wide distribution selling the product over entire Germany, but the company does not sell through low price stores like Aldi or Lidl since it has premium priced products. The Absolut Company's *market coverage* is adapted since it covers the market through all kinds of distributors being located over basically the entire Germany. The market coverage within the entire alcoholic beverages market is 25 %. Although, within the stores category where The Absolut Company wants to sell or sells the products: the market coverage is 60 %.

The *assortment* is adapted to each market according to its preferences; if there is a preference for flavored vodka or not. Sweden is a very mature country when it comes to drinking vodka and so is Germany but to a less extend.

The Absolut Company uses its own standardized *inventory* under campaigns with bars and clubs. The company is responsible for the *transport* that is standardized, having the same terms for each market when delivering from Sweden to the closest harbor in the receiver country.<sup>225</sup>

## **5.4 Nudie Jeans Marketing AB**

Respondent in the interview is Oscar Fritzson, sales coordinator at Nudie Jeans Marketing AB.

Nudie is a Swedish company that manufactures, sells and markets clothes and accessories. The main product is jeans. Nudie has agents, distributors and sale persons all over the world. The company has been active in Germany since 2003 and has agents as well as sale persons. Nudie has the impression that the German market is slow, large and pretty conservative.<sup>226</sup>

### **5.4.1 Price**

Nudie uses standardized *pricing strategy* within Europe and has standardized *list prices*. There is no German cultural reason for it, but rather that Nudie tries to harmonize customers view of price within Europe and that there are too many possibilities of internet shopping making it harder for Nudie to adapt prices.

Nudie applies adapted *discounts* in Germany giving three percent off to customers paying ten days before last day of payment (this discount is called Skonto in Germany). The company has an interest in taking away this discount, but has not been able to do so in Germany, since it is a part of the culture with regard to how they do business.

The *period of payment* is standardized, but Germans often pay earlier than deadline due to the early paying discount. However, Nudie adapts the credit terms applying tougher conditions in Germany than in Sweden. Reasons for this are that Nudie hasn't got the same knowledge

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<sup>225</sup> The Absolut Company

<sup>226</sup> Nudie Jeans Marketing AB

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about and contacts in the German market as the Swedish market and that Germany obey under other laws making it more insecure doing business there.<sup>227</sup>

#### **5.4.2 Product**

Nudie standardizes: the *function of the product, packaging, features, label, quality and brand name*, since it wants to have a univocal brand with the same products in every market. The company finds it more important to be a consistent brand than to adjust to German culture with regard to the product. Pros of the standardization are economies of scale and a strong brand and cons are that Nudie may lose customers not finding their product.

Nudie applies adapted *after-sales service*, having a German customer service in Germany handling complaints, storage from Sweden, shipment and helping out in other areas. This is because it is easier having a German knowing the language and being able to understand. Germans prefer to call a German than calling Sweden being forced to speak English.

The *installation service* is something that Nudie doesn't offer, since it is not necessary in the business. *Warranty service* and *delivery service* are also not included in Nudie's augmented product and is therefore not offered to the end customer.<sup>228</sup>

#### **5.4.3 Promotion**

Nudie hardly makes any *advertisement* at all in all its markets. The company has had a few ads in Sweden, but in Germany it has had no advertisement at all. However, Nudie applies adapted *personal selling* having German sellers traveling around. Reasons for this are that Nudie finds it important that the sellers are fluent in German and have full comprehension. Having German sellers also creates higher confidence. *Sales promotion* is standardized, giving the same offers to all customers, since it is the most convenient.

Recently, Nudie has started to make use of *public relations* working with press releases that get adapted with regard to language, but the message is standardized. However, Nudie standardizes its *direct marketing*, such as Christmas greetings, even sending all greetings written in English.<sup>229</sup>

#### **5.4.4 Place**

Nudie adapts its *distribution channels* to the German market structure. The company is represented in 121 stores, consisting of some chains and many independent stores, in a similar way as it is in other countries, but it is difficult to completely standardize the distribution channels. Nudie finds the Swedish and German markets to be generally similar having about the same products and stores, giving similar opportunities to place the products with similar products.

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<sup>227</sup> Nudie Jeans Marketing AB

<sup>228</sup> Ibid

<sup>229</sup> Ibid

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The *coverage* of the market is also adapted to German structure; geographically Nudie is represented almost everywhere and with regard to the type of store the company is represented in well-sorted chains and independent stores.

Nudie makes use of standardized *assortment*, since it wants the image to be consistent all over the world. Nudie has no own stores, which means that the company has no *inventories*.

Nudie's way of *transporting* and *delivering* the products is standardized. It has free delivery as standard, sending everything with UPS. Additionally, the European Union makes it easy to standardize with regard to transport since the laws are similar and the infrastructure is similar as well.<sup>230</sup>

## 5.5 Filippa K AB

Respondent in the interview is Eva Boding, marketing manager at Filippa K AB.

Fifteen years ago Filippa Knutsson and her two partners founded Filippa K. Since then, it has grown to a multinational company with 40 subsidiaries over the world. In 2002 Filippa K entered the German market and in 2006 the company opened its first own stores in Berlin and in Munich. Today Filippa K has six stores in Germany and sells its clothes through different department stores.<sup>231</sup>

### 5.5.1 Price

Filippa K uses standardized *list prices*. However, Filippa K has a fixed price from where it buys the clothes, but the margin differs a little from country to country. Filippa K places itself in the mid-price segment. The competition is hard in the mid-price segment, since the German market has a strong retail base. The Germans are nationalistic about their choice of brand often choosing strong German brands such as Hugo Boss and Marco Polo. However, Filippa K is very concerned about having a consistent brand image, meaning that standardization is commonly used.

There are *discounts* when a reseller buys a certain volume, or campaigns or sales for the end customer, which are all standardized towards praxis. For the end customer Filippa K has standardized sales periods after Christmas at winter and a summer sale.<sup>232</sup>

Regarding *period of payments* and *pricing strategy* Filippa K was unable to answer.

### 5.5.2 Product

Filippa K has standardized the function of the *product*, *the packaging*, *features*, *styling*, *quality and brand name*. The advantage of a standardized product for Filippa K AB is that it has a global customer with a global style. The buyer likes the style a lot and there are no big differences between the countries. Filippa K wants to have a consistent brand.

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<sup>230</sup> Nudie Jeans Marketing AB

<sup>231</sup> Filippa K AB

<sup>232</sup> Ibid

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*After-sale-services* is standardized and mostly regards reclamations. The products are then sent back to Stockholm for an analysis of how the product was used and what was wrong about it, since it is of matter for the headquarter in Stockholm to keep control over the product as well as being able to analyze why a complaint about the product was made.

Like Nudie, no *delivery service, warranty service or installation service* is offered to the end customer and is therefore not part of the augmented product.<sup>233</sup>

### 5.5.3 Promotion

The *advertisement message* is standardized and formed in Stockholm. The stores can create their own campaigns but with material made at the headquarters and they have to get approval from the headquarters. The *communicator* is standardized, using Filippa Knutsson to spread the story of Filippa K. In the beginning Filippa K used one model for each campaign, but now the company uses any person who can communicate the brand in the best way. Sellers in stores are also communicators of the brand.

The German *target group* is adapted but still similar to the Swedish, although the actual customer varies between the countries. The typical customer in Germany is normally younger than in Sweden since Sweden has a broader target group.

Filippa K's print *media* as well as online media are standardized. It also uses promotion in stores, public relations, for example event and customer relation management. In each new region Filippa K tries to profile Filippa, who she is and the story behind the Filippa K concept. The *personal selling* is adapted making use of a German agent, or German sales staff in stores.

Filippa K uses standardized *sales promotion* to the stores to inform about coming collections, as well as standardized *direct marketing*, in cooperation with the department stores.

The *public relations are adapted* and Filippa K uses it to inform about the story behind the brand, on events and in creative cooperation's with magazines and design companies as well as in store activities. The basic message is the same but how the company communicates it differs. Filippa K has graded Sweden as a mature market and Germany as a new growth market, which leads to a standardized message but how the company communicates it differs.

The decisions made within promotion are all decided from the headquarters in Stockholm. The content is the same but the design varies, depending on if it is a mature market or a new growth market.<sup>234</sup>

### 5.5.4 Place

The *distribution channels* are adapted to the German structure going to retail or wholesale. There are five retail stores and many channels within wholesale. Filippa K is an international actor in an international market. A lot depends on the structure of the country. In Great Britain

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<sup>233</sup> Filippa K AB

<sup>234</sup> Ibid

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for example, a few large department stores controls the market and in Italy is the market driven by numerous small stores. In Germany, there is a mixture of department stores, independent stores and Filippa K shops.

Filippa K's *coverage of the market* is adapted and geographically concentrated to bigger cities where its target customer lives. The *assortment* is standardized, but the stores have an opportunity to choose themselves what to buy. The stores can choose from how much they wish to buy and what they wish to buy. This way they can adjust the collection to the market and the customers.

In the department stores Filippa K decides together with the store where to locate. The company focuses on shop-in-shop concepts where it can form the design and framing of the shop. The department stores should fit the values and prices of Filippa K, as well as cooperating with Filippa K in arrangements and events for the customers.

Filippa K's *inventories* are standardized, giving the impression that no matter where in the world you are, a Filippa K store always looks the same. The headquarters in Stockholm decide how the products should be presented in the store but also in the display windows. The Filippa K headquarters give the stores guidelines and material of inspiration which the stores can form and adjust according to their clientele. Filippa K's *transport* is adapted and differs from market to market.<sup>235</sup>

## 5.6 Precimeter Group

Respondent in the interview is Magnus Turner, marketing manager at Precimeter Group.

Precimeter sells, produces and develops molten metal level control solutions. The company has been active in the market for more than 20 years and in the German market it has been active since 1998 with representatives. Since 2007 it owns a subsidiary company in Germany. It was Precimeter's own decision to enter the German market, which it did since Germany is a large market with many possible customers and also because of personal contacts and interests. Today Germany stands for 20 percent of Precimeter's turnover. Precimeter's opinion about the German market is that focus lays on technology especially with regard to selling visits. Germans want to know exactly how and when something will happen.<sup>236</sup>

### 5.6.1 Price

Precimeter makes use of customer value based pricing strategy in Germany. The *pricing strategy* is standardized all over the world. The company also applies standardized list prices for all its products, except with regard to packaging, where it charges an extra 10 Euro for the package, since this is how it works in Germany. This is not what Precimeter applies in other countries. The package charge has to be specified on the invoice, since Germans want everything to be specified and find it important to pay for everything. Knowing that Germans are reliable and do not bargain when doing business Precimeter feels comfortable having the

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<sup>235</sup> Filippa K AB

<sup>236</sup> Precimeter Group

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same prices as in Sweden. Germans are more interested in the technological solution, meaning that when they have decided to buy something they are also prepared to pay for it. Precimeter finds this matter to be of advantage since it always knows what price to set and how to handle the customer.

However, Precimeter applies adapted *discounts*, offering the German market 2-3 percent off if they pay earlier than needed (Skonto), since this is the way Germans do business. Precimeter finds this to be connected with the matter of how Germans are: that they are concerned about order and efficiency. Meaning if they pay earlier they should also be rewarded for it. For Precimeter this is a win-win situation, creating better cash flow and less insecure account receivables as well as satisfied customers.

The *period of payment* is also adapted being shorter in Germany as in Sweden, this is doable since Germans are very correct almost always paying their bills on time. Precimeter never makes use of pre-payment in Germany, which is something that it sometimes does in other cultures such as the Asian culture.<sup>237</sup>

### 5.6.2 Product

Precimeter standardizes the *function* of the product, since it is easier and the German market hasn't demanded adapted products. This makes it easier for Precimeter to plan the production as well as the insecurity decreases.

The *packaging* is standardized as well as the *features*, since this is nothing that matters in the business. The Germans are more interested in the technology. Precimeter's *labels* are standardized having the same for Sweden as well as Germany, since the labels to most part consist of digits and serial number it isn't necessary to adapt them to the German market.

The *quality* is standardized as well, yet, Germans ask many questions about quality and everything is tested well. In case of problem Germans are pretty demanding meaning that they have paid for the product and hence it should work. Germans are strict about getting information about how, where and when the product will be fixed.

The *brand name* is standardized since one year back, because Precimeter Group wants all the companies within the group to be connected with regard to the name. The name works well in Germany, having no hindrance with regard to language, pronunciation and German culture.

The *installation* is standardized. Precimeter sends Swedish staff installing the product. But the company sometimes thinks it should adapt its way of working with installation, since Germans wish for German speaking staff. It is of advantage to have the same staff handling installation in Germany as in Sweden. However, disadvantages are that it seems to create communication problems and credibility problems. Precimeter has the impression that Germans do not want to speak English because they are not so good at it. Germans want to speak German when they are in their own country.

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<sup>237</sup> Precimeter Group

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*After-sales services* are limited, but standardized if needed. *Warranty* is adapted, Germans demand longer warranty time in the negotiations. Precimeter believes this is because Germans value when people mean what they say, directness, they want to be sure, and have a straightforward communication. The longer warranty time creates higher insecurity for Precimeter, since it brings higher costs.

*Delivery service* is adapted offering delivery as a part of the product when buying a product in Sweden and Germany. The terms are negotiated with every customer and hence adapted, yet not specific to the German market.<sup>238</sup>

### 5.6.3 Promotion

Precimeter *advertises* in German trade journals and the advertisement is adapted according to German taste, having the ads in German and presenting more technological details in them. This creates a situation where Precimeter has a better addressed *message*, due to adaptation. Precimeter uses no *communicator* in its advertisement.

*The target group* of the advertisement is adapted reaching out for managers with mandate to take decisions in Germany, since the hierarchic rank makes it unnecessary to target people with lower rank. In Sweden, however, Precimeter also targets employees, since the way to decision often goes through employees. Disadvantages of the target group in Germany are that it includes less people which often are pretty conservative and afraid of change in order to save themselves.

The *media* through which Precimeter advertises is adapted, since it needs to choose trade journals addressing managers with mandate to take decisions. There are many trade journals in Germany making it difficult for Precimeter to choose the right one, meaning a journal that addresses managers with mandate to take decisions.

*Personal selling* is adapted regarding local fairs where Precimeter has all its material translated into German in order to make more contacts. Personal selling is also adapted concerning the sales men. Precimeter has native German speakers being able to answer to advanced technological questions as well as some Swedish sellers speaking English that also are able to answer to advanced technological questions. The Swedish sellers are often without title and younger than the German ones. This sometimes creates problems when doing business in Germany, since Germans want to speak German in Germany. Without title, the Swedish sellers are not credible according to Germans, forcing the Swedish sellers to bring a native German seller with title. The German seller is used to German formality addressing people “Sie” and the German correctness.

Precimeter doesn't apply *sales promotion*. However, the company does adapt the job with *public relation*. It has contact with trade journals trying to get articles about its work in print, but the articles need to be of such an advanced technological level as when it has been written by a person with doctoral degree, which is a difficult task. Precimeter writes the articles in German, but is aware of the fact that it needs to adapt the work even more.

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<sup>238</sup> Precimeter Group

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The *direct marketing* is also adapted having letters sent in German including more technological details. The direct marketing is targeted to people in the hierarchic right position. This is more time consuming, but of advantage since Precimeter addresses the right person with the right message.<sup>239</sup>

#### 5.6.4 Place

Precimeter applies adapted *distribution channels* in Germany, selling the products through its own subsidiary. In other countries the company mostly has sales agents on spot. The *transport* and *delivery* are adapted, since they get decided upon with every customer. However, since Germany and Sweden are parts of the European Union, that works for free trade within the Union, the transport and delivery often works in similar ways from time to time.

The *coverage* of the market is adapted to where Precimeter is situated, but the company tries to serve the entire German market out of the office in Western Germany. The *assortment* is standardized offering the same products in all markets. Since Precimeter is an industrial company it does not have any *inventory* in stores.<sup>240</sup>

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<sup>239</sup> Precimeter Group

<sup>240</sup> Ibid

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## 6 COMPARATIVE ANALYSIS – A COMPARISON BETWEEN SWEDISH COMPANIES’ MARKETING MIX

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*In this section, we compare the companies’ adjustments on their marketing mix starting with price followed by product, promotion, and finally place. We relate the answers according to German culture trying to find reasons for the made actions within German culture.*

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### 6.1 Price

The analysis of the information regarding the pricing mix from the interviews shows that overall adaptation is more common within the food and beverage industry than in the garment industry (see table 6.1). Regarding the industrial company standardization as well as adaptation has been used.

**Table 6.1 A Comparison between Standardized vs. Adapted Pricing Mix**

	Food Companies		Beverage Company	Garment Companies		Industrial Company
<b>PRICING MIX</b>	Wasa Bröd AB	Göteborgs Kex AB	The Absolut Company AB	Nudie Jeans Marketing AB	Filippa K AB	Precimeter Group
<b>Pricing Strategy</b>	Adapted	Adapted	Adapted	Standardized	N/A	Standardized
<b>List Price</b>	Adapted	Adapted	Adapted	Standardized	Standardized	Standardized /Adapted
<b>Discounts and Allowance</b>	N/A	N/A	Adapted	Adapted	Standardized	Adapted
<b>Payment Period</b>	N/A	Standardized	Adapted	Standardized	N/A	Adapted

N/A = Not Available

The interviewed food and beverage companies all adapt their pricing strategies as well as list prices having lower prices in the German market than in Sweden. With regard to German culture this is probably due to the fact that the German market is a price pressed market. Germany was one of the founders of the European Coal and Steel Union and is today one of the central players in the European Union, which has lead to higher price pressure due to factors like lower customs, higher competition and larger trade volumes. Germany’s geographical position adds to the price pressure. Its central position in the European trade environment makes it a transit hub for European products. The key position increases product diversity and provides easy access to low-labor production in Eastern Europe increasing price pressure additionally.

The garment industry as well as the industrial company in the study applies standardized list prices and pricing strategies. This doesn’t seem to be a matter of German culture, rather a matter of a wish of having a univocal brand all over the world. To be added, however, is the fact that within the garment industry it is common to make use of the internet as well as catalogues when shopping in Germany. This makes it harder for them to adapt prices within the industry. This doesn’t seem to be the case regarding the food- and beverage industry in the study.

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German customers are concerned about prices, demanding low prices to a good quality. Their preferences are nationalistic towards German high quality products, creating a tougher climate for international companies in the German market. Germany has also a high rate of unemployment, an aging population as well as a high rate of immigrants, which leads to a higher demand of low priced products.

Germany has many large cities situated close to each other and is a dense country compared to many other countries. This creates higher price pressure in the German market since products are available for comparison and purchase without large efforts.

Precimeter Group adapts its list price only in the matter of package price adding an extra charge for the package. This seems to be an effect of German culture, since Germans are concerned about details, and the fact that right should be right, they want to pay for everything. In the German industry it also seems to be a wish that the quality has to be motivated by the price. This means that when they have come to the conclusion to buy something they have checked the quality that well that they are also willing to pay the offered price.

Discounts and allowances are mostly adapted often applying the German discount: “Skonto”. Putting this into the perspective of German culture, it seems to come from the fact that Germans are concerned about rightness, wanting to be rewarded if paying early. In case of late payment, it signals unreliability. Another reason is probably that Germans are high graded in their uncertainty avoidance, wanting to specify and include all details, such as the Skonto discount or package costs, in contracts.

The payment period is adapted or standardized and mixed between the companies and industries in the study. The adaptation to shorter payment period (Precimeter Group) seems to be a consequence of the fact that Germans do what is decided, meaning that a shorter period of payment is possible. The standardization of period of payment seems to be a matter of convenience rather than of culture.

## **6.2 Product**

Analyzing the results regarding the product mix, we see that standardizing the product mix seems to be common when operating in the German market (see table 6.2). All six companies standardize the function of the product, however, this seems to be a matter of convenience and cost rather than provoked by the German culture. Due to their multicultural market with its people one can argue that standardization is the best option, since it is very hard to adapt the product in a way that fits all cultural groups.

Regarding labeling both companies within the food industry (Wasa Bröd AB and Göteborgs Kex AB) apply adaptation concerning the language used on the label. Coupling this matter to the German culture, Germans appreciate to get the information in their own language. However, for foreign companies this matter can be difficult since the German language contains difficult grammar and one word for every meaning making it hard for foreigners to choose the right word.

**Table 6.2 A Comparison between Standardized vs. Adapted Product Mix**

	Food Companies		Beverage Company	Garment Companies		Industrial Company
<b>PRODUCT MIX</b>	<b>Wasa Bröd AB</b>	<b>Göteborgs Kex AB</b>	<b>The Absolut Company AB</b>	<b>Nudie Jeans Marketing AB</b>	<b>Filippa K AB</b>	<b>Precimeter Group</b>
<b>Core Product</b>						
<b>Function</b>	Standardized	Standardized	Standardized	Standardized	Standardized	Standardized
<b>Actual Product</b>						
<b>Packaging</b>	Standardized	Standardized	Standardized	Standardized	Standardized	Standardized
<b>Features</b>	Standardized	Standardized	Standardized	Standardized	Standardized	Standardized
<b>Label</b>	Adapted	Adapted	Standardized	Standardized	Standardized	Standardized
<b>Quality</b>	Standardized	Standardized	Standardized	Standardized	Standardized	Standardized
<b>Brand Name</b>	Standardized	Standardized	Standardized	Standardized	Standardized	Standardized
<b>Augmented Product</b>						
<b>Installation Service</b>	N/A	N/A	N/A	N/A	N/A	Standardized
<b>After-sales Service</b>	Standardized	Standardized	Adapted	Adapted	Standardized	Standardized
<b>Warranty Service</b>	N/A	N/A	N/A	N/A	N/A	Adapted
<b>Delivery Service</b>	N/A	N/A	N/A	N/A	N/A	Adapted

N/A = Not Available

All of the companies apply standardized packaging. They also standardize the features, quality and brand name. However, this seems to be the result of wishes of having a consistent product and brand image.

Regarding quality, it would have been natural if some companies would have adapted the product having better quality, since Germans are very concerned about quality, but this doesn't seem to be the case. However, this may be a consequence of the fact that most of the companies are within the food- and beverage industry and garment industry, where the products are more "short-lived".

Regarding the augmented product, standardization is more common than adaptation. To add is also that most of the companies don't offer certain services, which is due to the fact that the services aren't included for the end customer in the augmented product. Precimeter Group had standardized installation service as well as after-sales service, but it seems to opt for the adaptation alternative, since there are so many problems when the Swedish staff performing the services is not able to speak fluently German.

Nudie Jeans marketing AB and The Absolut Company AB adapt their after-sales services, since it is easier having a native German handling it. Göteborgs Kex AB opts for adapted after-sales services, but hasn't yet applied it. Germans have the opinion that right should be right and complain as soon as something has occurred. This implies that having adapted after-sales services with a native speaker is to recommend.

Precimeter Group also adapts the warranty time, since Germans are very concerned about the products durability; however, this is nothing that the other companies do. Connecting this to German culture, this is probably due to the fact Germans are very interested in the quality and think that the product should last.

Regarding delivery service, only Precimeter Group applies this service as included in the product and it is adapted.

### 6.3 Promotion

Concerning the analysis regarding the gathered information about the promotion mix, it seems to be hard standardizing the overall promotion mix. Shown in table 6.3 is the comparison of the interviewed companies' promotion activities. All the companies have adapted their target group, personal selling and public relations. Moreover, it seems that apart from Filippa K all the companies have adapted their advertising to Germany and German culture.

**Table 6.3 A Comparison between Standardized vs. Adapted Promotion Mix**

	Food Companies		Beverage Company	Garment Companies		Industrial Company
PROMOTION MIX	Wasa Bröd AB	Göteborgs Kex AB	The Absolut Company AB	Nudie Jeans Marketing AB	Filippa K AB	Precimeter Group
<b>Advertising</b>						
<b>Message</b>	Adapted	Adapted	Adapted	N/A	Standardized	Adapted
<b>Communicator</b>	N/A	N/A	N/A	N/A	Standardized	N/A
<b>Target Group</b>	Adapted	Adapted	Adapted	N/A	Adapted	Adapted
<b>Media</b>	Adapted	Adapted	Adapted	N/A	Standardized	Adapted
<b>Personal Selling</b>	Adapted	Adapted	Adapted	Adapted	Adapted	Adapted
<b>Sales Promotion</b>	Adapted	Adapted	Adapted	Standardized	Standardized	N/A
<b>Public Relations</b>	Adapted	Adapted	Adapted	Adapted	Adapted	Adapted
<b>Direct Marketing</b>	N/A	Adapted	Adapted	Standardized	Standardized	Adapted

N/A = Not Available

The companies within the food and beverage industries as well as Precimeter Group mainly adapt their advertising regarding message, communicator, target group and media. The message is adapted directly due to differences in preferences within the target groups in Germany. Different cultural groups are attracted to different types of advertisement. Germans are labeled low context, which means they are direct in their communication, without any hidden meaning in their message.

The adaptations of the target group are all towards a smaller group, a reason for this is probably that there are so many people in Germany making it possible to have a smaller target group, but still targeting many people, in absolute figures. It also reflects the higher degree of competition and the relatively weaker market position compared to the domestic market. Concentrating on the most profitable segment seems to be the most success rewarding strategy to penetrate a big foreign market in an early stage.

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Concerning business to business, and Precimeter Group's choice of media, it is important to target the right receiver holding the right position. The hierarchy within the targeted companies is of high importance, forcing Precimeter Group to have a high knowledge of available journals targeting the right person. However, this doesn't seem to be as important in all the other interviewed companies, which is probably due to the fact they are business to consumer companies. The other companies adapt their choice of media trying to find the best suitable media for their target group.

Concerning the message, Wasa Bröd makes use of its Swedish origin and like IKEA it works to be associated with Swedish features like healthiness and pureness. Germany is much denser than Sweden, having a larger population in a smaller area. This means that Germans often associate Sweden with keywords like healthiness, pureness and many forests. Sweden is also a country highly liked by the Germans, which Wasa Bröd and Filippa K make use of. The Absolut Company also signals its origin through its bottle with a clear marking: "Made in Sweden". However, The Absolut Company has adapted its message by using German preferences in Germany with the example of Porsche as a Taxi car.

Filippa K standardizes its communicator, using the founder Filippa Knutsson all over the world. To use the founder as spokesperson for the brand is appropriate when the brand carries the name of the founder as in Filippa K & Filippa Knutsson, but not to be recommended otherwise. This does not seem to be due to culture, but due to if the company places the focus on the founder or not or if the companies opt for a univocal brand. Filippa K standardizes the entire advertising except for the target group since it wishes to give a univocal image of its brand and concept.

All interviewed companies adapt their personal selling, by using German agents, a German sales force or a German subsidiary. One of the reasons to use native Germans within sales is that Germans are very fond of and proud of their language and prefer to speak it when they are in Germany. Native Germans also know how to use Du/Sie in different situations and to different persons. By not knowing the language, how to properly address the potential buyers and how to present the product the sellers of a new and foreign product gets a disadvantage.

Regarding sales promotion the food companies adapt it, using different types between the countries. This is probably due to the more price pressed market in Germany to which all three companies has adapted their prices. In Germany their advertisement consists of information concerning their products, and the companies work to increase the amount of first trial customers whereas in Sweden they try to increase the consumption. The adaptations don't seem to be a consequence of a difference in culture, rather due to the fact that the products from Wasa Bröd and Göteborgs Kex are in an initial stage.

The garment companies both standardize the sales promotion having a standardized catalogues printed or emails sent with information about their collections.

All companies adapt their use of public relations, both companies within the food industry work for getting Germans to connect them with Sweden and Swedish healthiness and freshness participating in for example Swedish weeks at the Swedish Trade Council. The

Absolut Company makes use of Porsche in its public relations and Nudie works with press releases translated into German. Precimeter Group also adapts its use of public relations working with more informative information in German for German journals. Finally, Filippa K adapts its public relations telling a more basic story in Germany than in Sweden in different events.

Regarding direct marketing the companies within food and beverage industries as well as Precimeter Group adapt this. The reason for this choice can be the difference and difficulties within the German language but also the differences within the stage of the product. In Sweden both the products of Wasa Bröd and Göteborgs Kex are seen as mature whereas in Germany in a new growth stage. As written above they use different advertisements depending on the stage of the product.

The garment companies both standardize the direct marketing, which in this case is easier due to their standardization within assortment. They work with one brand and one collection and their direct marketing can be collected and sent through one database. This doesn't seem to be affected by culture but by convenience and efficiency as well as a wish for a consistent brand.

#### 6.4 Place

The place mix seems to be hard to standardize. All companies apply adapted distribution channels and market coverage according to the German market structure (see table 6.4). In matter of industrialization West Germany has an advantage, which can be one of the reasons why Precimeter Group is situated in the west as well as why Filippa K has all its stores situated in West Germany. Germans often perform their shopping on the internet. This implies that it is important to have a good geographical coverage of the market in Germany.

**Table 6.4 A Comparison between Standardized vs. Adapted Place Mix**

	Food Companies		Beverage Company	Garment Companies			Industrial Company
PLACE MIX	Wasa Bröd AB	Göteborgs Kex AB	The Absolut Company AB	Nudie Jeans Marketing AB	Filippa K AB	Precimeter Group	
<b>Distribution Channels</b>	Adapted	Adapted	Adapted	Adapted	Adapted	Adapted	
<b>Market Coverage</b>	Adapted	Adapted	Adapted	Adapted	Adapted	Adapted	
<b>Assortment</b>	Adapted	Adapted	Adapted	Standardized	Standardized	Standardized	
<b>Inventory</b>	Adapted	Adapted	Standardized	N/A	Standardized	N/A	
<b>Transport/delivery</b>	Adapted	Adapted	Standardized	Standardized	Adapted	Adapted	

N/A = Not Available

Regarding the assortment all food and beverage companies in the study adapt it, having a smaller range of products, because Germans don't consume as much products as Swedes per capita. Concerning the food companies, the products are in their initial phase which decreases the assortment offered to the German market compared to the Swedish market.

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Only Filippa K AB has its own shops, which means that it is the only one having store inventory, which it has standardized to fit the Filippa K concept. However, Göteborgs Kex AB and Wasa Bröd AB have their own product shelves which they adapt according to German standard and language. The German inventory standards for the food industry are smaller than the ones in Sweden. This is probably due to the fact that the Germans have less space per capita to live on. The Absolut Company has standardized its inventory used during campaigns.

The way of transporting and delivering the products to the stores seem hard to standardize, but due to the similar transporting laws within the European Union it isn't necessary to have completely different procedures. The infrastructure in Germany is well developed and similar to that of Sweden implying that standardization of the transport is possible.

The adaptation seemed mostly to be since the companies find the German market hard to enter and hence they offer free delivery etc. to get the products available to the end customer. Only Nudie Jeans Marketing AB has free delivery as standard to all markets.

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## 7 CONCLUSIONS AND RECOMMENDATIONS

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*In this section, we draw conclusions based on the collected information within the study. Starting with conclusions about price, product, promotion, and finally place. Thereupon, we come with recommendations for further studies within the subject of this thesis.*

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### 7.1 Conclusions

#### 7.1.1 Price

Based on the analyses, we have come to the conclusion that the pricing mix as a marketing mix tool seems to be hard to standardize when internationalizing to Germany. However, there are differences between different industries. If operating within the food and beverage industries adaptation is necessary in order to survive, since the German market is a market with a strong focus on price. In comparison, if operating in the garment industry or being an industrial company it is possible to standardize large parts of the pricing mix. The standardization within the garment industry is an effect of wanting a univocal brand and the fact that it is easy to compare prices and order on the Internet, rather than an effect of the German culture. For the industrial company, convenience seems to be the reason of its standardization of the pricing strategy and list price. The standardization regarding payment period seems to be a result of convenience and not due to German culture.

Cultural factors mattering the most regarding adaptation of the pricing mix are:

- The price pressure on the German market forcing Swedish companies to have lower list prices and different pricing strategies
- Germans way of wanting everything to be right and fair making Swedish companies to offer discounts (“Skonto”) for those who pay earlier than necessary
- Germans way of being correct paying on time makes it possible to shorten the payment period

Cultural factors mattering the most regarding standardization of the pricing mix are:

- The fact that it is very easy in Germany to compare prices and order products on the Internet makes Swedish companies within the garment industry opt for the standardization alternative of the pricing mix

This implies that German culture is more important when adapting the pricing mix than when standardizing the pricing mix, especially if operating in an industry that is characterized by price pressure.

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### 7.1.2 Product

After analyzing the product mix as a marketing mix tool, we have concluded that standardization of large parts is possible and common for that aspect. Regarding the function of the core product as well as standardization of the actual product, the standardization is due to convenience, economies of scale and having a consistent brand and not due to German culture. However, even if standardized it is important to keep German norms and standards in mind.

Most important German cultural factors when adapting the product as a marketing mix tool are:

- The German language making Swedish companies adapt the labels of the products to German
- The German language, behavior, importance of detailed knowledge and the importance of titles propose Swedish companies to adapt their after-sales services having German native speakers that are used to German behavior, and have the necessary title as well as detailed knowledge of the products
- The German preferences of quality suggest Swedish industrial companies to adapt the warranty service having an extended warranty time to show that the products are of good quality

This implies that German culture isn't very important when deciding about standardizing of the core products as well as standardization of the actual product. However, the standardization of the product has to fit the German culture, implying that knowledge of German culture is important. Beyond this, the adaptations that have been made are due to German culture.

### 7.1.3 Promotion

Based on the promotion analyses, we conclude that the overall promotion mix as a marketing mix tool seems to be hard to standardize. The standardizations that are made are all within the garment industry and reasons for them are not the German culture, but the fact that they opt for a univocal brand, having the same brand image all over the world as well as convenience. However, even within the garment industry some adaptations have to be made regarding target group, personal selling and public relations.

The most important German cultural factors regarding adaptation of the promotion mix are:

- The German language forces Swedish companies to adapt the language used in the message, personal selling, public relations and direct marketing to German, as well as making Swedish companies adapting their personal selling having a native German speaker conducting it to avoid misunderstandings as well as gaining more reliability.
- The rich selection of media targeting different groups makes it difficult for Swedish companies to standardize the choice of media.

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- The size of population being much larger makes it possible for Swedish companies to adapt their target group targeting a smaller group, but still having a higher absolute number of people within the targeted group.
  - The German way of communicating preferring a more direct and informative way forces Swedish companies to adapt their personal selling, advertising and public relations.
  - The price pressed German market forces Swedish companies within the food and beverage industry to adapt their sales promotion.

In accordance to above arguments, our conclusion is that German culture is of importance when opting for the adaptation alternative of the marketing mix, however when choosing to standardize the promotion mix German culture doesn't seem to be the reason but rather a matter of convenience and a wish of having a consistent brand image.

#### **7.1.4 Place**

After analyzing the marketing mix tool place, we have concluded that the place mix is hard to standardize. Within assortment, transport and inventory it is possible, however, this is not desirable in all industries. Companies that wish to export their products to Germany usually wish to adapt to the new market to better fit with their new target market.

When operating within the food industry adaptations to the German market are common and in most cases necessary. The garment industry is also mainly adapted, although the assortment is standardized. This is more due to the aspiration of a univocal brand than to German culture. Thanks to a well extended infrastructure similar to the one of Sweden, it is possible to standardize transport.

The most important cultural factors regarding adaptation of the place mix are the following:

- Due to a difference in number of article in stores, the German displays are smaller than those used in Sweden. Within the food industry this adaptation is about following standards and norms.
- Since the Germans aren't in the same consumption stage as the Swedes, an adaptation of the assortment is required. Research is needed to understand the German preferences before exporting.
- To be a competitive actor in the German market the companies have to adapt their transport as well as their delivery. They have to adapt their routines towards the preferences of the buyers to make the products available on the market and have a chance to penetrate the market.
- The German design of distribution channels makes Swedish companies adapt to the existing structure of retailers, wholesalers, department stores and independent stores.

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With regard to above arguments, we have concluded that culture is of importance when deciding, whether a company should standardize or adapt the place as a marketing mix tool when internationalizing to Germany. The standardization within the place mix seems to be a matter of the fact that it is possible and due to convenience than due to German culture.

## **7.2 Recommendations**

In accordance to our conclusions finding out that standardization mostly is a matter of convenience and a wish of having a univocal brand, we hence recommend further studies to include the matter of standardizations with regard to German culture. Questions to be asked could be:

- When is it possible to standardize with German culture as an argument?
- What kind of industries could perform this action successfully?

Moreover, we have seen that adaptation of the marketing mix mostly occurs due to German culture, we therefore find it appropriate for further studies to make deeper research with regard to this matter. Questions to include could be:

- What German cultural factors are most important for Swedish companies when planning the marketing mix?
- Are there differences in between industries?
- How does the price pressure in the German market influence different Swedish industries?
- How does the aging German population affect Swedish formation of the marketing mix?
- How do German shopping habits on the Internet and through catalogues affect the marketing mix, especially regarding price and promotion?

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## APPENDIX I

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### INTERVIEW GUIDE

Background

Contact:

Position:

Company:

Business form in Germany:

Active in Germany since:

General opinion about the German market:

*Our definition of culture: Culture is everything in a country that forms an individual's behavior. It is a wide conception including language, history, religion, education and technology, social organization, politics and law, and values and attitudes.*

### RESEARCH AREA 1: PRICE

Question 1.1: Do you apply standardized or adapted **pricing strategy** in Germany?

Question 1.2: Has German culture influenced your choice?

Question 1.3: Do you apply standardized or adapted **list price** in Germany?

Question 1.4: Has German culture influenced your choice?

Question 1.5: Do you apply standardized or adapted **discounts and allowance** in Germany?

Question 1.6: Has German culture influenced your choice?

Question 1.7: Do you apply standardized or adapted **period of payment** in Germany?

Question 1.8: Has German culture influenced your choice?

### RESEARCH AREA 2: PRODUCT

The core product:

Question 2.1: Do you apply standardized or adapted **product function** in Germany?

Question 2.2: Has German culture influenced your choice?

The actual product:

Question 2.3: Do you apply standardized or adapted **packaging** in Germany?

Question 2.4: Has German culture influenced your choice?

Question 2.5: Do you apply standardized or adapted **features** in Germany?

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- Question 2.6: Has German culture influenced your choice?
- Question 2.7: Do you apply standardized or adapted **styling** in Germany?
- Question 2.8: Has German culture influenced your choice?
- Question 2.9: Do you apply standardized or adapted **quality** in Germany?
- Question 2.10: Has German culture influenced your choice?
- Question 2.11: Do you apply standardized or adapted **brand name** in Germany?
- Question 2.12: Has German culture influenced your choice?

The augmented product:

- Question 2.13: Do you apply standardized or adapted **installation service** in Germany?
- Question 2.14: Has German culture influenced your choice?
- Question 2.15: Do you apply standardized or adapted **after-sales service and reparation** in Germany?
- Question 2.16: Has German culture influenced your choice?
- Question 2.17: Do you apply standardized or adapted **warranty service** in Germany?
- Question 2.18: Has German culture influenced your choice?
- Question 2.19: Do you apply standardized or adapted **delivery service** in Germany?
- Question 2.20: Has German culture influenced your choice?

### **RESEARCH AREA 3: PROMOTION**

- Question 3.1: Do you apply standardized or adapted **advertising message** in Germany?
- Question 3.2: Has German culture influenced your choice?
- Question 3.3: Do you apply standardized or adapted **advertising communicator** in Germany?
- Question 3.4: Has German culture influenced your choice?
- Question 3.5: Do you apply standardized or adapted **target group of the advertising** in Germany?
- Question 3.6: Has German culture influenced your choice?
- Question 3.7: Do you apply standardized or adapted **advertising media** in Germany?
- Question 3.8: Has German culture influenced your choice?
- Question 3.9: Do you apply standardized or adapted **personal selling** in Germany?
- Question 3.10: Has German culture influenced your choice?

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Question 3.11: Do you apply standardized or adapted **sales promotion** in Germany?  
Question 3.12: Has German culture influenced your choice?

Question 3.13: Do you apply standardized or adapted **public relations** in Germany?  
Question 3.14: Has German culture influenced your choice?

Question 3.15: Do you apply standardized or adapted **direct marketing** in Germany?  
Question 3.16: Has German culture influenced your choice?

#### **RESEARCH AREA 4: PLACE**

Question 4.1: Do you apply standardized or adapted **distribution channels** in Germany?  
Question 4.2: Has German culture influenced your choice?

Question 4.3: Do you apply standardized or adapted market **coverage** in Germany?  
Question 4.4: Has German culture influenced your choice?

Question 4.5: Do you apply standardized or adapted **assortment** in Germany?  
Question 4.6: Has German culture influenced your choice?

Question 4.7: Do you apply standardized or adapted **inventory** in Germany?  
Question 4.8: Has German culture influenced your choice?

Question 4.9: Do you apply standardized or adapted **transport/delivery** in Germany?  
Question 4.10: Has German culture influenced your choice?

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## APPENDIX II

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### INTERVJUUNDERLAG

#### Bakgrund

Kontaktperson:

Position:

Företag:

Verksamhet i Tyskland:

Aktiv i Tyskland sedan:

Allmän uppfattning om den Tyska marknaden:

*Vår definition av kultur: Kultur är allt som formar individens beteende. Det är ett brett koncept som innefattar språk, historia, religion, utbildning och teknologi, social organisation, politik och lagar samt värderingar och attityder.*

#### Research Area 1 – PRIS

- 1.1 Har ni standardiserat eller anpassat er **prisstrategi**?
- 1.2 Har Tysk kultur påverkat ert val?
  
- 1.3 Har ni standardiserat eller anpassat era **listpriser**?
- 1.4 Har Tysk kultur påverkat ert val?
  
- 1.5 Har ni standardiserat eller anpassat era **rabatter och avdrag**?
- 1.6 Har Tysk kultur påverkat ert val?
  
- 1.7 Har ni standardiserat eller anpassat er **betalningsperiod**?
- 1.8 Har Tysk kultur påverkat ert val?

#### Research Area 2 – PRODUKT

Kärnprodukten

- 2.1 Har ni standardiserat eller anpassat **produktens funktion**?
- 2.2 Har Tysk kultur påverkat ert val?

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## Faktisk produkt

- 2.3 Har ni standardiserat eller anpassat er **paketering**?  
2.4 Har Tysk kultur påverkat ert val?
- 2.5 Har ni standardiserat eller anpassat produktens **features**?  
2.6 Har Tysk kultur påverkat ert val?
- 2.7 Har ni standardiserat eller anpassat **styling**?  
2.8 Har Tysk kultur påverkat ert val?
- 2.9 Har ni standardiserat eller anpassat **kvalitet**?  
2.10 Har Tysk kultur påverkat ert val?
- 2.11 Har ni standardiserat eller anpassat ert **märkesnamn**?  
2.12 Har Tysk kultur påverkat ert val?

## Utvidgad produkt (Service som en del av produkten)

- 2.13 Har ni standardiserat eller anpassat er **installationservice**?  
2.14 Har tysk kultur påverkat ert val?
- 2.15 Har ni standardiserat eller anpassat **efterköp-service och reparation**?  
2.16 Har tysk kultur påverkat ert val?
- 2.17 Har ni standardiserat eller anpassat **garantiservice**?  
2.18 Har tysk kultur påverkat ert val?
- 2.19 Har ni standardiserat eller anpassat **leveransservice**?  
2.20 Har tysk kultur påverkat ert val?

## Research Area 3 – PÅVERKAN

- 3.1 Har ni standardiserat eller anpassat ert **budskap** med reklamen?  
3.2 Har tysk kultur påverkat ert val?
- 3.3 Har ni standardiserat eller anpassat er **kommunikatör** i reklamen?  
3.4 Har tysk kultur påverkat ert val?
- 3.5 Har ni standardiserat eller anpassat **målgrupp** (för reklamen)?  
3.6 Har tysk kultur påverkat ert val?
- 3.7 Har ni standardiserat eller anpassat **media** för reklamen?  
3.8 Har tysk kultur påverkat ert val?
- 3.9 Har ni standardiserat eller anpassat er **personliga försäljning**?  
3.10 Har tysk kultur påverkat ert val?

- 
- 3.11 Har ni standardiserat eller anpassat **sales promotion**?  
3.12 Har tysk kultur påverkat ert val?
- 3.13 Har ni standardiserat eller anpassat **public relations**?  
3.14 Har tysk kultur påverkat ert val?
- 3.15 Har ni standardiserat eller anpassat **direkt marknadsföring**?  
3.16 Har tysk kultur påverkat ert val?

#### **Research Area 4 – PLATS**

- 4.1 Har ni standardiserat eller anpassat **distributionskanaler**?  
4.2 Har tysk kultur påverkat ert val?
- 4.3 Har ni standardiserat eller anpassat **täckningen** av marknaden?  
4.4 Har tysk kultur påverkat ert val?
- 4.5 Har ni standardiserat eller anpassat **sortimentet**?  
4.6 Har tysk kultur påverkat ert val?
- 4.7 Har ni standardiserat eller anpassat **inventarier**?  
4.8 Har tysk kultur påverkat ert val?
- 4.9 Har ni standardiserat eller anpassat **transport/leverans**?  
4.10 Har tysk kultur påverkat ert val?