The Role of Culture
A Study of Swedish Companies Advertising in China
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Abstract

Background
The Chinese market has been undergoing changes due to China's entry to the World Trade Organization (WTO) and the government's Open-Door Policy. As a result, the Chinese market's attractiveness has escalated and consequently, an increasing number of foreign companies have entered, including Swedish ones. Since the Chinese culture differs to a large extent from the Swedish, the difference can affect business behavior and especially advertising decisions.

Purpose
The purpose of this thesis is to explore the role which culture plays in advertising with a sample of Swedish companies in different industries which have established themselves in China.

Method
A qualitative method was utilized when gathering the empirical findings. The researchers contacted a wide selection of companies which, then was narrowed down to four that fit the purpose. Primarily face to face and telephone interviews were conducted. All the recipients were in managerial positions. Samples of the advertisements were gathered in order to illustrate the result.

Results
This thesis aims to demonstrate that culture plays a role in advertising for the selected Swedish companies in China. This difference can lead to adjustments in advertising and brand image strategy. The degree of adjustment may vary across companies.
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1 Introduction

In this section the reader will be introduced to the thought process of the authors with regard to the topic of the study. Therefore providing cornerstones for fuller understanding of the rest of the thesis.

1.1 Background

The increasing globalization and internationalization has become of great importance recently. To manage business operations across international boundaries has become one of the largest challenges for international businesses today. China is a country, which has attracted an enormous amount of foreign investment and international trade from a large number of foreign countries from all over the world. From being a poor country in the 1970s China has developed into being on its way to become one of the economic superpowers of the world (Selmer, 1998). According to Lieberthal & Lieberthal (2003) on average, China's real GDP has grown with about 9% a year since 1978; this is an aggregate increase of approximately 700%. The growth of foreign trade has a yearly average of approximately 15% during the same period, which makes a total of more than 2,700% (Lieberthal & Lieberthal, 2003). The above mentioned along with that the Chinese economy is becoming increasingly open makes the Chinese market an interesting field of study.

The effects of various cultural factors can be seen in the Chinese market in for example business conduct. For instance, Hollensen (2001) mentions; social importance, the knowledge of the person giving the message, social settings and other aspects as factors of interpretation for the Chinese compared to Daun’s (1998) explanation of the Swedish usage of direct verbal and body language messages.

If a company decides to enter the Chinese market, marketing of the products is a vital procedure for success. Advertising is one of the important means of marketing. According to Reuvid & Yong (2003) many Chinese companies consider advertising to in one way or another to automatically generate sales. This has resulted in massive outlays on advertising and high prices.

An interesting aspect when considering advertising is that it is present in peoples every day lives from the moment of waking up in the morning to falling asleep at night. Advertising is for instance in the newspaper, on the television, on the radio, on the bus and the subway and along roads. Humans are known to pay great attention to advertising, it influences decisions about purchases, fashion, and life in general (Johansson, 1998).

According to Kotler & Armstrong (2001) marketing is the satisfaction of wants and needs. Cultural knowledge and skill is a vital part needed to succeed with satisfying these wants and needs in a foreign market. This will affect the way marketing messages are formulated in advertising (Fletcher & Brown 2002).

When entering a new market it is of great importance to consider the political, legal and the economic environment. However according to Hollensen (2001) the socio-cultural environment is an even more important aspect. For instance if the issues regarding political, legal and the economic environment are successfully fulfilled, the cultural aspects can seriously affect the company's future if not properly considered in advertising.


1.2 Problem Discussion

With the opening of the boarders and the decreasing of restrictions on imports, Swedish companies have realized the large potential of the Chinese market. Many Swedish companies are currently operating in China and additional enterprises are entering the market constantly. Advertising is a tool of marketing and it is a vital part of success for a company who is operating in a foreign market. It seems especially difficult to adapt the advertising strategy in such a diverse culture as the Chinese.

It appears to be important for companies to put a great deal of effort in advertising and different methods are generally used internationally. The Swedish companies may have a different way of thinking when doing advertising in China referring to international experience and the opportunity to study the culture from an external perspective. The cultural aspects of advertising might differ from one industry to another and perhaps be of vital importance for successful campaigns in one industry while the Swedish advertising style possibly would work in another.

The problem tackles advertising in the complex culture of China. As there are many different companies operating in the country it is likely that the culture plays a different role in different companies and industries. The company faces a choice of the level of sensitivity to Cultural aspects. On the one hand companies may try to be perceived the same as in the home market or they can also want to create a slightly different image which suits the Chinese market in an appropriate way. On the other hand some companies possibly want to be perceived as local and others as international. The intention is to study to what extent the culture affects the advertising in different industries. In advertising companies often differentiate themselves from their competitors however the intention is to investigate the role culture may have in a number of different industries.

1.3 Purpose

The purpose of this thesis is to explore the role that national culture plays in advertising with a sample of Swedish companies in different industries which have established themselves in China.

1.4 Definitions

Following section explains some of the specific terms utilized in the thesis, which may not belong to basic knowledge:

**Below the Line** – “Supplementary media usually not charged to the advertising budget, such as direct marketing, public relations or sales promotion” (Roman, Maas & Nisenholtz, 2003, p. 196).

**Guanxi** – An important ‘personal connections’ social force with dependence on the stringent rule of reciprocity (Graham & Lam, 2004).
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The Open Door Policy – Initiated by the late Paramount Leader Deng Xiao Ping, an action made so that China could become a modern nation through industrial modernization, advancement of agricultural methods and opening of international trade. (Wang, Zhang and Goodfellow, 2003)


2 Method

This section will provide a detailed encounter of the methodology utilized in the thesis. The research approach chosen for collecting data and sample selection will be motivated. The method for the thesis will be scrutinized in the validity and reliability portion.

2.1 Research Approach

Before deciding which method to interpret in a research there are many factors to consider. When choosing the method it is important to base it on the purpose and the research questions. There are two major methods that are being used, namely; the quantitative and the qualitative method. (Lekvall & Walbin, 1999)

Quantitative research methods are studies that are expressed in numbers and are often also analyzed in a quantitative way. Quantitative data is carried out through interviews or surveys. The quantitative approach is often used in order to explain something from a statistical point of view. It is a common method when dealing with larger survey investigations, experiments and time series analyses. (Lekvall & Walbin, 1999)

According to Lundahl and Skärvad, (1999) the qualitative research method is collected through investigations such as surveys, interviews and case studies. The aim is to investigate values and attitudes, trying to understand and to construct a deep study (Lundahl & Skärvad, 1999). When dealing with qualitative investigations, instead of turning values, attitudes and ideas into numerical data, it is more about trying to understand and interpret. The aim with qualitative research investigations is to study an issue deeply which is often performed through case or survey studies with a rather small amount of respondents (Lekvall & Walbin, 1993). There are both advantages and disadvantages with the two research methods; while quantitative is often less resource demanding and time consuming the qualitative method makes it possible to create a deeper investigation.

When considering the purpose of this thesis the qualitative approach is an appropriate method since the subject matter is very complex and differs from case to case. The researchers aim is to receive an as detailed and thorough understanding which can be said to only be achieved through a qualitative study. Also, Carson, Gilmore, Perry and Gronhaug (2001) argue that in a study of a complex phenomenon in a dynamic environment the qualitative research method allows variation and flexibility. Hence the qualitative research method will allow the authors to have some freedom when analyzing the results of the study since this research method enables variation and flexibility.

2.2 Data Collection

It is important to take in consideration the type of study and research problem when choosing the type of data appropriate for a research. Data sources carry information in different forms, secondary data is pre-collected information by other authors, and not necessarily for the same research purpose as the one used as secondary data (Ghauri, Grønhaug, Kristianslund, 1995). When primary data is information collected directly for the research at hand, the research team has to consider both advantages and disadvantages of both types of data.
When time or capital is limited using secondary data can be a lifesaver. Additionally secondary data can help in finding which type of data or method is appropriate for the particular research problem and can be later used as means of comparing and interpreting the primary data (Ghauri et. al., 1995). Consequently the team utilized a mixture of both secondary and primary data. Secondary data was used to broaden the base of information regarding the topic and to help with the scientific analysis. Even though according to Ghauri et. al (1995) the amount of secondary data is often underestimated by students, in this case this was only partly true. Due to the nature of the Chinese market moving, still in mid-process of opening up, not nearly enough information is available about the companies, therefore the specific details called for primary data.

Drawbacks with usage of secondary data have to be taken into consideration. Ghauri et. al. (1995) stress that when using this data it is vital to remember that it has been gathered for another research study, finding secondary data that suits the current research problem is the key, not conducting research the other way around. Because the data has been collected for another research the variables at hand could have been defined differently than in the current one, the differences have to be adjusted to or at least noted in the new research. Furthermore using a reliable secondary source is the responsibility of the research team, for instance taking into consideration the way a company talks about their projects in an annual report meant for shareholders may differ from the same way a project manager might describe it to a colleague.

In the case of this research the amount of relevant secondary data about the companies was limited and therefore the research team had to mainly rely on primary data. There are two types of primary data, observations and interviews, the latter was chosen due to the nature of the research. Furthermore there are two types of interviews, survey research interviews and unstructured interviews. In the former standard format is used with systematic sampling and fixed response categories (Ghauri et. al, 1995). In the latter the respondent is freer to answer the questions from a couple of leading ones. The concept of semi-structured interviews has been conquering the academic world, in such an interview the topic, sample size, people interviewed and the questions are determined beforehand. Generally semi-structured and unstructured interviews demand more skills from the interviewers. Personal interviews should be used when a more clear and accurate picture is wished for of the respondent’s behavior or position.

2.3 Interview

The authors have in the qualitative research chosen to conduct face-to-face interviews to the extent possible considering that some of the respondents interviewed were positioned in China; additionally the level of managerial position necessary to possess expertise in the area resulted in limited availability. In these cases personal interviews have been conducted over the phone and in one special case for supplementary detailed material through the help of the Internet by the use of electronic mail. Interviews are according to Berger (2000) the most fundamental procedure to retrieve information.

There are different types of interviews depending on their level of standardization. The distinctions between these interviews are the way of formalization and the order of the questions. Logically, in a standardized interview the questions are carefully formulated and put in the right order in which they would be asked. Hence, a non-standardized interview is carried out without a question form. Accordingly, the interviewer distinguishes his or her
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questions during the discussion. However, the interviewer may also choose a semi-
standardized interview, which indicates formulated questions are perpetrated nevertheless,
the interviewer decides in which order they will be asked. (Lundahl & Skärvad, 1999)

For this paper and as the authors approached a number of companies they had to be flexi-
ble by adjusting the way of interviewing based on the companies’ ability and recommendation
about how they wish to conduct the interview and also not to forget the physical dis-
tance since some of the interviewees are operating in the Chinese market. For that reason,
the research team has chosen to make two telephone interviews due to the lack of possibility
of a face-to-face one, further, one interview was conducted with the help of online ser-
dices in this case through e-mail. The authors are fully aware of the disadvantages of these
substitutes however, these means were practically unavoidable.

Genovese (2004) contrasted in her research the telephone interview to the feeling of a
blind person due to the concentration on the power of the words and the voice in order to
make an understanding of the meaning behind the words instead of taking advantage of the
body language and facial reactions. Therefore, the researchers stressed the importance of
the preparation for such an interview through the concentration of how to interpret in the
right manner in order to get the information needed for the thesis. Using the interviews
questions as a map and also creating an involved feeling for the interviewee in relation to
the studied subject.

Moreover, regardless of the disadvantages of an e-mail interview because of the lack of
personal interaction nevertheless, several authors have stressed the importance of the new
technology within qualitative researches to be a useful, flexible and convenient communica-
tion tool for gathering fundamental data. For instance, Pincott and Branthwaite’s (2000)
analysis state a large number of advantages through using e-mail interviewing since it pro-
vides the interviewee the time needed for carefully study and respond which, provides a
richer and more well thought-out information. In addition, Desai (2002) declares the
amount of costs saved by the researchers when utilizing telephone and e-mail as a commu-
nication tool. The primary data taken from the interviews was complimented with secon-
dary data such as a copy or an example of each company’s advertisement on the Chinese
market.

Furthermore, the questions (Appendix 1) are used for all companies in order to reach a
proper analysis. For this research paper the authors have chosen to conduct semi-
standardized interviews where the answers were obtained in unfastened order to the set of
questions asked during the dialogues. Moreover, the answers were carefully studied to
cover each relevant topic and to be able to make the analysis. Some limitations might arise
as a result of using interviews for collecting data. Regarding that interviews are analysis
based on words and on the interviewees’ point of view and what he or she observed as im-
portant. Therefore, the data may be partially limited and biased. (Desai P. 2002)

2.3.1 Preparing the interview:

Ghauri et. al (1995) suggests a series of steps when preparing for an interview:

1. Analyze the research problem.
2. Understand what information is really needed to have from an interviewee.
3. See who would be able to provide the information.
Method

Following the primary steps is preparing the interview questions. The purpose has to be consistent with the questions so that the desired answer can be reached. With the intention of conducting a proper interview the authors had to get the information needed to be prepared to ask accurate questions that would fit the purpose of the thesis. For that reason, a collection of information and overview about the Chinese culture was necessary. Furthermore, theories about advertising and marketing strategies were also included in the research. In order to gain all this information the authors used the data available in the school’s library with the intention of forming a suitable questionnaire. The questions were divided into two main subjects in order to concentrate on the specific purpose. The first questions concentrated on advertising and the other parts were based on the Chinese culture perspective. This division made it easier and clearer to analyze and narrow it down.

Furthermore a pilot-study could be used to pre-test the questions in order to broaden the understanding that the researchers have of the topic. However, the concept of pilot-study is more appropriate for a quantitative investigation and furthermore, for this research finding interviewees was difficult due to physical distance and the high managerial positions therefore, finding a pilot-study group would be next to impossible. Nevertheless the research group did not want to completely neglect this aspect and therefore pre-tested the questions on colleagues. When choosing interviewees it is essential that they have time to volunteer to be interviewed, otherwise Ghauri et. al., (1995) warn that they will be unmotivated and stressed, which will in turn affect the answers.

The personal interviews were recorded in order to get a deeper comprehension and complete registration as it is suggested by Lundahl & Skärvad (1999). Later, the recorded information was listened to and written down as answers for the basic questions together with the notes taken during the interview. This information was then observed as relevant or not, the relevant parts were afterwards categorized under the headings shown in the Empirical Findings. When unclear or additional parts were revealed, follow-up questions were asked via e-mail.

2.4 Sample Selection

After choosing the purpose and the theory needed for the investigation the next step would be finding empirical data that enable the writers to apply the academic analysis to ‘reality’. A good source for seeking information about which Swedish companies are operating in China is the Swedish Chamber of Commerce. A list of these companies’ contact information and web pages were provided on the Swedish chamber of commerce’s homepage. Based on this information the authors started contacting almost all the companies founded on the page in order to obtain personal interviews with as many as possible. Different factors in the responses influenced the final choice of companies. Besides the factor of lack of time, many companies were found not relevant for the purpose of the study. For instance, a large amount only has the production unit in China for those and some others advertising in China in the present time was non-existent. Four of the companies on the list were appropriate for the purpose, very cooperative and agreed on being interviewed. These companies are:

- Orrefors Kosta Boda AB
- Husqvarna
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- Scania
- SEB bank

SEB bank participated with a personal interview with the appropriate person that could answer the questions related to the selected purpose. For that reason the group had to travel to Stockholm and conduct the interview. The outcome of the interview was very fruitful and provided the researchers with useful information for the thesis and even some guidance for further researches and contacts. The research team found the most suitable person for the Scania interview to be the Chief Representative of Scania Group Beijing Office, which is why a face-to-face interview was next to impossible. Scania was therefore happy to participate through telephone interview and later provided the authors information sent by mail to the interviewer. The third company interviewed was Husqvarna who’s Regional Manager of Asian Market the team had the pleasure to interview face-to-face in Huskvarna. The fourth company that the research group interviewed was Orrefors Kosta Boda. This interview was conducted through a telephone interview with the Business Manager in Sweden and through e-mail contact with the Marketing Manager of New Wave Group China.

2.5 Analysis of Data

A supported empirical observation is a necessity according to Lundahl and Skärvad (1999). The research team bared this rule closely in mind when conducting the analysis portion of the thesis. The empirical findings were analyzed from the point of view of relevant theories that had become evident in the frame of reference during the writing process. The authors made an effort to assure the academic value of their work by supporting their opinions with well-known researchers’ theories.

Miles and Huberman’s (1994) three steps of analysis; data reduction, data display and conclusion drawing and verification were consistently implemented to this thesis. The process of data reduction took place after the interviews when the research team selected which data should be focused upon. The transformed data was displayed in the empirical findings section. This transformation process was organized in accordance to leading guidelines from the interview, which was originally based on the chosen theory to coincide with the purpose of the study. The procedure of conclusion drawing and verification emerges from the constant interplay of theory and empirical findings.

Yin (1994) emphasizes the importance of the way of analyzing the data in research. After all analyzing qualitative data is complicated and requires a great dedication of time according to Holme and Solvang (1997). Consequently after careful consideration the authors decided to organize the analytical portion of the study in accordance with the structure of the frame of reference. This facilitates the comprehension for the reader by providing consistency.

2.6 Validity and Reliability

The quality in a qualitative research can be evaluated by using validity and reliability. However, researchers have different views on whether or not the criteria of validity and reliability can be appropriate to a qualitative research. The discussion concerning if the quality can be measured in a qualitative research or if there are other standards that could be better suitable for establishing this differs widely. The realism-side believes that the use of validity
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and reliability can be used with no direct adjustment while the anti-realism-side believes that no other standards for evaluating the quality in a qualitative research are required. (Bryman & Bell, 2003)

The validity concerns whether the measurement method actually measures the quality that the researchers desire to examine (Lekvall & Wahlbin, 1993). Validity represents according to Kirk and Miller (1986) the degree to which research in form of results or data provides the right answer. The difficulty with validity is that it may be complicated to determine if the measurement method is valid or not (Lekvall & Wahlbin, 1993). Lekvall and Wahlbin (1993) discuss different validity concepts which could be used in order to facilitate the validity of the results or data, these are: face-, concept-, predicted-, simultaneous- and content validity. The research group has chosen to evaluate the validity of the research according to the concepts suitable since all of them are not relevant in this qualitative research.

Regarding the face validity, this has been tested through a discussion with the respondents in the interviews concerning the research questions appropriateness to the purpose. This measurement method creates according to Lekvall Wahlbin (1993) a certain degree of validity. Concept validity can be seen when considering if the theory agrees with the empirical findings (Lekvall & Wahlbin, 1993). This has been examined in the analysis section.

In order for a research to be reliable the research findings should be found if the research would be repeated. With regard to qualitative research exact replicates of the original study are neither possible nor relevant, but the fact that similar observations and interpretations can be found on different occasions by different observers is (Hussey & Hussey, 1997). Sending the descriptive report conducted from the interview for review to the interviewee may clear up any misunderstanding and therefore contribute to the reliability of the research findings (Ghauri et. al, 1995). Consequently the research team has provided the interviewees with copies of the thesis as to confirm the interpretations for the final version.

However the matter of reliability is more commonly tackled in quantitative research by for example checking research instruments, more abstract factors can affect the reliability of a quantitative research since the methods are less standardized. According to Mason (1998) reliability can be shown when the researcher demonstrates that both the analysis and data is relevant, thorough, careful and honest. The researchers should at least clarify how they got the information and show extracts of the interview since showing that the analysis is not based on falsified or misinterpreted data (Mason, 1998). As a result the interview process is explained in detail, including names and dates, additionally audio files and the interviewers’ notes are available upon request.

2.7 Summary of the Method

The preceding parts in this method section have described the journey, which the researchers have gone through when writing this thesis. Firstly, the qualitative method was chosen as a research approach. In data collection both primary and secondary data were gathered. Out of the primary data interviews were conducted, more specifically semi-structured format was selected. The subjects of these interviews were reduced down from an extensive list to four companies that are relevant to the purpose. Finally, the data analysis clarifies the analysis procedure utilized by the research team (see figure 2.1)
**Method**

*Figure 2.1*

**Research Approach**
- Quantitative
- Qualitative

**Data Collection**
- Primary Data
  - Observation
  - Interview
- Secondary Data
  - Interview

**Interview**
- Non-standardized
- Semi-standardized
- Standardized

**Sample Selection**
- List from Swedish Chamber of commerce
- Reduction through Contacting
- Four Companies

**Analysis of Data**
- Empirical Observation
- Three steps of Analysis
- Way of Analyzing
3 Frame of Reference

This research paper has specific Swedish companies in focus. Furthermore, the fact that these companies have established themselves in China has been a contributing factor to the selection. Consequently, their presence in an entirely new and unknown culture has to a certain degree played a role in their actions, specifically advertising, in the foreign market.

Therefore, this section of the paper will begin with an overview of culture, concentrating on specifically Chinese culture in order to prepare the reader for the cultural undertone, which is present throughout the rest of the parts. When equipped with the cultural tools the reader will get a glimpse of the ups and downs in the establishment process; obstacles of internationalization in form of psychic and physical distance as well as the ready to use recipe of success factors. Diving in deeper, a thorough look at the Chinese market and consumer psychology is followed in order to build a vivid picture of the daily requirements facing these firms. Naturally, market leads to a discussion about effective marketing in China. Closing in on the act-in-focus, advertising by first providing a general synopsis and continuing zooming in towards culture awareness in advertising with the final destination of China specific advertising.

3.1 Definition of culture

During the nineteenth century, the definition of culture was always related to western civilization. Furthermore, currently researchers have analyzed the term of culture and cultural influences deeper. Culture is presently described as community, thoughts, experiences, values and assumptions carried through generations. (Jandt, 2004)

A culture is identified by and related to symbols, rituals, and values such as the definition of what is bad and what is good. Heroes and myths play an important role for the creation and maintenance of a culture. Moreover, a culture is not a trait and cannot be inherited; it is rather a mentally programmed learning process (Hofstede, 1994). A person’s culture tells a lot about his/her identity, behavior, and reaction in different situations. The individual’s role toward his community is to accept, maintain and transmit these values over to the next generation (Collier & Thomas, 1988).

The authors have chosen to concentrate on Hofstede’s definition of culture and his different cultural dimensions. Hofstede’s model was based on thirty years of quantitative research and many researchers have based their study on his model (De Mooij, 1998). Therefore, it was found to be most relevant to use and compare his knowledge to our findings. To start with a table shows a comparison of the Swedish and the Chinese culture with the help of Hofstede’s dimensions was examined in the light of mapping the work.

3.1.1 Hofstede’s definition

During the 1960’s very few models had been developed for comparing cultural influences and differences, especially for investigating global marketing and advertising, therefore Hofstede’s study was revolutionary and still maintains its leading role due to the large sample. Hofstede’s study specifically his division of different factors of culture into dimensions facilitate the study for many researchers as they used these dimensions as an instrument for mapping and analyzing its effects on advertising strategies. Many researchers have based a big part of their work on these five dimensions or created dimensions similar to Hofstede’s result. (De Mooij, 1998)
Hofstede developed his model (see Figure 3.1) based on a broad study in which they were comparing work-related values. The model explains the variety of values and motivations used in marketing across cultures. The study was divided into four dimensions and later in 1984 in his study with Michael Bond they added a fifth dimension a Confucianism approach tagged as long term versus short term orientation. (Jandt, 2004)

Figure 3.1: Hofstede’s five Cultural Dimensions; comparison between China and Sweden.

Source: Adapted from Hofstede’s homepage

Fred E., Jandt (2004) is also one of the researchers that based his study on the five dimensions. Furthermore, these dimensions were connected into the Chinese reality:

- Power distance (PDI): China has a high power distance, which implies that they appear to have a high level of disparity of power and wealth. This reality is not strained on the Chinese society it is rather highly accepted and believed in as it is a part of the Confucianism thinking. Furthermore, De Mooij (1998) stresses the dependency feeling to be also created within different relationships; individual toward the government and also within the family. Also, organizational forms are influenced by the level of power distance a large power distance countries in this case China companies tend to be more hierarchical than lower power distance companies.

- Individualism vs. Collectivism (IDV): The Chinese emphasis a collective society and due to the political environment, communism and Confucianism thinking. The Chinese ranking is the lowest in individualism of all other Asian countries. The low level of individualism strengthens the family/group behavior, which makes it harder for outsiders and people from other cultures to blend in to the Chinese culture (Jandt 2004). Furthermore critique exists towards this dimension, for instance Bond (2002) points out its irrelevance for instance for the USA as it is ranked to be located as an extreme individualistic culture, which in Bond (2002) point of view is biased. He is further reserved about the validity of this dimension since it requires various detailed elements that demonstrate these two factors.
• Masculinity vs. feminism (MAS): a masculine culture is described to be more aggressive and based more on dominant values. It separates also the role of gender and it relies more on high competition and hostility. The Chinese culture is known to move more toward masculine characteristics rather than feminine. (De Mooij, 1998)

• Uncertainty avoidance (UAI): the degree of uncertainty in a culture when facing unknown situation. China is one of the Asian countries who are ranked to have a relatively low level of uncertainty avoidance which indicates that Chinese are more tolerant people, have a few number of rules they rely rather on unwritten rules and meditative (Jandt, 2004). It is also argued by De Mooij (1998), that a culture with relatively weak uncertainty avoidance tends to be more innovative and accept innovative ideas. She also notes that China has a history of inventions. In history the Chinese were concentrating on innovativeness in their work in order to please their emperor rather than generating personal benefits.

• Time perspective (LTO): the Chinese culture emphasis long-term orientation in their business strategies. They believe that time is the solution for any obstacle. They intend to overcome these problems through patience and well structured planning using time lags instead of strength of character and determination (De Mooij, 1998). However some discrepancy occurs since concepts such as ‘saving face’ and gift giving are classified as short-term, but Hofstede admits that this fifth dimension is not as ready-developed as the other four (Gooderham & Nordhaug, 2005).

The Dimensions of culture have been further developed by various researches (De Mooij, 1998) for example Gannon (1994) has gone as far as to add 23 additional cultural aspects. These developments occurred, due to recognition of several limitations in Hofstede’s study. Firstly, the study is considered by a large number of researches to be over-simplified (Bond, 2002), since the subject of culture differences and values is highly complicated therefore, there are recommendations for further investigations within this field of study. Moreover, Hollensen (2004) scrutinizes the limitation of the sample since it only consist of IBM’s employees, which is in his point of view a biased sample given that it represents one category of individuals, which are in this case regarded as educated middle class. However, taking into consideration the purpose of this section in the thesis, providing the reader with a base for the rest of the paper, going in such detail as other researchers have is irrelevant at this level of research. After all, since Hofsstede’s dimensions have been used as guiding posts in cultural studies worldwide, the aspects should provide a sufficient part of cultural foundation for this thesis.
3.2 Chinese Cultural Philosophies

Due to its age and massive size China has a great history and a very strong culture imbedded in the social life and behavior of its people and transmitted through all the generations. The Chinese Culture is influenced by its religions, philosophies and politics.

3.2.1 Confucianism

Confucianism is the tradition and rules of some Asian cultures such as the Chinese culture. It stresses their way of living; which is based on ethical, moral system and harmony. Confucianism was found by K‘ung Fu Tzu (Confucius) who was born 551 BCE during that period it has been said that there was a lack of moral, an era of vagueness. K‘ung Fu Tzu was a wise person that spread rules and social ethics in many states of China. His principle emphasizes five relationships: society righteousness, chaste, love, order and faithfulness (Chen & Starosta, 1996).

The Chinese society nowadays is heavily influenced by Confucian history and tradition. It is a system that is intended to direct relationships within families, community and the state. Confucianism is used as a guide for social and proper behavior (Yum, 1988). Yum (1988) also divided his research, the Confucian relationship guide and behavior, into five categories underlying the effects on the personal communication:

- **Particularism**: The doctrines of Confucianism recommend using a formal language and differ in communication rules depending on the person’s age and status.

- **Role of intermediaries**: implies that formal procedures and rituals must be conducted in any type of relationships even within business relations (Gao & Ting-Toomey, 1998). For example, greeting rituals and the exchange of compliments and gifts are very common in Chinese relationships (Fong, 2000).

- **Reciprocity**: indicates the basic rules for interpersonal relationships. Complementary duties such as gratitude, which is a very important part of the Chinese culture and represents a base of a relationship (Gao & Ting-Toomey, 1998).

- **Ingroup/outgroup**: described by Scollon & Scollon (1991) as: in-group members develop deep personal relationship, which, impedes for outsiders or the outside groups to influence these relations. However, this point expands beyond cultural borders.

- **Overlap of personal and public relationships**: signify mixing work with pleasure, common interactions leads to common experiences. The Chinese explanation of the verb to communicate is to exchange, connect among people the aim of this exchange is seeking harmony with family and others (Gao & Ting-Toomey, 1998).

Confucian work dynamism, which means the dimension of culture that refers to determination, commitment, identity and faithfulness within the organization. This dimension is renamed in Hofstede’s five dimensions to be ‘long term and short term orientation’ (Gao et al. 1998).
China is a high context culture; a context is explained as the atmosphere in which the communication is conducted. A high context environment involves unwritten rules and uses fewer words. Therefore, such cultures are highly sensitive to non-verbal communication, and separates from other groups, which increases the ambiguity of getting through the right message (Hall, 1976). In a high context culture a message will be interpreted through; social importance, the knowledge of the person giving the message, social settings and other aspects (Hollensen, 2001). Sweden on the other hand is regarded as a low context culture with direct verbal and body language messages (Daun, 1998). The level of communication between cultures can be performed through international- or global marketing which handles the way which a company has chosen to adapt to the cultures and countries (Cateora & Graham, 2005).

3.2.2 Taoism
Taoism is a Chinese religion that comes from the philosophy of Lao-Tzu (old Child). Its main principle is that the underlying direction of the universe cannot be explained verbally. Tao is known as ‘The Way’ that cannot be captured in words. The Taoist leads a simple, spontaneous, life close to nature and discovers their life-giving elements. It is the belief in balance between Yang and Yin; black and white. These two qualities refer to different characteristics of life. Even gender is demoted through this ideology by comparing Yang to the male gender and Yin the warm aspect to the female gender. Even different types of food are put into these categories and they should not be eaten at the same time. Many harmonized ceremonies are related to these religions such as tea ceremonies. This refers to celebrating beauty in the mundane (Barer-Stein, 1999).

3.2.3 Politics and Buddhism
The emphasis on religious values and presence is more or less low in the Chinese society due to political influences. Since China has been under communist government and in such situation religious activities are depressed. However, this fact does not completely eliminate the religious effect on the citizens’ culture, behavior and traditions. Buddhist values are based on release of the egotism inside every person through tolerance and self-sacrifice in order to reach a better place in the next life (Kim, 1975). Thus, these values consist of working for a better life for the future rather than the present life. Its ethical perspective is individualistic (Beyer, 1974). Buddhism in China represents only six percent of the population, which is relatively low but it still is combined with Confucianism and Taoism and further represents a foundation and a direction for the way of living in China.

Through a research conducted by Chu and Ju (1993) where the existence of traditional Chinese values was tested, they discovered that a big amount of the society put a large weight on long historical heritage, endurance and frugality and loyalty to the Chinese state. This study can be used as an example of the type of values shared by the Chinese; it is a result of different principles, believes and is to a large extent influenced by the communist revolution.

3.2.4 The concept of face
In the Chinese culture the term of face and losing face are well known. The expression face, which is Lian in Chinese, reflects on honor and the society’s inspection of a person’s behavior (Hu, 1944). The loss of face in high-context societies such as the Chinese society
makes it harder for an individual to function properly and succeed within the community. Not only individuals should consider saving face in any contact or communication with a high-context society but also any relation in kind should put a high emphasis on this concept. For instance, when a company plans to advertise or enter the Chinese market its marketing team should consider saving face in their face-to-face communication or advertising strategy (Ting-Toomey, 1985).

Another concept related to face is Mian (image). This term refers to prestige or reputation achieved through experience and life. Mian is similar to Lian (Hu, 1944). Consequently, many companies prefer the use of intermediaries in order to avoid and decrease the complexity and maintain a social harmony.

### 3.3 Psychic and Physical Distance

The internationalization process for companies between Sweden and China can have many obstacles, when taking a deeper look into the matter they can be categorized as coming from within the people, the psychic distance, or from outside, the physical distance. These barriers and the way they are tackled contribute to shaping of the company and therefore affect the later business processes, including advertising.

#### 3.3.1 Psychic distance

Psychic distance can be defined as “The sum of factors preventing the flow of information from and to the market. These include difference in language, education, business practices, culture, and industrial development.” (Johanson & Vahlne, 1977, p.51) This distance can be perceived as smaller among big companies because they have more resources and time dedicated in studying these differences and may even employ a member of the staff that speaks the foreign language. The importance of language as a factor cannot be stressed enough; after all it is an immediate element of culture that is considered most important (Conway and Swift, 2000).

The Chinese culture and historical heritage is strongly present in the country. A clash between cultural pride and developing according to the western rules exists. Economical development is of utter importance and gaining entrance to the ‘club of First World Nations’ is urgently sought after (Hooker, 2003). Consequently by now international business in China is conducted in English (Choi and Kelemen, 1995). The sturdy presence of culture can be seen as a barrier in relationship building as well as communication (Hofstede, 1980). Confucianism, Taoism and Buddhism have all influenced the Chinese business culture (Fang, 2003). While in Sweden strong leadership and hierarchy are frowned upon (Hooker, 2003).

Trust is a key word in Chinese business culture and it has to be earned before any kind of action will be taken, even in the form of signing contracts (Choi & Kelemen, 1995). Effective business cannot be conducted in China without this basic condition (Wang, Zhang & Goodfellow, 2003). According to Elahee, Kirby and Nasif (2002) the level of trust among businesspeople from different cultures is initially lower than that amongst same culture interaction. Therefore Swedish companies need to work harder in building the trust and not loosing face, because in the Chinese culture once it is lost there is no recovery (Hooker, 2003).
3.3.2 Physical distance

The physical barriers in physical distance include geography, customs regulations and other trade barriers (Lindqvist, 1991). However in today’s high-tech society and Just-In-Time logistics the physical distance between China and Sweden is hardly an issue. Being able to reach a business partner is possible within seconds. There have been improvements in the customs regulations and other trade barriers department as well as a direct result of China’s 2001 entry to the World Trade Organization (WTO) (Wei, Wen & Zhou, 2002). According to Ghemawat (2004) with regard to geographic arbitrage, fresh opportunity is formed. Various changes have taken place and one of the most important ones, viewed from a Swedish company’s perspective, is increased freedom for foreign actors to set up joint ventures. Additional essential adjustments include lifted restrictions on capital markets and the removal of trade tariffs. The WTO entry has even been described to have increased the attractiveness of conducting business in China (Wang et al., 2003).

3.4 Success Factors for Internationalization

The process of internationalization is a widely studied topic. Various researchers wish to sum-up the fast amount of knowledge of their areas of expertise by publishing their words of wisdom. Internationalization is an on-going process that has to be taken into consideration in new aspects that a company goes through. Furthermore the previous success of the company with regard to the factors may create a chain reaction by affecting present and future business processes. Therefore factors of success in the field have been collected.

3.4.1 Steps to Success

According to McAuley (1988) the factors of success consist of:

1. Superior product quality
2. An appreciation of the social and economic conditions in foreign markets.
3. An international ‘philosophy’ by management, which helps to perceive a world of opportunities.
4. Good market research and an orientation towards marketing by the company.

The Chinese market is highly competitive due to the overwhelming number of domestic competitors added up to the foreign competition that has resulted from the Open Door Policy (Wang et. al. 2003). The competition among quality, presentation and price is immense and therefore superior product quality is essential for product success. However the previous discussion about relationship building, tied together with McGrath’s (1996) research gives rise to an additional success factor:

5. Successful strong relationship building and gaining trust.

It has been suggested that healthy vital relationships built on foreign ground are not the only form of relationships necessary for success; even the strength of a firm’s relationship in the domestic market is an important building block (Johanson and Mattsson, 1987). A helpful tip for relationship creating and even advertising products might be to remember
that the unusual happenings, which are the base of their sense of humor, amuse the fun-loving Chinese (Hooker, 2003).

### 3.4.2 The Six P’s

Instructions of how to thrive in international business written by different authors usually overlap, as to an extent do the ones from Wang et. al (2003). A separate section however has been donated for the Six P’s of success due to the fact that they are specifically addressed to China business culture. The Six P’s include:

1. Patience – Psychological Preparation
2. Power – Financial Strength
3. Predisposition – Developing Relationships
4. Personnel – Recruiting the Right people
5. Protection – Legal Security
6. Perspective – Cultural Sensitivity

Preparation is everything when entering the Chinese market. The Six P’s are meant as a tool of evaluating possible risk factors of the business decisions. The points of predisposition and perspective coincide with points that have been discussed in the previous section. Conducting ground work for successful business affairs takes time due to the market being in a premature state, negotiations take place with a long protocol, trust building has to be finished, a guanxi network has to be at place, and numerous structural problems will arise (Wang et. al, 2003). Graham and Lam’s (2004) claim that in the business world, repeatedly the person with guanxi is the winner. Conquering a mixture of these obstacles will take an immense amount of patience and possibly some bribery. It might come as a shock to the Swedish company willing to advertise their products in China that as brought forward by Wang et. al. (2003) dishonest advertising is still tolerated by 55 percent of the Chinese managers. Furthermore, during negotiations if not fully aware of the cultural differences, outsiders can perceive the Chinese as dishonest, indirect and inefficient (Graham & Lam, 2004). It is beneficial to bear in mind that regardless of the Open Door Policy and WTO entry, the Chinese government still controls the marketplace and policies regarding it (Wang et. al, 2003). As a result of the possibility of bribery a package for legal security needs to be summoned; this includes background checking, relevant law-checking, proper contract signing, applying anti-corruption skills, striving for private/informal solutions first, arbitration and legal action (Wang et. al, 2003). With regard to taking care of a commercial dispute, going to court is viewed as the worst possible action by the Chinese and results in loss of face that in return makes the foreign business partner labeled as impossible to work with.

According to analyses of practice, deep pockets are necessary for entering the Chinese market. Taking into consideration that business expenses like advertising fees are much higher than in Sweden is vital. The positive part is that if a company comes prepared to pay the price, the advertising rates are phenomenal in China. A part of marketing cost is the money laid aside for building relationships- the right people in all levels of government need to be contacted (Wang et. al, 2003). An additional part of developing relationships is having an updated knowledge of the specific industry policies and knowing the potential business partners, for example the financial power, ownership and relative strengths and weaknesses of them (Wang et. al, 2003). The part of reciprocity, hui bao, should not be ignored during relationship as disregarding it will result in being labeled wang'en fuyi – future
business deals will be venomous (Graham & Lam, 2004). Nevertheless just blindly attempting to get as many new relationships as possible is not recommended, so that the international investor does not become a victim of some scams, like the ‘fishing project’. When the key business partners have been identified then nurturing guanxi is the next step, after all every company needs ‘network insurance’ (Wang et. al, 2003). A part of showing ones capabilities is through documents, and when doing business in China, so Wang et. al. stress how it is vital due to how important language is in communication, that the documents are ready both in English and in Chinese.

Chinese business culture is a delicate web consisting of etiquette, language, political culture and economic policy, which is virtually impossible for a foreigner to master to the fullest (Wang et. al, 2003). The casualness which most Westerns are used to, is not well received in a country where formality and noting shehui denji, social status, are imperative (Graham & Lam, 2004). Consequently it may be a wise decision to hire some local staff and allocate them to various levels of the organization, especially since Chinese have an easier time building trust with people of their own background. “Finding skilled, experienced and trustworthy local people who are capable of exploring business opportunities and/or social relationships for the purpose of commerce is the key to success in China.” (Wang et. al, 2003, p.251). The reasons for maximizing the use of local people are that cultural sensitivity and understanding of it are of extreme significance when conducting business in China. Over all Yan (2004b) advices companies to look at their course of action and formulate it after fully analyzing their situation and making a distinction between reasons behind success and failure.

3.5 The Chinese Market and Consumer Psychology

The opening up of the Chinese market has resulted into a more highly competitive market with new international and domestic options. Status indication is an extremely important factor behind comparing goods, together with price, quality and function that are chosen with a refined taste. Representation of good life and new social order through consumption has been studied from as early as the Eighteenth Century England (Nixon, 2003) Various different patterns exist in Chinese consumer behavior that are sometimes difficult for foreign companies to grasp, due to this and the extreme competition it can be difficult for new product to enter the market and even harder for them to make certain their position in the market place.

3.5.1 Consumer Behavior and Segmentation

Illusory is the adjective often used to describe the Chinese market. The characteristic that molds the market as to be described in such matter is the large gap between the different groups of consumer making purchasing power unpredictable. Even though the last twenty years have brought China closer to general prosperity by increasing salaries from ten to fifteen times that of the former ones. The wealthy sector is growing constantly, but the gap between the poor and the rich is behaving in a similar manner. In 1999 half of China’s domestic savings belong to less than five percent on the top wealthy Chinese (Wang et. al., 2003). However, social mobility in China is faster than in most Western countries. Ways of income vary in China and the three main categories include formal salary and subsidy, gray, and black income. If income is used as a way of ranking people then the following categories will occur: working class poor, lower-middle class, middle class, upper-class wealthy (Wang et. al., 2003). According to Cui and Lui (2001) the Chinese consumers can be divided into four socio-economic categories: rich, yuppies, salary class and the largest one –
working class poor. The positive outcome of this is that wide spread in incomes has resulted in a wide variety of goods.

The Chinese market is a potpourri of fragmented markets, with differences in local cultures, economics development and industrial preferences act as the dicer. Topographical and climatic conditions have made their imprint in the development of China resulting in allocation of highest purchasing power in the ‘first world’ in the biggest coastal cities of Beijing, Shanghai, Guangzhou and Shengzhen. The less developed coastal cities and provinces form the second world, while northeast and north China get ranked as third world. The left over poor backward provinces of the north and southwest China fall down to fourth world level (Hu, 2001). The north and south have other differences as well, those of consumer behavior that the Yangtze river divides up. On the one hand, in the south the consumers calculate the value of a purchase and product in terms of price and quality and they budget for goods. On the other hand the northern counterparts spend more generously and freely (Wang et. al, 2003).

The Chinese government has made drastic changes in its policies within the past couple of decades; consequently an alternation in consumption patterns is correlated with age (Wang et. al, 2003). From age 60 and above an exceedingly strong brand loyalty is present and even between ages 50 and 60 a conservative approach is taken to foreign brands. The clear change can be seen in the post Open-Door generation where status and social class is sought through expensive, flashy and high-fashion products all influences by hedonistic more Western culture (Wang et. al, 2003). This has been due to the variety of choices becoming broader and competitive purchase rising in popularity. The desire for luxury goods has been forbidden fruit and choices have been so few that shopping has not become a favorite pastime for the Chinese consumers (Yan, 2004a.)

The one child policy is a distinct example of how government decision can shift purchasing power; due to this policy a ‘golden child’ phenomenon has risen in which the children influence everything the family buys ranging from food to recreation and even cars. As a result in contemporary China the golden child has been crowned as the most privileged consumer (Wang et. Al, 2003). Family and the role of parenting in China are looked at differently than in the West. In China even the extended family is closely tied to the immediate family and parents duty is to support their child and provide for him/her for as long as its needed, while in the Western part of the world the immediate family is the closest and becoming of age usually ends the need of parental obligations to a large extent. The phenomenon is clearly illustrated by the lack of importance of father’s or mother’s day but how everybody is aware of the first of June’s celebration of International Child Day (Wang et. al, 2003). Seems as if the consumers moved form central planning to ‘central policy’ of holding the needs of their child in the highest esteem, especially not the least when it comes to the education.

Organizational purchases play a dominant role in the market. In addition to the usual reason for purchases, to operate business, due to the small society nature of Chinese enterprise non-productive consumer goods such as food, houses and entertainment are also purchased by companies. Taking care of not just the professional but the private lives of employees belongs to the job description of managers. The phenomenon is so strong that in 1998 of the consumer goods bought; nearly one third came from different companies’ non-productive consumer goods purchases (Wang et. al, 2003).
3.5.2 Types of Consumption

Consumer consumption has been studied in different categories since the classic book ‘The Birth of a Consumer Society’ where consumers’ behavior appeared to fall into patterns of collective and individualistic identities, public and national rituals as well as the individual desires (McKendrick, Brewer and Plumb, 1982). The Chinese consumer psychology is a mix of old traditions and culture together with the new influences of the West in the post Open-Door society. Since this 1978 ground-breaking change a consumer revolution has spread across the Chinese consumers (Reuvid & Yong, 2003). Wang et. al. (2003) point out ‘Loss of face’ to be one of the, if not the biggest, concern of Chinese people. The reputation and honor has to be guarded and ensured and this is therefore an outstanding factor behind consumption in the Chinese market. A clash between the old and the new consumption process exists and the balance found varies from one consumer group to another.

3.5.2.1 Saving Prior to Consumption

Due to China’s long political and economic uncertainty a practice called jiejian, saving money, is common among the Chinese. The phenomenon is to a large extent more common than in the West, in fact according to Euromonitor International’s research, compared with American household, the mainland Chinese save four-fold times more (Graham & Lam, 2004). In the West the consumers concentrate on present and future income as basis of how much they can consume. On the contrary, in China the past and current savings make-up the magnitude of consumer’s spending. ‘Saving for a rainy day’ has reached the amplitude that one might assume it would be a law. Even insurance companies have to adjust their policies to how important it is for the Chinese to save for a result therefore they offer a saving and gaining plan in which after a certain period of time it is possible to get back all of the money with interest. For a Chinese consumer “the act of purchasing is not just a simple transaction. It demonstrates an individual’s financial capacity and social status.” (Wang et. al., 2003, p. 192). Saving is not the only part of purchasing taking time, the actual choice of which item to purchase is a result of careful consideration, to the extent that an informal rule-of-thumb of a minimum three-store comparison has been created (Yan, 2004a).

The Chinese bank has also contributed to the saving obsession; until recently it was impossible to borrow any money from the bank and even now most normal wage workers are not eligible for loans according to the bank (Wang et. al, 2003). Since there is practically non-existent distinction between private and public life it is even more important to remain debt-free. The concept of saving prior to consumption is deeply rooted in the cultural phenomena of ‘saving face’ and ‘avoidance of uncertainty’.

3.5.2.2 Vying for Purchasing

China is a very collective society where the words ‘we’ and ‘us’ are replaced by the Western ‘me, me, me’ set of mind. It is therefore not a huge surprise to realize that personal channels are just as important as formal ones in the introduction of a product. The popularity can rise very quickly if it receives enough word-of-mouth recognition. When the entire group of acquaintances vies a product and ‘everybody’ has one then the fear of loosing face since somebody of same social status can afford the product stimulates a frantic saving period in others. In fact these types of ‘necessities’ are so common that ordinary people have a separate savings for them (Wang et. al, 2003). The mere thought of being left behind is
discomforting to Chinese consumers (Yan, 2004a). Vying for purchasing is based on the cultural beliefs of ‘absolute equalitarianism’ and ‘saving face’ (Wang et. al, 2003).

3.5.2.3 Relationship Driven Purchasing
The importance of gift giving in the Chinese culture can not be stressed enough. It has various different reasons behind it including face enhancement, interpersonal relationship building and building guanxi networks (Wang et. al, 2003). It is of utter importance to find the right occasion gift and place. When choosing a gift for a person their personality, gender, likes, needs, social status, relative personal and professional value have to be taken into consideration. The gift can be given during a public holiday, festival or in any special occasion. For companies the gift giving is taken to a whole other level with the type of gift representing the respect and financial strength of the company as well as serving as a way to attract a possible future relationship. The gifts are usually of the exotic and unique nature. Overall the relationship driven purchasing acts as a catalyst for consumption and ensures that the Chinese consumers exceed their necessary daily spending (Wang et. al, 2003).

3.5.2.4 Flaunting Consumption
In the modern Chinese society the traditional values of hierarchy and the newly found respect for intelligence as a way of gaining success and prosperity are fused together as factors for respect. Consequently the new money or ‘wealthy upstars’ as they have been christened (Wang et. al, 2003), has an extremely difficult time in receiving the social status they so much strive for. As a result a very small number of the Chinese consumers have a massive amount of purchasing power and they use it for high quality popular and expensive luxury brands as to demonstrate to the whole world how wealthy they are and what kind of status they have. Imported luxury alcoholic drinks and service industries are enjoying the profit boost of such behavior to the fullest. The success of many Western newcomers has been built on the novelty factor (Yan, 2004a). Flaunting consumption is a direct result of the belief that social status and face are the most imperative issue in life (Wang et. al, 2003).

3.6 Effective Marketing in China
Having the fullest amount of knowledge possible of the Chinese market when launching a product is of utter importance; when, where and how are the key questions that have to be carefully contemplated. The 1.3 billion consumers, the powerful influence of the official media and the acceleration speed of word-of-mouth make the Chinese market the dream land of advertisers. However even this Cinderella story has its curse- the drainage of man hours and capital in order to transfer the product from anonymous to a house-bold name. Furthermore the Chinese emphasis on relationships should not be forgotten either since having contacts is the final touch reassuring success.

3.6.1 Market Research
The impressive rate of change and development in China has left many aspects not as well prepared as in mature markets, this is seen when attempting to get applicable commercial data when such material is not available even close to the extent it can be found in a normal situation. A large amount of companies are still public, but ironically the business information in those companies is not made public, data about the company is still considered a state secret. As little as less than twenty percent of the companies publish their enterprise data (Wang et. al., 2003). However as Reuvvid and Yong (2003) point out, the Chi-
nese government is trying to adapt to the changes, especially after the entry to WTO, and therefore Chinese ministries have published yearbooks and almanac and the State Statistical Bureau publishes the ‘Statistical Yearbook’.

Additionally international accounting standards have not been a well known standard in China before the beginning of 1990s; consequently adjustments still need to be made to the accountability of the data provided by the companies. The rapid pace of development also makes the previously gathered data obsolete in a short period of time. It is therefore recommendable to have a professional Chinese marketing researcher as part of the team (Wang et. al, 2003).

Employing a market research company is a vital step to most companies attempting to do marketing in China. A large risk of misinterpreting data and having biased data to begin with occurs if there is no local expert present in the process (Reuvid & Yong, 2003). Unfortunately there are only a hand-full of companies which have the possibility and competence to do a nationwide survey and standardized reports. Previous experience in working with multinational companies is an important recommendation. The proposal should be made as detailed as possible, including a time limit and reassurance that the reports will be available in English, this part is worked on in more detail than in the West since it is purchased, not provided for free(Wang et. al, 2003).

### 3.6.2 Distribution and Marketing Channels

China has come a long way from the time of centrally planned economy where all good allocation was conducted by the government until the late 1970s. However a problem still occurs with the cross-country distribution networks due to for example regional blockades. Protectionism in the provinces is another obstacle of distribution, for instance the ruling by the Shanghai government for public companies to use cars made by Shanghai governed manufacturers. The hot issue of intellectual property rights violation is also caused by local protectionism. Conflicts between retailers and wholesalers cause vertical distribution problems. (Wang et. al, 2003)

Effective marketing channels are hard enough for the Chinese to found and therefore a further challenge for foreign marketers. Certain key points serve as a type of suggestion guide for marketing channels. Firstly it is important to concentrate on some key cities first, preferably three and then expanding once well established in the highly developed commerce areas. The time before further expansion can be used to learn more about the Chinese way of conducting business (Wang et. al, 2003). Secondly relationship building with key people, like local dealers who can assure financial strength and officials with an influence in the world of politics, is essential. Thirdly taking into consideration other sales channels than just department stores, for example specialty stores, can bring in the extra factor to make the product successful. Additionally when attempting to expand the marketing channel into various urban areas, local knowledge of business is vital. Such as not only Shanghai is a good place for doing business but Beijing, even though a political capital, is also a key business area and extremely useful for networking (Wang et. al, 2003). Further expansion beyond the three key cities out of five, should be chosen with the possibilities provided by the region’s following factors: manufacturing capabilities, buildings sales and distribution (Yan, 2004a).
3.6.3 Public Relations

The dominant role of guanxi, built on the obligation of reciprocity in relationships, in the Chinese business world resulted in a mix up of the meaning of public relations (PR) but the belief that the concept is about personal relationship networks has changed to representing communication with the public (Wang et. al, 2003). Due to the strong relationship aspect of PR thorough knowledge of the Chinese codes, culture, protocols ad value judgments are essential (Reuvid & Yong, 2003). The role of the PR department, or ‘the creators of the enterprise image’ as they are known in China, is conflict resolution between the firm and the consumers, report public demand trends and use them in aiding management with marketing decisions. These roles are divided up to four types of PR. The first one is Publicity-Oriented PR, focusing on promoting of the company’s image to the public forum. Second type is Socially-Oriented PR where the specialty is knitting the web of business networks with key social partners, very often informally. Third one of the types is Consultative-Oriented PR in which information and data play a central role. This type is responsible for providing feedback about the company image and products to the management Last type is Public-Good-Oriented PR which works the same way as the ‘giving back to the community’ programs and charity auctions in the West. According to Wang et. al (2003) ‘winning face’ can be established through public generosity.

3.6.4 Branding and Packaging

Due to the nature of Chinese consumer behavior, brands play a dominant role in a product’s success. Characteristics such as the name being easy to pronounce and remember, positive image together with international aspect and being beneficial are all necessary for a successful brand image. A couple of successful branding strategies have emerged and these include promoting sub-brand names, this way these new brand names are under the shelter of the well-known brand, highlighting functionality though a high-tech association, stressing the high quality and/or high status symbol of the brand (Wang et. al, 2003). When using the own brand of the foreign company, critical factors in brand image include product quality, quality of services and effectiveness of distribution (Reuvid & Yong, 2003).

When choosing a brand name it is also important to pay attention to the meaning of it, so that a positive nuance is formed, common vocabulary should be used, easy to remember and pronounce, and to have no legal problems (Reuvid & Yong, 2003). Using a brand name with a powerful image brought Boss to glory and symbolical significance has elevated “a joyful taste of happiness”, the changed phonetic translation of Coca-Cola, as well as the translated name “the fragrance of the flowers that are covered with morning dew” alias Revlon (Yan, 2004a, p. 131). There are two approaches which can be taken for this process, firstly the name can directly tell about the function and benefits of the product or secondly it can sound as if the product would bring good fortune for the owner. When transforming foreign brand names the sound of the original name should be coupled with a meaningful connotation. Furthermore taking the different age groups into consideration is important, for example the older population prefers names associated with good health, for children’s products intelligence or well being, for men success and wealth and for women beauty is the key connotation (Wang et. al, 2003). Overall it is important for the consumer to feel that they can trust the brand, when history and home seems to be behind a brand it feels more real (Anholt, 2005).
Packaging has become a strong part of the brand image in China; colors, shapes and packaging materials all play a central role (Wang et al., 2003). Quickly accommodating to the wishes and needs of the Chinese consumers concerning packaging has shown to result in a positive reaction in the Chinese market (Yan, 2004b). The concept of beautiful packaging is fairly new in the Chinese market since in the pre Open Door era no emphasis was put on it, consequently the consumers find it new, exciting and attractive (Wang et al., 2003). After all the culture of gift giving has made packaging essential since the gift has to appear as beautiful and valuable on the inside as on the outside since opening the gift in public is inappropriate.

Packaging is a way of presenting the product and in the eyes of the Chinese consumers it is valued as much as price and quality are. The importance of packaging should not be underestimated as is shown for example by a survey done on Western goods where the products with the packages that diverted too much from the original Western brand package were rejected (Yan, 2004a). The social psychology of the consumers has to be understood when attempting to launch a successful product. For instance colors have specific psychological meanings that are tied together to appropriate occasions. In Sweden color red is usually used to indicate a lowered price or a sale when in China it represents prosperity, a similar opposite can be perceived with dark blue which is a royal and noble color in Sweden but is associated with death in China. Finally on a more practical note, it is important to fulfill the detailed product label description criteria that the Chinese Commercial Department requires (Wang et al., 2003).

### 3.7 Advertising

Advertising is based on psychological and sociological factors such as the study of people and their behavior. Furthermore, advertising is highly related to communication for the reason that its goal is to persuade and build a customer–firm relationship based on trust and further creates loyalty feeling (De Mooij, 1998).

#### 3.7.1 Role of Advertising

The advertising industry is growing rapidly, which demonstrates the importance and continuous interest around it (Tellis, 2004). As advertising becomes more intense the average adult pays more attention the advertising messages, which can amount up to 3000 per day (Solomon, 2002). The extreme exposure to advertisements influences in various levels of awareness including decisions, attitudes and possibly even feelings (Tellis, 2004).

In a free market, the role of advertising consists of communicating the brand image in order to represent the company and attaining a constant image of quality while at the same time stimulating competition (Tellis, 2004). Furthermore providing information for relevant decision making is a key factor of advertising (Wells, Burnett, and Moriarty 2000). The information provided can be necessary for communicating with specific segment which can be used to attain competitive advantage in a product or a service category (Fill, 2002). Belch and Belch (2004) add creativity as an advantage; creative advertisements generate likeability and positive feelings for the brand.

Contrary to all the advertising hype, professional managers do have diverting opinions on the topic. These range from the popular belief that it’s a necessity to get the product ‘out there’ all the way to considering it a waste of time (Hackley, 2005). The important part is to
understand the purpose of advertising in order to see if it is relevant for the specific company and to figure out which channels are appropriate for the aim.

Tellis (2004) explored the reasons or occasions when advertising is chosen by companies and grouped them into four categories. Firstly, advertising is used when supply exceeds demand. The perception of satisfaction and value is used as a base when choosing between very similar products or services (Kotler and Armstrong, 2001). Therefore bringing best value to the consumer is the goal of communication in this occasion. Secondly, advertising can be due to low knowledge and/or awareness of either the product or the supplier (Tellis, 2004). Thirdly when for example a new supplier releases a product low confidence in the former or the latter would result in the company using confidence-building advertising. The final reason for advertising is a less common one that is when demand exceeds supply (Tellis, 2004). The problem could be in lack of buying power, which according to Kotler and Armstrong (2001) creates demand.

### 3.7.2 Transmission Model

This model is used as a communication tool. Communication is about transmitting the message. Many view communication as a one way method but Berlo (1960) in his model wanted to make an understanding about the role of the receiver in creating the message giving them an active rather affective role. Since communication is related to advertising this model is used as a blue print for creating the message and delivering it through advertisement.

*Figure 3.2* The Transmission model is composed of elements that influence the marketing communication.

Source: the figure is adapted from Jandt F. 2004, p. 30

Many researchers have emphasized the communication process, which consists creating and encoding of the advertising message in order to send the right meaning to the customers. Berlo (1960) explained these elements in-depth also Jandt F. (2004) in his book explains the importance of these elements. Some authors like Czinkota & Ronkainen (2001) have chosen to concentrate on three of these elements, which they found most important; the sender, message and receiver. In this study the authors will illustrate briefly all the elements studied however, encoding, message and channel are most relevant for this paper.
Berlo (1960) sees the communication as a dynamic process the different variables of the process interrelate and influence each other. To be able to understand the communication

- **Source**: is the communicator, the individual or the firm, instructor that have an idea that needs to be communicated.
- **Encoding**: is the process in which the idea is put into symbols or words to be able to communicate it.
- **Message**: It is the identity and the result of encoding. It is the basic thought that should be transmitted.
- **Channel**: The tool, by which the message is transmitted such as media, could be for example printed, electronic, or face-to-face.
- **Noise**: refers to distortion of any type, external, internal, or sematric noise.
- **Receiver**: is of course the segment, target person or market that the message is aimed to.
- **Decoding**: the opposite of encoding which means decoding the message, making a comprehension and drawing conclusions about it.
- **Feedback**: through interviews or invitations to be able to have an overview on how the receiver obtained the message and if it correlates with the sources main idea.

**Context**: the final component of the communication. This indicates the environment in which the communication takes place. Culture is also seen as a context, before sending any message to any group an investigation about that group’s culture should be done. Because every culture has its overview and own social system that should be taken into consideration.

### 3.7.3 Adapting the message

The message send by companies through advertisement is planed with either diffusion or a convergence approach. The diffusion model indicates; a firm adjustment and adaptation of innovation in their advertisement to be able to communicate with the new culture (Rogers & Shoemaker, 1971). Within this process a company can also choose to adopt a new communication technology in order to reach the specific market (Rogers, 1986). The model could be divided into:

- Adapt the local culture
- Localize thinking
- Localize the product
- Localize the marketing strategy (De Mooij, 1998)

De Mooij (1998) continues by explaining that advertising to be a mood creating act that is restrained with symbolism. Therefore, an advertiser should keep in mind the potential markets values. An example could be that when advertising the Chinese market, some crucial traditions must be considered such as family relations and respect for authority.
The convergence model on the other hand emphasizes the importance of a two-way communication, information flow between the two cultures in order to get to mutual agreement when generating the message. Its concentration is on the relationship between those who share information. (Rogers & Kincaid, 1981)

The level of communication between cultures, international, global or multidomestic, has to be chosen. International marketing deals with adapting the marketing to domestic markets in more than one country. The goal of a business is to make a profit by promoting, pricing and distributing the product for which there is a market. When using the international marketing approach it is a matter of adapting the marketing and advertising to the market which the seller is interested in, taking issues such as culture into consideration. (Cateora & Graham, 2005)

Global marketing on the other hand deals with treating the world together with the home market as one market. While international marketing has its segments focused on national boarders, global marketing defines segments by income levels, usage patterns, or other factors that otherwise divide countries and regions (Cateora & Graham, 2005). This is also supported by Johansson (2000), the integration can for instance entail identical brand names, coordinated sales and similar advertising messages across markets in several countries.

Marketing in various countries is influenced by fundamental differences which can lead to decision for local activity management De Mooij (1998). In multinational marketing strategies take place in multidomestic markets characterized by local consumers with different preferences and requirements from other countries (Johansson, 2000). Additional support is found from Cateora and Graham (2005) argument that the success of the market depends strongly on independent programs for each country. Firms with this approach uses separate marketing strategies for each country.

Deciding on what approach a company should consider is a very crucial process. The choice of adapting to local culture can have its positive and negative outcome. For instance, when Disneyland Paris, first tried to totally adapt to the French culture they faced a failure until they realized that what French people were seeking was not what is familiar and use to do. The customers where seeking the American Disney feeling. (De Mooij, 1998)

3.7.4 Communication skills

Western and Asian cultures are two very different ones that have different views on communication therefore; it is common for a misunderstanding to occur. Western cultures give higher status to the speaker, the ‘source’, than the receiver by putting it into symbols. The Asian view of communication reflects on the communicator cooperating to make meaning of something. Ethics are also highly emphasized through this interaction. An example could be giving away gifts and what affect that within different cultures. Moreover, giving a gift within a business communication is believed to be very unethical for Western countries but on the contrary in Asian countries such as China giving away gifts must be done (Jandt, 2004).

Communication is explained to be the process of mediating information between different parties (De Mooij, 1998). It could take the shape of verbal or non-verbal process. People communicate through words, symbols, signs, and body language even the choice of colors and shapes are associate to specific message and meaning and this fact is highly depended
on the targets’ culture, history and believes. For example in the Chinese culture the white color is associated to mourning and create a negative assumption around the advertisement. While in many Western countries black creates similar association (Pierce C. S., 1990).

Therefore, an advertiser when developing a strategy for his or her advertisement should look for internal and external patterns of thoughts and try to make them match. Consequently, a research about the target market’s culture should be carefully conducted and studied taking into consideration the company’s culture and the aimed message. This process is very complex due to the lack of knowledge of all the different aspect in different culture. You cannot really know everything about a culture if you are not born and brought up in it (De Mooij, 1998).

3.7.5 Advertising in China

The government has a dominant role in China’s media; it has control over television, radio and the leading newspapers. As a result Chinese trust basically everything that is presented as ‘official news’ (Wang et. al, 2003). Consequently for a Swedish firm wanting to advertise a product in China, getting coverage in a form of television advertisement effects social land consumer reference groups. The internet is a growing lucrative choice for advertising since over 123 million people used the internet in 2006 (China Internet Network Information Center, July 2006). Even though the majority of the internet surfers were men with a bachelor degree between ages of eighteen to twenty-four (Wang et. al, 2003) they possess quite large amount of purchasing power. Internet advertising at its prime pre IT Bubble Burst Era grew at up to 289 percent annually and even though the pace has been dampened it has survived to still annual rates of twenty percent in the post era (Wang et. al, 2003). However it is important to consider carefully where to advertise since the complex administration can become cumbersome- choosing the right level of media is eminent.

In the post Open Door China advertising is the main form of promotion. The advertising industry in China grows at 40 percent rate and as early as 1996 its turnover was around 38 billion RMB Yuan. The advertising market is expected to become the largest in the world by 2010 (Wang et. al, 2003). The battle of the private versus public companies is continued even when it comes to advertising companies. The public advertising companies in numbers, reach only 22.67 percent but in advertising sales figures they dominate with their 54.95 percent in 2001 (Reuvid & Yong, 2003). It might be comforting for Swedish companies to see familiar advertising names, in the form of foreign advertising firms such as McCann Erickson as well in the Chinese advertising market. These companies have a rather small share in total spending, 9.35 percent but they enjoy a dominating competitive advantage over private domestic firms (Reuvid & Yong, 2003). Like in every aspect that is culture sensitive, the laws and regulations of advertising need to be taken into consideration; for instance comparison advertising and use of superlatives is not allowed according to the Advertising Law, furthermore checking out the type of media requires advanced payments (Reuvid & Yong, 2003).

3.7.6 The Types of Media

There are four categories of media and the nature of each has to be considered. Firstly there is the media administrated by the Central Government, this includes even the best television station China Central Television Station (CCTV) that is watched by nearly 300
million viewers daily (Wang et. al, 2003). Therefore television commercials are the most popular promotion strategy for deep-pocketed companies. Secondly there is media administered by Provincial and Municipal Governments, which all have their own TV and radio stations and one or more newspapers. When wanting to target a specific region this type of media is the proper solution. Third comes the media administrated by municipal or county governments that play a role when wanting to target an extremely local audience or professional field, positively the central government allows more freedom to this level of media and the fees are lower. The last level of media is administrated by Large State-Owned Enterprises that are beneficial when considering a target community and wanting to ensure that the company has caught their attention without paying a large fee (Wang et. al, 2003). The actual amount of TV stations in the country is unclear, ranging from the 2001 figures of the National Bureau of Statistic’s 362, to the State Administration of Industry and Commerce’s 3 076. There is however an emerging trend of satellite channels merging with the municipal and provincial level TV stations (Reuvid & Yong, 2003).

Televisions are clearly only one form of media available for advertising and it may be argued to be overrated. In 2001 television reached 94.2 percent of the population, however other sources are effective as well including radio which as a close second achieved 92.9 percent mark of the population (Reuvid & Yong, 2003). Both television and radio enjoy certain levels of monopoly, which makes newspapers, with their severe competition on the rise, an attractive alternative. Surprisingly magazine advertising, consisting of only 1.49 percent of the total advertising revenue, has not caught up with the other types of media yet (Reuvid & Yong, 2003). Marketers would be successful according to Yan (2004a) when sticking to the first three of the four forms of advertising.

3.7.7 Advertising Strategies

The different subsets of consumers and their consumer psychology have to be taken into consideration when choosing an appropriate advertising strategy. Due to lack of regulations on advertising a problem with reliability occurs, which is why celebrities endorsing a product is a popular advertising trick because of their reputation along with having an image boost for the product- the Halo Effect of Celebrities guarantees effectiveness (Wang et. al., 2003). Another strategy is that of Fashion and Value, where it is important to demonstrate that the product is fashionable but price worthy. ‘Soft’ Advertisements are an additional advertisement strategy where for example a product is put into a popular television show; in the Western world this is called ‘publicity’ (Wang et. Al, 2003). This form of advertising has its pros, including winning over some skeptics of television commercials by having the company mentioned in a newspaper article, promoting the image of the entire company and lower costs. Reuvid and Yong (2003) mention that national newspapers are used for example when wanting to enhance and create brand identity and image through advertising.

3.8 Discussion of Motive

In order for the role of culture to be understood an overview of the concept was introduced by exploring the different definitions of the word, and focusing on the one by Hofstede. The concepts of Confucianism, Taoism, politics and Buddhism and ‘saving face’ help to further give the cultural point of view needed to understand the way of conducting business in the country. The history and immense size of China both have shaped the eve-
ryday business transaction ranging from a long tradition of respect for hierarchy to the gift giving as not to ‘loose face’.

The purpose of the thesis does not cover the entering phase however, the process of internationalization and understanding culture is an on-going one. As a result a discussion of the process was taken up in the form of identifying possible obstacles; the psychic distance being one which included cultural clashes and psychological distance being the other with for instance its physical barriers and trade regulations. Complications are there to learn from and certain success factors of the process were listed from two different perspectives, which can be applied in various mixtures to different industries and situations. One should not forget the role of culture on these factors for example in building key relationships and preparation in form of knowledge of the market.

Being prepared is definitely a necessity, as it becomes evident in the subsection on Chinese market and consumer behavior. The country has gone through a great deal of changes after the Open Door policy and privatization plans which reshaped the market and enabled an availability of company records. The right degree of sensitivity to culture and the winning combination of success factors and obstacle avoidance will only be the beginning of the journey because it is followed by the complex concept of Chinese consumer behavior. It is rooted in ancient Chinese philosophies, for example making purchasing a relationship driven activity and buying for purchasing of flaunting consumption in hopes of ‘saving face.’ Due to the latter concept a thorough market research is the platform for effective marketing in China; making one mistake in marketing can easily cause a fatal ‘loss of face’ as for there is no recovery from such a blow. Consequently branding and PR take into consideration the symbolism and relationships building rituals dictated by the Chinese culture.

The tools and understanding built up from the previous parts are put into use as a necessary mindset when reading the last part of the section- advertising. To a certain degree the culture, the internationalization process, studying of the Chinese market and marketing all play a role in the choice and type of advertising. This can be seen from just the way that the message of the advertising can have a completely unexpected outcome, all the way to deficiency in regulations creating a lack of reliability in advertising having to be fixed with for example the Celebrity Halo Effect.
4 Empirical Study

In this section the four chosen companies will be presented. Results of the interviews are displayed and categorized under leading headlines. Attributable to the nature of the industries not every headline will be discussed under each company due to irrelevance.

4.1 SEB

SEB was founded in 1856, by André Oscar Wallenberg. SEB represented then the first Swedish modern business bank and was one of the leading banks in Europe. SEB has a tradition for long-term relationships with its customers. Their goal was from the first beginning to focus on internationalization and growth in order to reach a world leading role within banking activities (SEB Official Homepage). SEB entered the Chinese market for approximately twenty years ago. In China it has a representative office that helps their customers with advice, investments and more but it is not yet carrying through banking transactions. The company managers are counting on starting as a local bank sometime in the beginning of the year 2008. The interview with the manager of marketing and communication in SEB Pernilla Westerberg took place at the company head office in Stockholm on October 12, 2006. The interview lasted close to two hours.

4.1.1 Advertising in China

Differences in Advertising in China and Sweden

According to Pernilla Westerberg SEB is one of the oldest banks in Sweden. Due to the fact that banks work mostly within the business-to-business area their advertising strategy relies most on event marketing such as coordinating seminars, activities, personal business meetings and other events. These types of activities are easier to conduct on a local level rather than a global. When advertising the Chinese market the marketing management of SEB takes into consideration the cultural aspects in their brand manual and advertising strategy. They analyze for instance every detail such as what to say, how to say, what is considered more or less proper, what type of pictures may or may not be used in a commercial and even the way of speaking should be thought through.

The main purpose of its local marketing is to inform companies that the bank exists to help customers carry through their business by providing financial and consulting services. On the other hand on the Chinese market SEB’s goal is to approach firstly Scandinavian companies that have already established themselves on that market and have a little knowledge about SEB.

Obstacles and Solutions when Advertising in China

The fact that SEB is not known on the Chinese market and for the European companies which has been there for more than twenty years creates a disadvantage. Thus, Pernilla Westerberg suggests that SEB needs to increase its amount of advertisement and concentrate on sending the right message to this target market. The company has to make sure of using the right advertising approach regarding the Chinese culture and regulations. And also operating in a huge country like China it had to choose what market to operate on and to be more precise with its business planning.

The history of the Wallenberg family has been a great help for creating a safety feeling and recognition in the mind of the customers. The management of SEB according to Pernilla
Empirical Study

Westerberg works a lot with direct marketing, personal sales and the obstacles can be tackled by carrying through their defined and tested plan.

**Global, International or Multinational Marketing Approach**

A local strategy is recommended in such country like China with a high emphasis on the cultural aspects. SEB follows an international strategy in its marketing; its case is a bit more complex since the company targets European companies operating on the Chinese market. Furthermore, in order to come in contact with these companies Chinese employees SEB cooperate with its advertising agency to be able to send the right message. Therefore, many details are examined and tested of before the implementation of the advertising campaign. For instance, when choosing the colors used in the brochure must send a positive feeling to the customer. Other details such as numbers, shapes so on are taken into consideration.

- Advertising Team

SEB uses the same brand manual as it did from the beginning. Making changes are highly risky especially in China.

**4.1.2 Cultural Perspective**

**The Extent of Cultural Adaptation within Advertising**

Pernilla Westerberg described SEB’s target market to be European firms operating in China or those who are planning to operate on the Chinese market. Therefore, the adaptation to the Chinese market and culture is to some extents small.

**Cultural Influences on Choice of Advertising Methods**

For the reason that many companies has been operating on the Chinese market for more than twenty years and have a large number of Chinese employees that have no idea about who SEB is, the management at SEB considered approaching them in a different manner. Like for instance emphasizing the historical events and people by providing a short description about the Wallenberg family and relate old stories and affairs between the two countries. Such as the story about giving back the Chinese porcelain that was found in Sweden as a gesture for earlier exchange, that also creates a friendly and honorable feeling. Further, in the brochures an analysis was made about what can and cannot be used in term of expression, emotions imbedded in the pictures and the language of the advertisement (P. Westerberg, personal communication, 2006-10-12).

**Benefits of the Chinese Market**

The size of the Chinese market is rather intimidating; it is a giant market that is continuously growing. Of course it adds benefit to SEB to operate on such market. Pernilla Westerberg further argues that the fact that companies who want to do business with or on the Chinese market must build up plans on that market or else they will not be able to conduct business increases the demand of SEB’s services. Since, companies need financial, consulting and risk sharing and planning partners to take such a great step. Therefore, SEB wants to be there for its costumers when entering the market.
According to Pernilla Westerberg today’s SEB’s functionality on the Chinese market as a bank does not exist yet but the process is on its way. SEB has applied for a license to operate as a bank with all the banking transactions. The company is positive for taking this step even if the competition is high and many other European well-known and bigger banks are working there. The ability of SEB of innovating new solutions and providing a feeling of profession in their work have been proven many times. Even though the big competitors catch up soon but that proves the knowledge, skills and experience of SEB that is intended to be emphasis in their future plans.

Advertising Regulations

Currently, SEB is still not functioning as a local bank for example no transactions can be made, for the reason that it does not yet have a license to start full operation as a bank. It has recently applied for a license therefore a new planning is necessary to be conducted. (P. Westerberg, personal communication, 2006-10-12)

Differences in Customer Demand between the two Countries

SEB is a hundred and fifty year old bank. The Swedish market have the necessary knowledge about SEB and its history therefore the advertising strategy and tools in order to reach these SEB concentrates on Public Relation, seminars, personal meetings rather than standard advertisements in newspapers. (P. Westerberg, personal communication, 2006-10-12)
4.2 Scania

Scania was founded in 1891 and has since then built and delivered more than one million trucks. Scania is currently one of the leading manufacturers of heavy trucks and buses in the world and has more than 28,000 employees (Scania Official Homepage). Scania has been present in China since 1965 yet the company has put the most efforts during the last three years. The interview was conducted with Mats Harborn, Chief Representative of Scania Group Beijing Office and chairman of Scania China 2006-11-09. The interview lasted for a better part of an hour.

4.2.1 Advertising in China

Differences in Advertising in China and Sweden

Scania sells trucks and industrial products in the business to business (B2B) sector. In the interview with Mats Harborn in his opinion the Chinese companies find it rather difficult to define industrial advertising in conflict to consumer advertising. They are seeking channels for B2B products which are in general meant for consumer products.

Scania does not have a global standard for advertising, every unit has the opportunity to decide how it wants to adapt its advertising in order to best suit the target market. Mats Harborn initially began with the traditional way of advertising a truck however after some time he decided to differentiate the advertising compared with the company's competitors. He then focused more on the driver than on the traditional truck with an appropriate background and the contact information. This new way has according to Mats Harborn been successful.

Obstacles and Solutions when Advertising in China

To be working with the Chinese language has according to Mats Harborn been the largest obstacle, referring to China's rich culture and history is important however to find the right translation is difficult and of immense significance. He stresses the fact that a sophisticated slogan is important; Scania’s current slogan is ‘King of the Road’ it is important to protect the slogan in China, both the English version and the Chinese one. The English language is not used by Scania in China who uses the local Chinese language in the advertising.

Global, International or Multinational Marketing Approach

Scania uses mainly the local marketing strategy where each country is responsible for its own marketing. However some recommendations concerning for the most part spare parts are used from time to time.

- Advertising Team

Scania has different teams for advertising in almost each and every country the company is in.

Brand Image in Advertising

Scania is building their brand image by combining PR work with advertising. Usually there is an article with traditional material about Scania trucks and in addition the image is strengthened with advertising. Mats Harborn believes that spending money on advertising before the brand is well known in the market is a rather sunk cost. A massive advertising
campaign can be successful however it has to be combined with PR efforts in order to create a brand image.

4.2.2 Cultural Perspective

The Extent of Cultural Adaptation within Advertising

Scania has chosen not to adapt the advertising strategies to the Chinese culture to a large extent, it primarily has traditional material in newspapers yet the company also strengthens the image through advertising. Scania has chosen to place most of the efforts on the slogan ‘King of the Road’ which has been a wise choice according to Mats Harborn. On the other hand the largest competitor Volvo has chosen to adapt the advertising strategy to a large degree with stressing factors such as money and wealth through its arguments and colors of red and gold. Scania has in a way chosen the opposite advertising strategy with the intention of being perceived sober and solemn.

Benefits of the Chinese Market

Scania has existed in China since 1965 yet the company has put the most efforts during the last three years. The market is currently rather small however it is the markets potential that is attractive for the company. The imported market share of heavy trucks is according to Mats Harborn less than three percent in China at the moment. The reason for this is a combination of the immature market and the existing trade restrictions.
4.3 Husqvarna

Husqvarna was founded in 1689 as a weapons foundry in Huskvarna, Sweden for the King’s army. The company has evolved together with demand over the years, for example in 1872 with starting to sell sewing machines and stoves after the end of the big wars. In 1994 Husqvarna evolved its long relations to China into an export with the country. The company entered the Stockholm Stock Exchange in June 2006. Husqvarna has about 11,700 employees of which around 2000 are in Sweden. The research team interviewed Bo Söderholm, the Regional Manager of the Asian, Middle East, and African market in Husqvarna’s headquarters on December 12, 2006. The interview lasted for about an hour.

4.3.1 Advertising in China

Differences in Advertising in China and Sweden

Previously in Husqvarna all the countries advertised their ‘own version of Husqvarna’ so the advertisements differed greatly. However with the new Marketing Process Review 2006 (Appendix 2) all the marketing was centralized to Huskvarna. A certain portfolio of standard product descriptions and history is provided and the different countries’ marketing representative put together an advertising package out of them. As described by Bo Söderholm (personal communication, 2006-12-12), when it comes to making deals with the Chinese they are aggressive, make decisions fast and work hard. One has to make sure to carefully consider what to say because the grey area of truth is larger than in Sweden and gifts are important.

Obstacles and Solutions when Advertising in China

The classic copyright/patent issue of the Chinese market has been an issue with Husqvarna as well; the Chinese competitors building exact copies of products appearance-wise, but with lower quality. Selling in China is also hard due to the customs regulations and government import licenses. Further money transfers have been a problem until lately and Bo Söderholm mentioned dilemmas with the pay-back period of invoices.

The product copying was one of the reasons for Bo Söderholm closing down the selling company in China to gain control more control for Husqvarna. A maximum of 75 days has been given to pay-back and to motivate faster payments the companies receive interest on the money transferred early.

Global, International or Multinational Marketing Approach

Husqvarna is at the ‘centralized’ stage of their Marketing Process Review (Appendix 2) and has slightly entered the ‘managed & agreed regional/local marketing’. The reason for the new approach was to eliminate overlapping costs and therefore optimize overall expenditure and to strengthen the brand (B. Söderholm, personal communication, 2006-12-12). When the second stage will be fully accomplished the third one of ‘decentralized marketing’ will be utilized. At the moment the types of media exploited by the company have to be chosen on the local level because of the knowledge of relevance.

- Advertising Team

The advertising team that adapts the advertising templates is in Husqvarna, Sweden, the Chinese employees are not allowed to change anything (B. Söderholm, Personal Communication, 2006-12-12).
Brand Image in Advertising

The Husqvarna brand is global and built on its long history and is therefore extremely important and unchanged. The Husqvarna history is translated into all representative countries languages and explained as a selling point, a version exists in Chinese as well. Bo Söderholm stresses that Husqvarna’s brand statement is the basis of the entire company and is therefore very important for its advertising.

4.3.2 Cultural Perspective

The Extent of Cultural Adaptation within Advertising

The language has been changed to Chinese; however exact translation is stressed with the necessary adjustments for choice of words, according to Bo Söderholm in order to avoid the negative connotation some words might have in the Chinese culture. Pictures are chosen from all over the world and the same ones are used globally, if necessary the backgrounds may be chosen according to the climate. Husqvarna has found out that Western models are very popular in the Chinese market.

Cultural Influences on Choice of Advertising Methods

At the moment the company uses the advertising packages chosen by the country representatives, so only parts which work with the Chinese culture will be picked from the advertising portfolio. Bo Söderholm points out that for instance Christmas offers are not relevant. The target segment is especially interested see that Husqvarna is present in the advertising market by advertising in suitable magazines, for example gardening magazines.

Benefits of the Chinese Market

The reason and benefit of Husqvarna’s presence in the Chinese market has been strengthening of their brand image and keeping up with their goal of five percent organic growth. However Bo Söderholm admits that the market is not large in size, it is complicated and its potential has not become clearly evident yet.

Differences in Customer Demand between the two Countries

The Chinese market is premature with the majority of the population earning an income under the level needed for Husqvarna product purchasing. Also the accommodation style of only apartments makes for example the demand for gardening tools obsolete. Bo Söderholm additionally explains that the rural areas where forestry and agricultural machines are the most relevant tools the poverty level is high. Therefore, the state and municipalities are Husqvarna’s target market in China. The machines preferred in Asia are supposed to be simplest models possible.
4.4 Orrefors Kosta Boda

Orrefors Kosta Boda AB was established 1742 and its major products are glassworks. The company has been apart of the New Wave Group since 1 June 2005, which is a corporate development company (Orrefors Kosta Boda Official Homepage). Orrefors Kosta Boda AB has been in China since August of 2006 and has currently three stores in Shanghai. The authors conducted a phone interview with Mats Mörk, the Business Manager at Orrefors Kosta Boda AB, 18 December 2006 and additional e-mail interviews were conducted with Chris Hu, the Marketing Manager at New Wave Group China. The accumulated interview preparation time corresponds to about an hour.

4.4.1 Advertising in China

Differences in Advertising in China and Sweden

According to Chris Hu, the advertising of Orrefors Kosta Boda mainly differs across four marketing aspects:

- Brand positioning

In Sweden the brand positioning is about the company history, strong public awareness, brand image widely accepted and generally appreciated classic art crystal.

In China on the other hand the brand positioning is about high-end luxury items, top art and classic crystal brand with Swedish heritage.

- The Target audience

The cultural consumer habit in Sweden, using crystal products as part of general home ware accessories, locally well-known brand, market expenditure ability, most qualified local markets possess educated knowledge and appreciation value in crystal.

The targeted audience in China is high-profile consumers with high spending value, crystal automatically recognized as high-end luxury product in local consumer eye, crystal products are generally purchased as a symbol of social status.

- Brand message deliverance

In Sweden the key message is delivered to mass media usually by leveraging product usage in elegant home decorative background. While in China the company is following local luxury visual trend by trying to establish a unique product image with locally recognized high-end retail location to deliver and enhance the elegance, classical and world class product status.

- Media channel

When considering the media in Sweden Orrefors Kosta Boda media coverage is aimed at mass market. While in China the other hand selective media channel specifically focused at a high-profile target audience.

Obstacles and Solutions when Advertising in China

Chris Hu considers the advertising budget to be rather limited. The advertising budget should be according to him relative to the budget of the competitors. He argues that the advertising spending is a basis for setting a benchmark. As the population of Sweden is
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only about nine million people and the Chinese is about 1.3 billion people this creates a limitation on the company’s advertising budget.

Competitor threats are other obstacles with the largest competitors such as; Baccarat, Lalique and Swarovski who has entered the China market long before Orrefors Kosta Boda. The low awareness of Swedish crystal compared with French and Czech crystal is another problem that the company has come across.

The limited budget following the global guideline should be used more effectively in China according to Chris Hu. Orrefors Kosta Boda has integrated a brand communication plan and by having crystal exhibitions, crystal media trips, advertisement, and other Below the Line (BTL) activities the company is slowly creating brand recognition. Orrefors Kosta Boda uses communication focused on brand and product differentiation from the key competitors by using; the brand history, artist background and the Swedish heritage.

Global, International or Multinational Marketing Approach

Due to the difference in brand positioning between the global and local market, the New Wave China team will initiate local marketing tactics however recommendations about how the company wants to be perceived are provided by Orrefors Kosta Boda (M. Mörk, Personal Communication, 2006-12-18).

- Advertising Team

The New Wave China handles the advertising in China. Orrefors Kosta Boda has decided that this is appropriate since local people already are familiar with the culture to avoid the common cultural mistakes.

Brand Image in Advertising

According to Chris Hu and Mats Mörk the brand image has not changed to a large extent, however, if there is a change it should be based on the brand consistency which is necessary for success.

4.4.2 Cultural Perspective

The Extent of Cultural Adaptation within Advertising

The company has had during three different occasions Chinese journalists flown over to Sweden to gather material for articles which has later contributed to a massive amount of press in form of articles in the popular magazines and newspapers, for instance the National Geographics (M. Mörk, Personal communication, 2006-12-18). The goal of these one week visits were to introduce the company and the brand name in depth to the Chinese market by letting the journalists experience the Swedish glass culture. Moreover, this raising awareness of the company is further implemented with the techniques mentioned by Mats Mörk of participating in various events, for instance golf tournaments and beauty pageants.
Benefits of the Chinese Market

The major benefit is according to Chris Hu the large market considering the massive population. A rather small share of the Chinese market would result in enormous sales. Chris Hu explains this potential to be much higher than in any Scandinavian country.

Further, China is currently the world’s fastest growing economical market; therefore related growth by any successful brand in China will be equally benefited in its global status, consequently a larger amount of luxury category spenders are born by such impact in China.

Advertising Regulations

Chris Hu considers regulations as for instance mentioning that the company is ‘the best’ or ‘no.1’ in brand message is forbidden by Chinese advertising regulations to hinder the work to a certain extent.

Differences in Customer Demand between the two Countries

As discussed above, Sweden has more of a public demand for crystal wares, whereas Chinese treats crystals as luxury items. Furthermore, Swedish demand is mainly focused on product usage, differing from brand added value/social status value of the Chinese (C. Hu, Personal Communication, 2006-12-18).
5 Analysis

For this section a selection of theories from the frame of reference has been chosen to help analyze the empirical findings. The information displayed is selected by and based on the authors’ opinions. Furthermore, not all of the theories are relevant for each company and will therefore not be included in every discussion. The parts representing the companies’ behavior are grounded on the empirical findings.

5.1 Cultural Introduction

The Chinese culture and historical heritage is a large part of the country’s business life. Trust and relationships building are the corner stones of a business interaction (Choi & Kelemen, 1995). Confucianism is based on different types of relationships and the maintenance of them (Chen & Starosta, 1996); harmony of human relationships is the key (Yum, 1988). SEB utilizes the outstanding relationships that the Wallenberg family has with influential people in order to build this feeling of trust and safety. The company further uses relationships dating centuries back by connecting with the Chinese through demonstrating ancient Swedish – Chinese relations by telling about old Chinese porcelain found in Sweden and returned as a gesture of friendship.

SEB is not the only one from the selection of companies to use cultural heritage as a selling point. People from a different culture than the market’s own have a disadvantage since they start of with a lower level of trust than businesspeople from same culture (Elahee et. al., 2002). Consequently Husqvarna’s long history can be used as a relating point with the Chinese in order to warm up the relations. Additionally Orrefors Kosta Boda uses its Swedish heritage to differentiate their brand in the classic crystal and glass industry. It is important for the customer to feel that they can trust the brand, when history and home seems to be behind a brand it feels more real (Anholt, 2005). However, Scania has deliberately chosen an international advertising campaign and has therefore not focused on the company’s Swedish history in the same extent as the other three companies. It remains unknown if an increased emphasis of the Swedish heritage in advertising would be beneficial for Scania.

Due to the complexity and size of the Chinese market having a complete overview of the cultural aspects of it is nearly impossible. Therefore it appears that even though a company should adapt culturally it might be beneficial to limit the process to a certain degree and choose familiar aspects from the home country that fit the Chinese market for the rest. Consequently the usage of the company’s history by SEB, Husqvarna and Orrefors Kosta Boda can be seen as this familiar aspect. After all focusing on familiar features can be beneficial since, according to De Mooij (1998) if not born or at least brought up in the culture one cannot fully know it.

5.2 Psychic and Physical Distance

Due to the WTO entry the Chinese market has opened up tremendously and created willingness to conduct business in China especially since trade regulations and other laws have been adjusted (Wei, Wen & Zhou, 2002). As a result SEB has a larger target market of European firms operating in China and the bank has applied for a banking operation license. The increased attractiveness of the market, the mere size as a source of potential to say the least, has caught SEB’s attention leading to operating in the country – an ongoing process starting from approximately twenty years ago. Due to the company’s knowledge of
laws and regulations attained over a longer period of time they are an essential asset to their clients when tackling the government regulations which according to Wang et. al. (2003) still control the market place to a large extent. Lowering of the physical barriers (Lindqvist, 1991) has for Husqvarna enabled it’s presence in the Chinese market and consequently facilitating the goal of brand image strengthening, which has been further supported by the company’s Marketing Process Review.

The premature state of the Chinese market can be additionally seen when looking at other factors that have become an issue mainly because of the readjustments required by the entry to the WTO (Wei, et. al., 2002). Physical distance can also be a restriction in the form of for example customs regulations and trade barriers (Lindqvist, 1991), which have also hindered Husqvarna’s sales in the past. For Scania the imported market of heavy trucks weak presence, of less than three percent, has suffered from immaturity of the market and trade restrictions.

Physical distance is not the only hindrance to the internationalization process; psychic distance has also its influences. In the case of Scania the largest complication, ranking above the rich culture and history of China, has been the Chinese language, adapting the right translation is difficult and of immense significance. Differences in language and culture are named as factors preventing information from and to the market by Johanson & Vahlne (1977). Scania is not the only one using the Chinese language in its advertising; since the Husqvarna, SEB and Orrefors Kosta Boda stories are used as selling points they have also translated them into Chinese. The importance of language can not been stressed enough (Conway & Swift, 2000); exact language translations are required by the company. However slight adjustments of words that have negative connotation to them are allowed.

Overall with regard to physical distance, the difference and obstacles appear to be rather large due to the geographical distance between Sweden and China. Moreover, the distance in this case is not only physical but psychic due to the vast cultural differences. This difference can additionally affect psychologically when people often have a predetermined view of how largely different the others, who are from a different culture and a further distance away, are.

### 5.3 Success Factors

The various success factors, the Six P’s, occur in adapted forms in throughout the selected companies. For instance, the Predisposition stage of Wang et. al’s (2003) Six P’s is already partially complete for SEB since it utilizes the outstanding relationships that the Wallenberg family has with influential people in order to build this feeling of trust and safety. However, experience does not mean that the important step of Preparation (Wang et. al., 2003) should be overlooked in all aspects, for example SEB examines and tests most of their advertisements before implementation.

Moreover, the factor which Husqvarna possibly could not have been fully prepared for is that of Protection since customs regulations and patents are a daily issue for foreign companies in China. Husqvarna covers other factors of success for instance their annual five percent organic growth portrays the Power factor of the Six P’s (Wang, et. al., 2003) symbolizing financial strength. Additionally Perspective and its cultural sensitivity is shown through the company’s language fine-tuning with regard their Chinese advertising translations as well as its adaptation to the social factors. Due to the premature state of the Chi-
nese market more Western rules for conducting business have yet not fully been implemented and therefore a foreign company has to adjust to the different view on bribery, which is common in China (Wang, et. al., 2003). Since accountability for business interactions does not have the same history, Bo Söderholm stresses how Swedish businessperson needs to understand this cultural difference when making business deals. An additional Chinese cultural difference in business is that advertising costs are high, which calls for deep pockets (Wang, et. al., 2003). This difference has been noticed by Hu (personal communication, 2006-12-18), from Orrefors Kosta Boda, when using the Swedish size advertising budget in China.

A further factor, Personnel, is shown through Orrefors Kosta Boda’s employment of local workforce as to avoid cultural mistakes. This concern coincides with Wang et. al.’s (2003) recommendation of maximizing the use of local people due to their sense of cultural sensitivity and understanding of it. However, the degree to which local people are involved in advertising should be adapted to the specific brand image of the company, and introducing the company’s culture to the local personnel can be important in order for them to fully grasp their tasks. For this both Husqvarna and SEB uses the story of the company. Furthermore based on Chris Hu’s knowledge of the Swedish target market and branding that became evident during the interview, Orrefors Kosta Boda assures that their local team is well informed concerning even the home market and customs.

When looking at McAuley’s (1988) steps to success, social and economic conditions in foreign markets is relevant in the case of Husqvarna since the current premature state of the Chinese market has affected the company. Another such step is that of the manager’s perception of opportunities in the market (McAuley, 1986). Thus it is an interesting observation that Husqvarna at the moment does not see potential in the Chinese market, however probably the management is being long-sighted by factoring the economic development of China. Conversely, the current market potential is central for Scania and is therefore considered as an opportunity by the management.

5.4 The Chinese Market and Consumer Psychology

There is a large gap between the different groups of consumers in China (Wang et. al., 2003). Consequently the social factors of apartment living and rural poverty limit the scope of the market of Husqvarna’s products and has therefore guided the company into adjusting its target market to the government and state. Contradictorily, for the Orrefors Kosta Boda’s products the targeted audience in China is high-profile consumers with high spending value. The topographic and climatic conditions have shaped China’s development and affected the purchasing power (Hu, 2001). The wealthy sector in China is growing constantly (Wang et. al., 2003) therefore Orrefors Kosta Boda sees the opportunity in larger amount of luxury category spenders that are born by such impact in China.

Purchasing is further affected by the Chinese cultural view on saving and gaining (Wang, et. al., 2003) which can be seen in Husqvarna’s modified 75 day pay-back rule where paying earlier results in receiving interest. Culture affects further the types of consumption, for example Relationship Driven Purchasing. According to Jandt (2004) even though in Western cultures gift giving in business communication can be perceived as unethical, it must be done in Asian countries, such as China. For companies the type of gift given represents the respect and financial strength of the company, face enhancement and can be vital for the future relationship (Wang et. al., 2003), which Husqvarna ensures to make use of. This is
utterly important since when loosing face occurs it can not be recovered (Hooker, 2003). Another type is Flaunting consumption, which’s goal is receiving social status by purchasing high quality and popular luxurious brands (Wang et. al., 2003). According to Yan (2004a) many Western newcomers have built their success on this novelty factor. This is a factor which Orrefors Kosta Boda has relied upon as well; their crystal products are automatically recognized as high-end luxury ones in the eye of the local consumer that are generally purchased as a symbol of social status.

### 5.5 Effective Marketing in China

In light of the findings of its market research SEB has chosen a specific market to operate on and a precise business plan to facilitate. However, according to Reuvid and Yong (2003) the results of market research can be hard to conduct and its results can be misunderstood without help of local expertise. The importance of this perspective has been understood by SEB when it comes to interpretation of the advertising message, when the company’s Chinese employees cooperated with the Swedish advertising agency.

Characteristics such as name being easy to pronounce, positive image and international aspect are necessary for successful brand image (Wang et. al., 2003). SEB takes into consideration the cultural aspects with regard to their brand manual and advertising strategy in the form of in-depth analysis of details in pictures and choice of words. Wang et. al. (2003) also discuss the importance of colors and shapes, which coincides with SEB’s careful consideration of colors and images in the brochures. Expressions, emotions in pictures and choices of words should be chosen to portray a positive image of SEB. Furthermore SEB brand is built on the long history in Sweden and the Wallenberg family, therefore changing it would be risky, especially in China where according to Anholt (2005), the importance of trust in a brand name created by history and reputation is emphasized.

Another approach chosen for the vital decisions of branding in China, for instance the name and the meaning of it, is therefore that some companies choose to use their own brand. As a result the critical factors of product quality, quality of services and effectiveness of distribution emerge (Reuvid & Yong, 2003). For instance Orrefors Kosta Boda’s brand positioning is about high-end luxury items, top art and classic crystal brand with Swedish heritage. Scania also belongs to the latter group with its sophisticated slogan, ‘King of the Road’, and assurance of effectiveness by using the local Chinese language and a sober and solemn strategy. The company’s brand image is further strengthened with a combination of PR and advertising. The goal of PR utilized by Scania corresponds with Wang et. al.’s (2003) Publicity-Oriented PR in which communicating the company’s image to the public forum is in focus.

A similar approach has been taken by Orrefors Kosta Boda which has flown in Chinese journalists as to introduce the company and the brand name in depth to the Chinese market by letting the journalists experience the Swedish glass culture. The company has creative ways to further increases public awareness by participating in various events, for example golf tournaments and beauty pageants. This originality is further seen in and partially because of the company’s choice of distribution and marketing channels. Orrefors Kosta Boda is following local luxury visual trend by trying to establish a unique product image with locally recognized high-end retail location to deliver and enhance the elegance, classical and world class product status. This coincides with Wang et. al’s (2003) suggestion of
taking into consideration other sales channels than department stores, such as specialty stores, for product success.

Orrefors Kosta Boda is further differentiating its brand image from the competitors by stressing the brand history, artist background and the Swedish heritage (Appendix 6). It is important for the customer to feel that they can trust the brand, when history and home seems to be behind a brand it feels more real (Anholt, 2005). Therefore the fact that the Husqvarna brand, which is the basis of the entire company, is built on its long history. A reason behind this decision might be that Husqvarna has found Western models to be very popular in the Chinese market. Yan’s (2004a) finding of the study on Western companies in China corresponds with this view; Western companies that did not use an enough Western packaging were less successful.

5.6 Advertising

Tellis (2004) introduces increasing of knowledge and/or awareness as a reason for advertising. This motive is the main purpose of SEB’s multinational marketing in which they inform companies about their existence and available services. Since regulations and laws have prohibited SEB from full operation as a bank their clients are a specific segment that need the specialized skills that the company has developed. Fill (2002) stresses the role of advertising as a way of sharing important information to specific segment in order to create competitive advantage. Thus SEB has to carefully consider the message in their advertisement as to assure the appropriate information sharing. As a result SEB makes use of direct marketing, personal sales and brochures. These channels are used to communicate their competitive edge of regardless of their size they can provide innovative solutions in a professional manner.

Another role of advertising according to Tellis (2004) is stimulating competition. Orrefors Kosta Boda suffers from competitors that have first mover advantage and is therefore tackling the competitive advertising by raising awareness of the brand by emphasis of the differentiated products background and history. One could further suggest competition to be a stimulating factor in Scania’s decision of changing from their traditional way of advertising to a differentiated one which focused more on the driver. An additional factor behind the change could be the critical view of the manager towards advertising which is introduced by Hackley (2005) and supported by Scania’s China Manager Mats Harborn who believes advertising before a brand is well-known to be a sunk cost. Even though practically no cognizant planning for cultural adaptation has taken place in Scania, the fact that advertising style has been changed and it resulted in further success, perhaps the cultural influences did play a role in shaping of the changed advertisement in a more unconscious level. On the other hand the advertising strategy can be deliberately not as adapted in order to make the brand stand out in sharp contrast.

Communicating the brand image is a further role of advertising (Tellis, 2004). Orrefors Kosta Boda’s brand image in China targets high-profile consumers with high spending value, crystal automatically recognized as high-end luxury product in local consumer eye, crystal products are generally purchased as a symbol of social status. Moreover, Husqvarna utilizes this aspect of advertising along with Tellis’(2004) confidence-building advertising since its clients like to see the company’s presence in the market by advertisements in relevant media, for example gardening magazines. The types of media are chosen on the local level due to knowledge reasons, which is beneficial since Wang et. al. (2003) state that the
four types of media have to be carefully considered. The category of media utilized by Orrefors Kosta Boda is chosen with the high-profile target audience in mind but still generally aiming at the mass market. Overall choosing the advertising strategy is different in China due to for example lack of advertising regulations (Wang et. al., 2003). Husqvarna does not encounter this problem since the advertising strategy is made in the headquarters in Sweden. However, Orrefors Kosta Boda has to take careful consideration to these regulations and the advertising team is aware of that (C. Hu, personal communication, 2006-12-18). For instance comparison advertising and use of superlatives is not allowed according to the Advertising Law (Reuvid & Yong, 2003). It is however interesting to note that it has been said that 55 percent of managers in China still tolerate dishonest advertising (Wang et. al., 2003). It may be due to this that such strict guidelines have been created in the Advertising Law and consequently using local knowledge on the subject matter seems like a wise choice.

Further considerations exist in connection with advertising. The encoding portion of Berlo’s (1960) Transmission Model can be fulfilled in various ways in reality, for example Orrefors Kosta Boda uses a variety of BTL activities with regard to its advertising. Moving on in the process, Husqvarna allows slight adjustments of words that have negative connotation. The change in mental connotations can make the difference needed in order for a receiver to successfully decode the source’s message (Berlo, 1960). The way that Scania has given their clients, the receivers, an active role in the light of Berlo’s (1960) transmission model, by giving a specific message to understand. ‘King of the Road’ is supposed to portray the image of the company in a sober and solemn way (Appendix 4). Judging from the success of the campaign the Chinese have through decoding received the correct message. Some factors behind this successful understanding can be in Scania’s international marketing where the recommendations coming from headquarters can be utilized but otherwise giving the advertising team freedom to adapt and create locally. In compliance with Cateora and Graham’s (2005) categorization of international marketing as having segments focused on national boarders.

Conversely, multinational advertising (Johansson, 2000) is employed by Orrefors Kosta Boda which uses the local advertising team of the New Wave Group China due to their cultural awareness and sensitivity. Originally an entirely local advertising (De Mooij, 1998) was utilized by Husqvarna, however as an effort to strengthen the Husqvarna brand the Marketing Process Review (Appendix 5) was introduced. The company started of using entirely centralized, global marketing (Cateora & Graham, 2005) and has moved now down in the process towards the final destination of decentralized advertising and is therefore at the moment slightly touching the international marketing concept (Cateora & Graham, 2005). Using a global marketing approach can be less costly and time consuming for the company. It can be important for the company to take in consideration that a drastic change in marketing structure may make it harder to provide a consistent advertising message. Finding the perfect balance for the company in the sense of still having control over the brand image, while using the local expertise seems to be a difficult process. Currently the company uses the advertising packages chosen by the country representatives, so only parts which work with the Chinese culture will be picked from the advertising portfolio. When communicating a message culture plays an important role (Pierce, 1991); for instance Christmas offers are not relevant.

In international marketing aspects such as culture are taken into consideration and the original version is adapted (Cateora & Graham, 2005). SEB applies cultural differences to
their standard advertising templates, for instance colors, numbers, and shapes. The adaptations concur with Pierce C. S. (1990) emphasis on target’s culture, history and beliefs determining the understanding of the communication through words, symbols, signs, body language and the choice of colors and shapes. Images, especially the eyes, have been in focus in SEB’s latest advertisement campaigns where the emotions that the type of eyes used evoked had to be carefully considered (Appendix 3). However, in the advertisements Husqvarna has chosen not to adapt culturally with regard to the pictures, which are from all over the world, the same ones are used globally. If necessary the backgrounds may be chosen according to the climate.
6 Conclusion

The following section consists of the author’s further reflections brought by the analysis. The concluding response for the outcome of the thesis with regard to the purpose will be provided.

6.1 Conclusions of the Research Study

The purpose of this study has been to explore the role which culture plays in advertising with a sample of Swedish companies in different industries which have established themselves in China. The authors have benefited from this valuable experience of interviewing relevant expertise within different industries and have with the aid of binding empirical results with academic theory analyzed the subject matter. This has resulted in a deeper understanding of the chosen subject and consequently led to realization that the role which culture plays in advertising differs and depends on various factors.

One of the factors that have become evident throughout the course of the research has been that using the company history to increase awareness in the market is beneficial since SEB, Husqvarna and Orrefors Kosta Boda all stress the practice which coincides with the Chinese need of familiarity and rich background. Since this point has not been brought forward by Scania it may not possess as strong importance in this process as for the other respondents. Lowering of the physical barriers is one of the aspects leading to growing competition which’s level varies between industries. For instance, the industry which SEB is present in has still a higher amount of regulations and consequently the company might enjoy a longer period of early mover advantage than Husqvarna which’s processes are less protected.

Another factor that has emerged is that of success. The different elements are present to a certain degree from the establishment processes. Overall cultural awareness and preparations have been taken into consideration by the selected companies. Culture has further affected the Chinese market and consumer psychology by shaping social factors and types of consumption. These factors have come forward in the cases of Orrefors Kosta Boda and Husqvarna, however due to the industries they are in the opposite ends of the spectrum.

Furthermore the factor of effective marketing becomes most relatively apparent through the different brand images created by the companies. Overall, components such as colors, shapes, quality and trustworthiness take place in the forming of the brand keeping in mind the aspect of Chinese culture. The reasons and roles of advertising which the companies share are communicating the brand image and raising brand awareness. The similarities in advertising basically end there due to the differing products, market size, target markets and customer awareness of the different industries which the recipients operate in.

In conclusion culture plays an essential role in advertising of the companies chosen for this investigation. In addition the degree of cultural influence seems to vary in accordance with the nature of the industries. Moreover this influence may not always be apparent at first glance but when taking a deeper look into the matter the elements can be found.
6.2 Discussion

The researchers have gone through an interesting and beneficial knowledge process and unexpected grounds were explored. The interviews have been impressively professional and valuable; the choice of companies was successful. This decision was based on a limited sample due to the restraints the purpose created and the nature of business of a large amount of Swedish companies in China – production. However, the selection of companies has successfully assisted in reaching the purpose by providing a glimpse of different industries and various advertising approaches. Therefore an exceedingly overall generalization was not sought for and as a result the possible sample bias created by the large differences between the industries did not have a deep effect on the outcome of the study. Furthermore, naturally the interviews could have been taken to the next level if face-to-face meeting would have been possible for all of the cases but due to evident reasons, like the limited budget, this was not an option.

The subject of cultural influence in advertising, more specifically between China and Sweden, is fascinating due to its various dimensions and possible point-of-views. The topic is particularly ‘hot’ due to the WTO entry and Open Door Policy’s changed circumstances in the evolving Chinese market. However, the purpose of this thesis demanded for Swedish companies, which have established themselves in China for a long enough period to have for example advertising strategies for the country. Therefore there is a possibility that in the future companies that are entering the Chinese market do not need to take in consideration the cultural differences to as extensive degree as previously and currently.

Due to the complexity of the Chinese culture the authors have observed that it can be extremely difficult for an ‘outsider’ to attempt to understand and adapt to it. Therefore ‘trying too hard’ to belong might be a wrong approach for companies since the possibility of making mistakes due to cultural clashes increases. If such mistake would be made the consequences will most likely be more serious, since when face is lost the recovery process is next to impossible.

6.2.1 Further Research

The research team focused on the cultural affects on advertising in China from a Swedish perspective. The viewpoint was decided as a result of the authors sharing such an outlook and in hopes of relevance for the market in which the thesis was written in. A specific exhaustive comparison between the advertising techniques in Sweden versus China could be beneficial and of interest for a further study. The researchers strived for a wide variety of industries in order to receive as general overview of the market as possible and with this anticipated to further highlight and submerge clarification of the differences in cultural roles. Suggestions for an industry wide analysis were constructed in light of this study and included in the report; however for detailed and definite results a more extensive investigation can be conducted.

The decision of including different industries led to a deeper understanding of the complexity of advertising and the differences in strategies which various factors related to the industries, such as the products generate. With this revelation a study distinguishing and comparing the major differences between B2B and B2C can be further considered in a future research. Additionally, if wanting to reverse the view point of the focus of the study by instead concentrating on consumer perception of advertising in China compared to the Swedish perception can be appealing.
References


References


References


References

Secondary Data for the Empirical Findings


Primary Data

Mörk Mats, Business Manager at Orrefors Kosta Boda AB, Telephone Interview, 18 December 2006. Time 10.00

Hu Chris, Marketing Manager at New Wave Group China, E-Mail Interview, 18 December 2006

Söderholm Bo, Regional Manager at Husqvarna of the Asian, Middle East, and African market, Personal Interview, 12 December, 2006. Time 10.00

Westerberg Pernilla, Manager of Marketing and Communication at SEB, Personal Interview, 12 October, 2006. Time 13.00

Harborn Mats, Chief Representative of Scania Group Beijing Office and chairman of Scania China, Telephone Interview, 9 November 2006. Time 18.0
Appendices

Appendix 1: The interview guide

Advertising in China

• What are the main differences between advertising in China and advertising in Sweden?
• What obstacles has your company come across when advertising in China?
• How did you tackle these obstacles?
• Do you use global or local marketing?
• Do you use the same team for advertising domestically as in China?
• Has a brand image change been necessary for successful advertising?

Cultural Perspective

• Has the company adapted the advertising strategies with the Chinese culture? If so how and to what extent?
• Does the Chinese culture play an important role in your choice of advertising methods?
• Why China, what have been the benefits (if any) that entering the Chinese market has given you?
• Do the advertising regulations hinder your work in China to a large extent?
• How does the Swedish consumer demand differ from that of the Chinese?

Marketing process review of Husqvarna 2006

Centralized marketing

• "Not up for discussion"

Managed & agreed regional / local marketing

• "Choose between X alternatives"
• "Ask for help if needed"

Decentralized marketing

• "Do what you locally need as long as you follow policies & guidelines"
• "Ask for help if needed"
Appendices

Appendix 3: SEB Advertisement in China

Your business is not the only thing that thrives in Shanghai

You want more than a local company that can

Work with a company that can offer you more than

A simpler way to China

Open a business in China. It has been approved by the Shanghai WJC,

Offer more than cheap prices to get approved for your business.

Your business is only as good as your good

*Subject to change
Appendix 4: Scania Advertisement in China
Appendix 5: Husqvarna Advertisement in China

MTD公司目前已有70年的历史，总部和设计及制造基地在中国的五大国际机场之一的北京呼叫中心，是全球最大的农民制造企业之一。MTD公司在国内1000余家大型工厂，分布在英国、加拿大、德国、澳大利亚等地。

专业效果需要专业链条！

HUSQVARNA 365
此款专业机不仅精巧，而且配备有强大的耐用燃气系统。其它功能包括耐用锥形，空气过滤，喷漆
式紧缩以及透明油箱。45 EY=15 吋=22 英寸。

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草坪机的选购和使用

(上接6月13日B4版)

草坪机的选购和使用

1. 草坪机的特点和优势

草坪机是城市和公园绿化维护的重要工具，具有以下几个特点和优势：

- 环保：使用电动或燃气发动机，无烟尘排放，对环境无污染。
- 低噪音：工作时噪音低，不会对周围环境造成干扰。
- 高效：工作速度快，维护草坪的效率高。
- 维护方便：结构简单，维护保养容易。

2. 草坪机的选购指南

在选购草坪机时，需要考虑以下几个方面：

- 功率：根据草坪的大小和使用频率选择合适的功率。
- 机型：选择适合的机型，如割草机、旋耕机等。
- 品牌：选择知名品牌，产品质量有保障。
- 价格：根据预算选择性价比高的产品。

3. 草坪机的使用方法

使用草坪机时，需要注意以下几点：

- 安全：使用前要检查机器的安全装置，确保无故障。
- 技巧：根据草坪的实际情况，合理选择工作方法。
- 保养：定期对机器进行维护，延长使用寿命。

4. 草坪机的常见问题及解决方法

在使用中，可能遇到以下问题及解决方法：

- 无法启动：检查燃料、电池是否有电，排除故障。
- 割草不均匀：调整刀片角度，确保切割平整。
- 噪音大：检查发动机，更换破损部件。

5. 草坪机的存储

使用完毕后，将草坪机存放于干燥通风的地方，避免阳光直射。

6. 草坪机的配件

根据需要选择合适的配件，如更换刀片、滤清器等。

(下接6月14日A1版)
Appendices

Appendix 6: Orrefors Kosta Boda Advertisement in China