Cross Cultural Study of Food and Consumer Packaged Good Products in a New Market: Case Study in Thailand

Savanna Everett

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CROSS CULTURAL STUDY OF FOOD/CPG PRODUCTS IN A NEW MARKET: CASE STUDY IN THE U.S. VS THAILAND

Mariel J. Dehn and Savanna Everett

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Abstract

This study examines whether there are differences in consumers’ shopping behavior due to cultural orientation. The study uses comparing samples of American and Thai culture on two occasions. Theory suggests that these two cultural groups have dramatically different shopping practices. Thai, raised in a collectivist society that values price consciousness and sophistication in money handling, differ from Americans raised in an individualist society that traditionally do not have the same values (Ackerman and Tellis 2001).

We argue that differences in culture provide the most likely explanation for the differences in prices between the two types of super markets. The overall objective of this research is to conduct a cross cultural study to see the varying factors that affect customer’s intent to purchase in different markets.
Introduction

Understanding local culture of where you plan to sell your product is vital component in the success of your company. Culture comprises of the set of values and ideologies of a group of individuals. These cultural factors greatly affect the buying behavior of consumers and determines what they purchase, how and when they purchase products. This present study aims to investigate the importance of culture in the path to purchasing a product versus other factors such as packaging, taste, or price.

The growing popularity to try different foods and being constantly tuned into technology may seem like the norm among of U.S. consumers today, but that cultural demographic is far from alone. With the advancement of technology and growing awareness and appreciation for different types of foods, national borders have been diminished. What once took months for products to arrive and information to be received takes minutes. Due to the changing landscape and technological advances in the Food and Consumer Packaged Goods industry, manufactures are now serving international markets. For these companies to strive, they must take a step back and recognize the local needs and cultures that impact purchasing decisions in the markets they sell their product. This poses new challenges and innovations for many companies moving forward into the future.

For this present study, we chose to focus on American culture versus Thai culture because of the dissimilarity between the two countries. As well as we had the opportunity to study abroad in Thailand for a month to better understand the local behaviors and unique business practices. Asian culture values protection and security, and have more interdependent
ways of viewing the world (LaPlante, 2005). This makes them focuses on different benefits of products, opposed to Americans who seem to favor achievement, accomplishment, and independent thinking.

The present study aims at finding out the impact of the social, cultural and marketing factors on the buying behavior of the customers in Thailand versus the United States to answers the two questions (1) How do Thai make decisions to adopt US snack products and (2) How do American make the decision to adopt Asian snack products. This will be done by examining the snack category, which is growing popularity in both countries, we chose to focuses on two popular American products, Oreo and Starbursts versus their Asian counterparts Pocky and Sugus.

Starbursts vs. Sugus

Starbursts are a popular American candy that is produced by Wrigley, a subsidiary of the Mars company. Some of their US brands include 5 gum, Altoids, Big Red, Skittles, Orbit Gum and many more brands that fall under the candy category. The Wrigley company is one of the global confectionery industry-recognized leaders in the worldwide production and sales of chewing gum and candy. Wrigley operates in over 40 countries, one of which is China. China’s history can be traced back to the early 1930’s, where today Wrigley is China’s largest confectionery company with three factories in China. Under the Arrow brand, is where the “Swiss-sugar” (Sugus) falls, which is considered the Thai version of a Starburst. Sugus come in many flavors including orange, strawberry, black currant, melon milk, mango milk, mixed milk and mixed fruit.
Oreos vs. Pocky

The famous Oreo is also extremely popular in the United States. The Oreo is manufactured by Mondelez International, who is one of the few companies that continues to hold the lead in the snack category. The Oreo is available in over 30 countries. Oreo first came to China in 1996 and currently has become the second largest Oreo market globally. Some of the most popular flavors in China and other Asian countries included unique flavors such as Green Tea Ice Cream, Double-Fruit in Orange & Mango, and many more.

Pocky first made debut in Japan in 1966. Since then has spread across Asian countries and now is currently expanding its distribution into U.S. retailers such as Target and Costco (Gingerich, 2016). The authentic chocolate covered biscuit has become a crowd favorite in the U.S. The marketing campaign behind Pocky and the product’s essence is about sharing happiness with friends, families, or co-workers. (Ezaki Glico USA) Which has attributed to the overall success of Pocky. Glico is about making their customers feel good and making them remember they are a part of something greater than themselves.

Cultural Orientation and Shopping Behavior

For purposes of this study, we focus on to what extent culture would lead to differences in shopping behavior between Thai and Americans. Culture makes a difference including how people make decisions in purchasing (Hofstede, n.d.). These values and norms are passed on from the community to an individual as he or she is socialized within the community. We wanted to see how people react to different food products based on several marketing and advertising factors and cultural factors.
In Spring 2016, we both had the privilege of traveling half way across the world to study abroad in Thailand. Although we knew things would be different, we weren’t close to being prepared to the life changing experience we were about to encounter. We learned in the classroom how about foreign food products and how they perform, but wanted to look for ourselves, the purchasing decisions in Thailand.

We learned about different marketing and merchandising techniques used in Asian culture. Advertisements in Thai all showed individuals with groups of friends, not focusing on attributes of products, but rather focusing on the social benefits of the product such as animating the product through ‘cute’ animals as seen in the pictures below. For example an advertisement for Sugus consisted of an individual with his friends trying the candy for the first time. After he takes his first bite, he lights up and his friends want to try some too. We can see that by one of the friends trying the candy, all his friends followed. The similar concept is true for Pocky. There is a large difference between male and female culture in Thailand and that is easily portrayed through commercials. The advertisements in Thailand seem to have an overlying theme of how the social benefits, of making you fit in or ‘cooler’ if you have it, rather if you really need/want the product.

Another area we focused on in our study abroad trip was merchandising. Thai grocery stores are filled with pictures of kids smiling, not focusing on the health benefits and call-outs on products something we weren’t very used to.
Justification – Product Life Cycle

Many US products might reach maturity or decline in their domestic market because of the lifestyle shift. If the products can start a new life cycle in the foreign market, it will help create revenue steam. If the reason to make a purchase are different, the lifestyle shift might not have the same impact overseas. The Product Life Cycle consists of four stages that a product goes through from start to finish. The four stages are introduction, growth, maturity, and decline.

For example, the product Spam, when we look at the performance of the product in the US versus abroad is complete opposite. Spam, one of Hormel Foods iconic canned meat products dating back to World War II preforms exceptionally well in Hawaii where residents have the highest per capita consumption in the United States. Spam musubi is a popular snack and lunch food in Hawaii. This is due to the rich history Hawaii has with Spam, dating back to World War II.

This unique positioning of product lifestyle poses many opportunities of American products entering other markets across the globe and vice versa. With their local markets become saturated and competition becomes too much to handle, companies search for other sources to
keep making a profit, and that is why understanding culture and local buying behavior is important for businesses and marketers. If companies want to survive in the globalizing business, companies need to get even better at understanding the consumer.

**Literature Review & Possible Theories**

Hofstede’s Cultural Dimensions theory is a framework for cross-cultural communication that is distinguished by a country’s culture. The cultural dimensions represent independent preferences of one state of affairs over another that distinguish countries (rather than individuals) from each other (Hofstede, n.d.). The model consists of the following 6 dimensions: power distance index, individualism versus collectivism, masculinity versus femininity, uncertainty avoidance index, long term orientation versus short term normative orientation, and indulgence versus restraint.

**Thailand:** The two top predictors are power distance and uncertainty avoidance. Power distance dimension deals with fact that all individuals in societies are not equal. This can directly influence people’s ideas and behaviors. Power distance is defined as the extent to which the less
powerful members of institutions and organizations within Thailand expect that power is distributed equally. Thailand scores very high on this index, meaning that within their society, inequalities are accepted, but a strict chain of command and protocol are observed. Uncertainty avoidance consists of many beliefs and institutions that have been created to deal with the fact that the future will never be known.

**United States:** As you can see the top two predictors are individualism and indulgence. Individualism is the degree of interdependence a society maintains among its members, meaning that societies are only supposed to look after themselves and their direct family. Indulgence is defined as the extent to which people try to control their desires and impulses. The United States attitudes and behaviors are reflected by our need to “work hard, play hard”.

Satisfaction is an overall psychological state that reflects the evaluation of a relationship between the customer/consumer and a company-environment-product-service. Satisfaction involves one of the following three psychological elements: cognitive (thinking/evaluation), affective (emotional/feeling), and behavioral (qualtrics.com). Taking the large cultural differences in these two countries coupled with the satisfaction theory, the model below was configured to test a customer/consumer’s path to purchasing the product. The satisfaction theory combined with Hofstede’s cultural dimension will take the expectations and beliefs from each country and translate the validity of how likely a consumer/customer will buy a product based on certain cognitive, and behavioral experiences linked to their culture and social upbringing.
Satisfaction Theory:

Taking Satisfaction theory and applying it to Hofstede’s cultural dimension theory to develop a model to test our theories is seen in the model below.

Hofstede’s Cultural Dimension:
Differences in consumers’ shopping behavior and product prices in grocery stores are due to cultural orientation (Ackerman and Tellis, 2001). Chinese use multiple senses when examining unpackaged foods, and inspect many more items while taking more time to shop. Importance of brand name, price, physical appearance, and retailer reputation are signals of quality for consumer products do not change across cultures (Dawar and Parker, 1994). Consumers learn values and norms of products through socialization in their communities (Moschis, 1987). Shopping behavior is open to influence by the norms of the social group which one identifies themselves with. Collectivist and individualist societies provide different motives for luxury consumption. Collectivism may be important factor leading to frugality in private consumption (Schutte, 1998).

Experimental Procedures

The project consisted of one survey administrated to two separate groups: one of American college students and the second group of students studying at Thai University. The survey was a series of questions on a scale investigating relevant attitudes and traits individuals are willing to try new foods. The first round of the questionnaire was conducted in Thailand during May-July 2016, by a total of 70 respondents (46 from Thai University and 24 American Students). The second round of questionnaires was administrated in September of 2016 to remaining 35 American students (t-tests show no difference between both American student groups). There were several food products chosen, American students tried both Sugus and Pocky, while Asian students tried Starbursts and Oreo, and rated their responses. We tested the framework using the structural equation modeling (SEM).
Research Design

To create our control and testing factors, we had to compare many similar attributes in order to create a realistic hypothesis. The first control factor was the similar lifestyles of the college student’s questions aged 19 to 22. The second control factor was comparable products from the same categories or subtitles products that we tested. The third control factor was time, where we conducted the second survey within 30 days apart from the first survey.

The sample group consisted of 46 Singha Biz interns aged 20-24, where 23 were female and 20 were male. Their nationality varied from 38 Thai’s, 2 Chinese, 2 Vietnamese, 1 Korean and 2 Cambodian. Our T-test shows no difference between Thai’s and non-Thai students because the students were attending the Thai University where they have lived and adapted to life in Thailand for at least 6 years as well as fluent in Thai. 35 American students in a Marketing 4630 class and 24 American Study Abroad Participants. No difference was shown between these 2 groups of Americans.
Data Collection & Cleaning

To clean the data and calculate missing data, 3 main steps were taken to final order to interpret the data and draw some conclusions. First step taken was to delete the re-occurring missing responses. The second step was to perform the Multivariate Outlier Test in SPSS 24.0. Step 3 was to perform multiple imputation in SPSS 24.0 where we were able to come to conclusion with clean data.

Proposed Model

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<thead>
<tr>
<th>Structure Matrix (Sugars)</th>
<th>Component Matrix (Sugars)</th>
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**Findings**

**Sugas Model Purchase Decision**

- **H1**: Look Appeal increases level of Satisfaction
- **H2**: Like Sweet increases level of Satisfaction
- **H3**: Exotic increases level of Satisfaction
- **H4**: Satisfied increase chance to buy
- **H5**: Satisfied increases chance to tell friend
- **H6**: Will Buy increases chance to tell friend

---

**Satisfaction - Purchase Intention Model**

- **Group = Sugas**
- **RMSEA = 0.047 (≤ 0.05 is acceptable)**
- **CFI = 0.983 (≥ 0.9 is good, ≥ 0.95 is excellent)**
- **TLI = 0.949 (≥ 0.9 is good, ≥ 0.95 is excellent)**
- **GFI = 0.962 (≥ 0.9 is good, ≥ 0.95 is excellent)**

**Data recommends new line for American Group**
Results:
1. Product Attributes like Sweetness is more important than packaging or Emotional factor to make Americans satisfy with Sugus.
2. Although the exoticness of Sugus might not have impact on satisfaction, the US sample still recommend the product to their friends.
3. When Americans satisfy with Sugus, they tend to make a future purchase, before they will tell friends. With the nonsignificant weight between satisfied and tell friends, American might not recommend product to friend without “trying it first”.

Starbursts Model Purchase Decision

Results:
Thais are more attracted to the emotional feature such as packaging than product attributes like taste of the product.
Starburst is not considered “exotic” because there are a few similar products in Thai Market. When Thais satisfy with Starburst, they are less than likely to make a future purchase (weigh is only 31%).
In addition, although they are willing to make a future purchase, they are also unlikely to tell friends (weight 38%).
With 29% weigh on the line between Satisfied and Tell Friend, Thais like to share idea with friends about product although they might not practice that idea (e.g. not willing to buy the product).
Results:

1. Packaging is more important to make Thai consumer satisfied, while the taste of product is more important for American. According to Hofstede, Americans are more rational, but Thai are more emotional.

2. Looking at Will buy → Tell Friends, Thais are “less confident” to show their “personal” action with friends compared to American. According to Hofstede, the saving face in collectivist society might be a good explanation.

3. In addition, Americans are willing to share their “action” with friends because of “being more confident” from the individualist attitude. For example, both weights on Exotic to tell friends and Will buy to tell friends are significantly stronger than those of Thais.

4. Both groups do not consider these fruit candies as exotic because there are similar products in their home market.

5. With the weaker weight on Satisfied to Will buy, Thais are more indecisive than Americans. This behavior can be explained by the feminine-masculine dimension in Hofstede’s.

6. It is important to note the weight on Satisfied to Tell friends for Americans is zero (or not significant), while Thais show 0.29.
Limitations

This study might not have enough power (due to small sample sizes) to generalize to the populations, but this study will at least provide some insight into the future research. 3 of the main limitations while conducting this study was that the sample was convenient, small sample size and the language barrier, which may have caused a translation confusion.

Future Research

This study provided insight and a structural basis to continue future research and further answer questions about cross cultural behavior. In the future we now know the limitations and large factor of the language barrier played in the research design and administering our questionnaire. Creating the framework to test our hypothesis and understand the path to purchase we can begin to test different drivers to satisfaction. For example the exotic factor. It did not perform as hypothesized in both groups because similar products existed in both markets tested. In future studies we could select a more "off comfort zone" product. This might reveal the impact of this "exotic" driver more effectively. For example, testing the seasoned seaweed chips from Thailand against flavored beef jerky from the USA. There is a multitude of opportunities to better understand specific cultural and market behavior, this study just laid the ground work for many future studies to come.

Conclusions

After the completion of this study, many things were learned. We learned how to transform observations into systematic research, which helped us understand the subject matter through rigor knowledge finding process and not rushing into conclusion without any support.
We learned to recognize the limitation of research and avoid to claim beyond the data can tell. In addition, this limitation represents the room to improve the future research. Recognizing the power and draw backs of data helped us learn how to deal with missing data and fix usable data. We were ultimately able to learn more insight to the buying behavior patterns of customers, beyond the basic demographic data and appreciate the cultural diversity and embrace globalization.

A firm needs to analyze the buying behavior for buyer’s reactions to a firms marketing strategy, to know the perfect marketing mix and the responses of the consumers towards their marketing strategies (Sethi and Chawla, 2014).
Citations


