

The Roles of Cultural Elements in International Retailing of Cultural Products: An Application to the Motion Picture Industry

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Abstract

We investigate factors influencing the international retailing of cultural products by concentrating on two *cultural* elements: (1) consumer-perceived cultural content embedded in the *product* and (2) the general cultural environment of the foreign *market*. To test cross-culture predictability in international retailing, we develop a novel text mining procedure to elicit the specific cultural content of the product using consumers' online product reviews. In addition, to measure the general cultural environment of the market, we apply Hofstede's cultural distance measure. To explain foreign markets' acceptance of culturally specific elements, we theorize that the relationship between inter-country cultural distance and product sales is U shaped because of both cultural discount and cultural premium. In our empirical analysis using American movies in international retailing, we find that the two specified types of cultural factors determine a movie's success, along with the movie's characteristics and the market's economic environment. From a managerial perspective, international retailers that understand the delicate implications of the match/mismatch of their general national culture and the imported product's specific cultural content can better predict the international success of imported cultural products.

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Keywords: International retailing; Culture; Online product reviews; Movies; Text mining; Product/market segmentation

Research on international retailing has increasingly emphasized the importance of international markets' cultural environment. In particular, [de Mooji and Hofstede \(2002\)](#) stress the increasing importance of national culture and its impact on consumer behavior in the context of international retailing, despite converging technology and disappearing income differences across countries. For example, when using test markets to gauge the transfer of retail formats into emerging economies, retailers must understand that culturally diverse countries will show various responses ([Goldman 2001](#)). For example, many international retailers recently changed their expansion plans in China, with some (e.g., Home Depot, Tesco) even closing their stores ([Perkowski 2012](#)). Prior research has primarily used [Hofstede's \(1980\)](#) inter-country cultural distance measurement to examine the cultural proximities of associated

countries (www.geert-hofstede.com), while largely ignoring the cultural content of products perceived by foreign consumers. Thus, although various inter-cultural studies have widely used this measurement ([Soares, Farhangmehr, and Shoham 2007](#)), others have criticized its overuse ([Shenkar 2001](#)). Essentially, the cultural distance measurement is based on organizational cultures of many countries; as such, it can capture the *general cultural environment* at the country level, but it neglects the notion that *product-specific cultures* also may play a major role in the international diffusion of specific product categories. For example, the magnitude of cultural effects varies widely across new products, ranging from digital telecommunication switches ([Dekimpe, Parker, and Sarvary 2000](#)) to movies ([Elberse and Eliashberg 2003](#)). In other words, in international markets, cultural effects can be limited in technological products but serve as a determining factor in cultural products such as movies, fashion, foods, and wines. Although recent international diffusion research has approached the economic and cultural factors in a balanced manner ([Chandrasekaran and Tellis 2008](#); [Dwyer, Mesak, and Hsu 2005](#); [Tellis, Stremersch, and Yin 2003](#); [van Everdingen, Fok, and Stremersch 2009](#)),

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there is an *imbalance* in dealing with cultural elements between *products* and *markets*. To fill the void, we consider both types of cultural elements from products and markets in the context of international retailing, focusing on culturally rich entertainment products (e.g., movies, music, books).

To examine cultural roles in international retailing of new products, we tackle three primary issues: (1) developing a theory on the cultural roles, (2) measuring the cultural content of the product to test the theory, and (3) providing practical managerial implications from our theory testing. First, we theorize that the impact of cultural factors on new product sales is U shaped because of cultural discount (Hoskins and Mirus 1988) and cultural premium (Berry et al. 2002). Specifically, as the cultural distance between the product-generating country and the product-consuming country becomes larger, consumers in the latter country have difficulty in understanding the foreign culture associated with the imported product, which somewhat inhibits their ability to appreciate the product (cultural discount). By contrast, as the cultural distance becomes very large, understanding the product-associated culture is not as important, and consumers consider the foreign culture novel out of curiosity about or aspiration toward the product-generating country, especially when this country is more advanced culturally and economically (cultural premium).

Second, to test the proposed theory, it is imperative that we be able to measure the cultural content of the imported product, which describes the content *perceived* by consumers based on their direct purchase and consumption experiences. Because this measure should reflect the product of interest, it should be distinguished from the inter-country cultural distance uniformly applied to all the products, as long as the products originate from the same country. Furthermore, different consumers will perceive the cultural aspect of the same product differently, even in the same country. Thus, our analysis captures country consumer heterogeneity in cultural perceptions using vast amounts of product reviews from a large number of consumers. Therefore, we propose a novel procedure of eliciting the cultural content of the product based on consumers' online product reviews using text mining techniques (Feldman and Sanger 2007). Such text reviews, while containing a wealth of information, have been largely ignored in product diffusion research because of their unstructured nature. Recent studies have demonstrated that text reviews analyzed through text mining can contribute to explaining and predicting new product sales beyond consumers' numeric product ratings (Aggarwal, Vaidyanathan, and Venkatesh 2009). Thus, this enhanced information from text reviews can increase our predictive ability of the cross-cultural problem proposed here.

From a theoretical perspective, cultural content is critical to some products' commercial success. McCracken (1986) indicates that consumer products can carry and communicate cultural meaning beyond their utilitarian character and commercial value. Such cultural meaning moves from the culturally constituted world to consumer products and then from the products to individual consumers. Then, how consumers interpret the cultural meaning determines the commercial success of the products, especially products rich in their cultural

meaning. Building on this process, we include *product-specific* cultural content *perceived* by consumers as a factor that influences product sales. This measure should be more important for cultural products that convey ideas, symbols, and ways of life such as movies, music, and books (Throsby 2003).

Third, from a managerial perspective, this research provides useful insights to firms that produce cultural products and international retailers that import foreign cultural products. Because of the increasing importance of international markets as in the motion picture industry, international firms have employed various strategies to maintain their clout around the globe. However, these attempts have been only partially successful, while the industry learns about these new global challenges (McNary 2006; Schuker 2010). Our study helps illuminate this issue in both product and market dimensions. In terms of the product, we find that big-budget cultural products (e.g., large-scale Broadway shows, highly promoted books) need to be culturally more universal to appeal to both domestic and international markets. On the flip side, small-budget products can choose to be culturally more specific to strongly appeal to domestic consumers, though this can mean losing international consumers (e.g., the movie *Friday Night Lights* (2006) based on American football). Broadly speaking, this contrast raises the complex issue of globalization versus localization (van Ittersum and Wong 2010). Furthermore, we find that in selecting target countries to launch new cultural products, firms aim to choose countries on the basis of their cultural tendencies and economic development status (Chandrasekaran and Tellis 2008; Dwyer, Mesak, and Hsu 2005). Similar implications apply to international retailers when they decide which cultural products to import.

In summary, the contributions of this research are threefold. First, we examine how the cultural content of the cultural product influences its commercial success in international retailing, which has largely been overlooked in previous research. Second, to measure the cultural content, we use online product reviews as a data source and text mining as an analysis tool. Third, our research sheds practical light on how international retailers can take the cultural factors into consideration when choosing more commercially successful imported products for their national consumers.

Conceptual Frameworks

Cultural Elements in International Diffusion

As a specific area of international retailing, we focus on the international diffusion of new products and their cultural roles. The research stream on international diffusion has focused on various new products' time-to-takeoff across multiple foreign countries (Chandrasekaran and Tellis 2008; Dwyer, Mesak, and Hsu 2005; Tellis, Stremersch, and Yin 2003; van Everdingen, Fok, and Stremersch 2009). These studies find that time-to-takeoff varies substantially across products and countries. Some studies find that consumer learning in the lag country market brings about faster diffusion (Ganesh and Kumar 1996; Ganesh, Kumar, and Subramaniam 1997). Specifically,

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