



**Specific and Diffuse Cultural Orientation How it
Impacts Evaluations of Brand Extensions with
Varying Category Distance**

by

Maansi Dalmia

Thesis Advisor: Professor John Branch, PhD

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Abstract

This paper examines how cultural differences, in particular the specific versus diffuse oriented dimension, can influence brand extension evaluations. Although brand extensions themselves have been studied time and time again over the last few decades, the relationship between consumers from specific and diffuse cultures, brand extension category distance, and overall brand extension evaluation, has not been examined. Through data collection from corporate company websites across countries spanning the cultural spectrum, and analysis against the specific versus diffuse cultural dimension, this paper established a causal relationship indicating that cultural differences account for variance in how brand extensions are evaluated.

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Introduction

Oreo cookies have been satisfying the munchies for over a generation as a classic childhood snack and treat for adults too. Oreo, which started as the original flavor of chocolate wafers separated by a vanilla creme filling, now boasts over 100 varieties of cookies, ranging from different shapes, stuffing levels, and limited-edition holiday cookies. Oreo took its success to the global market after taking the U.S. food industry by storm, by expanding its cookie production to over 100 countries. Now considered to be the best-selling cookie in the world, Oreo has deviated from its original product of cookies, to other products still under the overarching food industry umbrella. Consumers can now purchase Oreo instant pudding, Oreo cheesecake, Oreo ice cream, and Oreo chocolate bars to name a few. These brand extensions, although somewhat similar to the original product, allow Oreo to increase and leverage its existing brand equity and reputation amongst its loyal customer base.

The success of brand extensions is largely dependent on consumer opinions and evaluations of these extensions. Consumer opinions can be influenced by many factors such as age, culture, profession, background, education level, social pressures, and marketing tactics (Business News Daily). An interesting factor that will be further explored in this research is understanding the cultural influences of thinking. Cultural differences and how they influence styles of thinking has been studied in many different contexts in the past. In fact, when applied to brand extensions, it has been found that these culturally different styles of thinking may influence how brand extensions are interpreted across cultures (Monga and John, 2004). This research will expand on this role cultural differences play when influencing consumer opinions, more specifically, how brand extension evaluations can differ based on specific and diffuse cultural differences.

Background

Brand extensions are a popular strategy used by companies with an established brand to launch new products (Besharat, 2010), with the goal of increasing and leveraging existing brand equity. This growth can occur through additional revenue streams or a new customer base. Although the hope with introducing brand extensions is that the brand's reputation and loyal customer base will allow for a successful new product, there are clearly other potential determinants in the success of a brand extension as "the failure rates of brand extensions in many fast moving or high-tech industries are close to 80%" (Besharat, 2010).

One potential determinant for a positive brand extension evaluation from consumers, which will be further explored in this paper, is the brand extension category distance. In the context of this research, brand extension category distance measures how much brand extensions vary relative to the core parent brand's product. For example, looking back at the growth of Oreo, the brand extension category distance between Oreo ice cream and the original Oreo cookies is relatively small, as both products still fall in the same 'food' category. On the other hand, Harley Davidson, known for its distinctive motorcycles, now has brand extensions that include apparel, drinkware, jewelry, watches, and more. Considering these brand extensions vary more greatly than those of Oreo, we can say that the brand extension category distance for Harley Davidson is greater than that of Oreo. As consumers evaluate brand extensions and how they range in product category distances differently, this brand extension category distance could clearly impact the viability of a brand's attempted extension.

Consumers' interpretation and evaluation of brand extensions, and therefore brand equity, can vary for a variety of different reasons: cultural differences, familiarity of the brand, perceived brand quality, and other consumer attitudes toward the brand. This paper, however,

will aim to confirm cultural differences as the driver for variance in brand extension evaluations, and as a result, why certain brand extensions with their respective brand extension category distances are successful in certain regional markets versus others.

The Role of Culture

Cultural differences, between Eastern and Western cultures for example, can account for many differences in the way consumers think or approach purchasing decisions. From real world observation, consumers' level of thinking in which decisions are made can be influenced by their country's orientation. The preferences spanning generations have become the roots of a culture's norms and traditions that continue to impact cultural values and decision-making processes to this day (CUInsight). This significant cultural influence on consumers' decision-making processes is the driver for this paper.

The following research will dive into the particular dimension of specific versus diffuse cultures, outlined in the cultural dimensions model created by Trompenaars and Hampden-Turner in the 1990's (Réthi, 2012). Through extensive cross-cultural studies, Trompenaars and Hampden-Turner defined the dimensions of cultural differences to include: universalism versus particularism, individualism versus communitarianism, achievement versus ascription, neutral versus affective, specific versus diffuse, human-nature relationship, human-time relationship (Trompenaars 1997: 8-10). As previously mentioned, this research will focus on the sole dimension of specific versus diffuse cultural differences as a potential determinant for brand extension evaluations with varying brand extension category distances.

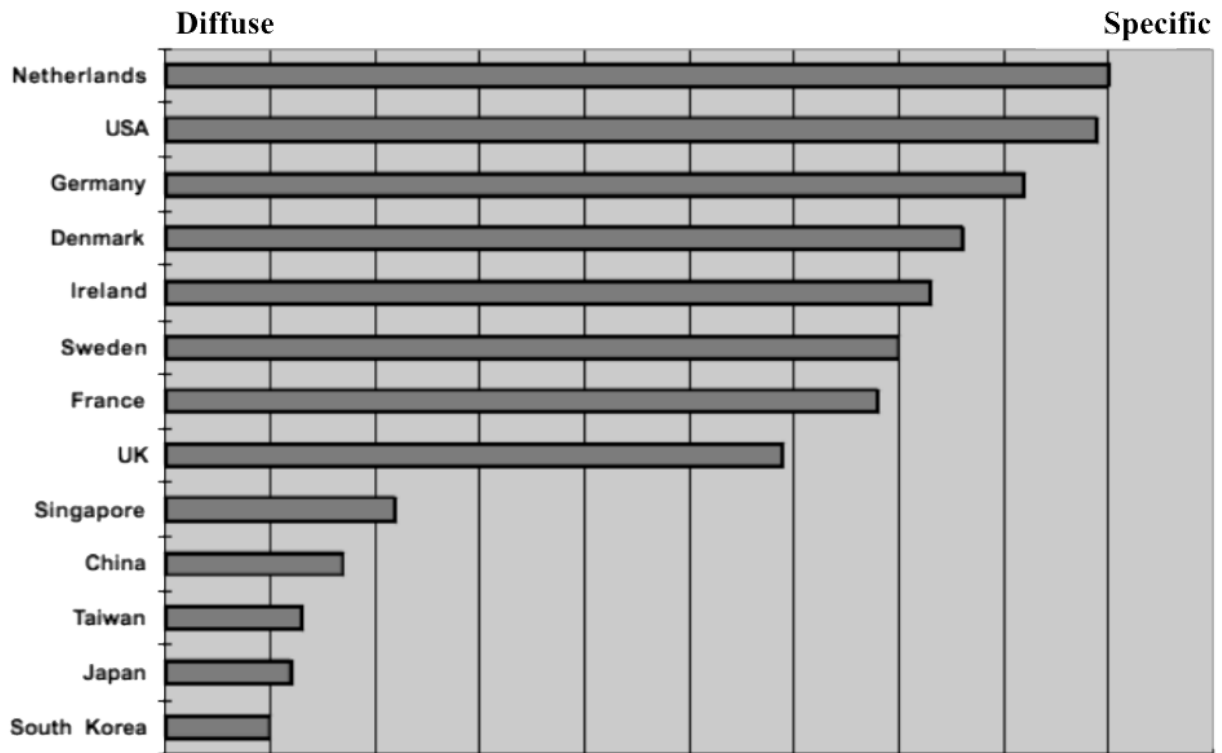
Specific and diffuse cultures differ in their level of involvement in relationships, meaning the "degree to which we engage others in specific areas of life and single levels of personality, or diffusely in multiple areas of our lives and at several levels at the same time" (Trompenaars and

Woolliams). In the context of the consumer, specific and diffuse cultural differences can be differentiated by the customer's degree of involvement with the product or brand; is the consumer simply going to be used to make a quick buck, or is the goal to establish a long-term relationship with the consumer? Understanding and taking advantage of how these cultural differences impact what is important to certain types of consumers can allow companies to decide about brand strategy, potential extensions, and global expansion more effectively.

A pertinent example of how the difference between consumers from specific and diffuse cultures can be used to a brand's advantage, is outlined Trompenaars and Woolliams' book, *Marketing Across Cultures*. The authors compare sales tactics used with consumers from France and the United States. For example, consumers from France, a more diffuse culture compared to the United States, expect a more personalized and developed relationship with a salesperson, and as a result, are more loyal to that salesperson than the product itself (Trompenaars and Woolliams). On the other hand, consumers from the United States value the message the salesperson is delivering about the product, rather than who is giving the information (Trompenaars and Woolliams). Trompenaars and Woolliams concluded this to be the reason why many American companies spend time and money in sales training for their employees, as the message is what American consumers pay attention to.

The ideas in the example will be taken one step further in this paper to ponder how these specific-diffuse cultural differences could account for disparities in brand extension evaluations, especially from those varying in product category distance. Building off of existing inferences about analytic and holistic thinking cultural differences, this research will be able to give further insight into how culture influences styles of thinking in consumer decision making.

Figure 1: Trompenaars' Specific and Diffuse Cultural Spectrum



As seen from Figure 1 above, based on the results from Trompenaars' cultural groups, we can interpret that Eastern cultures are more diffuse while Western cultures are more specific. Choosing countries that exemplify specific and diffuse oriented cultures, such as South Korea, Japan, and Taiwan to represent diffuse cultures while choosing Germany, the Netherlands, and the United States to represent specific cultures will allow for more detailed inferences about the specific-diffuse dimension to be made in this research. Therefore, the purpose of this research is to examine how the dimension of specific and diffuse cultural differences impacts how brand extensions from varying product category distances are evaluated. These consumer sentiments will be examined by how many product offerings are sold by the same company in each particular country.

Statement of Problem and Justification

Based on previous research and real-world observation, it has been shown that brand extensions are evaluated differently based on the attitudes and background of the consumer; but why is this the case? As previously mentioned, these consumer attitudes can stem from existing overall relationships with the brand or products, any potential preconceived notions, and cultural differences. Cultural differences are a unique factor that can create many opportunities for successful and strategic growth when taken into account by brand managers looking to launch brand extensions. As cultural differences in thought processes that may impact brand extension evaluation are not something that can be changed by creating a better experience between the consumer and the product, leveraging the uniqueness of cultural differences carries great potential for brand managers looking to expand current brand equity.

A successful example of a brand that leveraged the uniqueness of cultural differences in deciding where to launch a brand extension is Hello Kitty. In 2013, Hello Kitty launched a line of six tropical flavored beers first introduced in Taiwan and now available in China (ABC News). A brand known for its cute toys and plush dolls for children, Hello Kitty stays consistent with its cute packaging to appeal towards adult fans that have grown up with the cartoon cat (ABC News). Furthermore, the brand stood strong in confirming these beverages would not be offered outside of China. Given the brand's choice to only extend this new beverage line to a few Asian countries that fall under the far Eastern cultural group, it is safe to assume that the Hello Kitty brand managers took into account how consumers from these cultures would respond to this large brand extension category distance, and as a result, did not choose to expand to other countries such as those that fall under the far Western cultural group, who would most likely reject the idea of drinking Hello Kitty beer.

From this example, some inferences can be made about the cultural differences in consumer behavior between Eastern and Western cultures. Similar relationships between culture and brand extension evaluation have been analyzed in previous studies, but in different contexts. Most similarly, a 2007 study chose to examine the relationship between Western and Eastern cultures and their respective notions of analytic and holistic thinking, and their evaluation of different hypothetical brand extensions (Monga, 2007). As will be discussed more in the next section, the study's proposed hypothesis that consumers from Eastern cultures, where perception comes from a holistic point of view, would evaluate brand extensions more favorably compared to those from Western cultures that would evaluate these new product offerings from an analytic way of thinking, was proved true (Monga, 2007).

As this study most similarly aligns to the goals of this research, with the most significant difference being the cultural dimension of analytic versus holistic thinking being chosen, choosing instead to measure how brand extensions of varying product category distances from the specific versus diffuse cultural dimension will give brand managers new insight in ensuring success when choosing which markets to introduce certain brand extensions to. Based on this study and other existing literature on brand extensions in different cultures, there is a causal relationship between cultural differences in thinking, and how various brand extensions are evaluated. As Eastern cultures are considered to be more diffuse-oriented, whereas Western cultures are more specific-oriented, does this correlate to how consumers from these cultures will evaluate brand extensions? Through this study, I hope to establish a relationship between how brand extensions are evaluated by consumers from specific and diffuse cultures and examine how these evaluations differ. I propose that consumers from Eastern societies, that tend to fall on the more diffuse side of the spectrum, will perceive a higher degree of brand extension fit, and

thus evaluate these brand extensions more favorably compared to those from Western societies that fall on the more specific side of the spectrum, especially for brand extensions that have a large category distance, and as such, are far from the parent brand. Proven true, the implications of this research showing cultural differences in brand extension evaluation arise due to cultural differences in styles of thinking, and hence, judging the fit of the brand extension, will provide new information and clarity for marketing strategies of global brands planning to extend new products into specific markets where brand equity currently exists, as this cultural dimension has yet to be evaluated in this context.

Literature Review

Brand Extensions

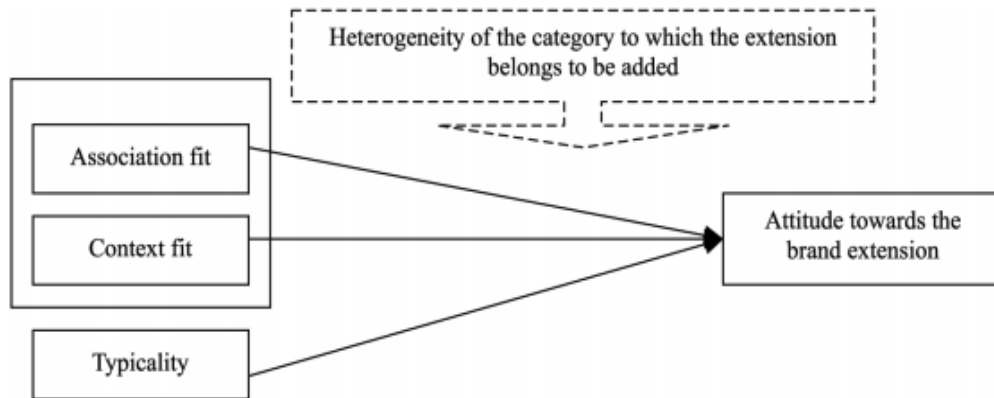
Brand extensions have been used as a core growth strategy amongst many companies for decades. Brand extensions are a powerful strategy for companies as they build off of a company's existing strong brand name (Aaker, 1990). Brand extensions are such a popular growth strategy because "using an established brand name substantially reduces new-product introduction risks" (Aaker, 1990). Factors which lend to successful brand extensions include: strong brand associations, quality associations, brand awareness and presence, encouraging trial purchase from prospective buyers, and overall enhancement of the core brand (Aaker, 1990). All of these factors are reliant on how the consumer perceives them. As a result, although leveraging a strong brand name can significantly aid in reducing the risk of launching brand extensions, consumer attitudes towards these brand extensions still play a critical role in their potential success (Aaker, 1990). Through a study in which consumer reactions to 20 brand extension concepts stemming from six reputable brands were examined, brand managers now have the following insights: consumer attitudes towards the proposed extensions are higher when there is a perception of brand fit between two different product categories, if the two products are interpreted as potential complements, substitutes, or transfers, and the original, parent brand is perceived as high quality, or the extension does not come off as being too easy to accomplish (Aaker, 1990). This study continues to confirm that the 'fit' between the original product and the brand extension has a direct positive impact on the consumers' evaluation of the extension (Aaker, 1990). Although brand extension product category distance is not formally discussed or evaluated in this particular study, according to the takeaways, it can be inferred that these

category distances could be a factor that influences perceived fit of a brand extension and the overall impression of the brand extension made by the consumer.

Besides perceived fit, the order and direction of brand extensions holds importance in the brand extension evaluation. A 1994 study examining whether ordered extensions may impact brand extension evaluation found that “consumers more easily integrate ordered extensions into the brand because of the rationalizing links provided by chaining” (Dawar, 1994). From a managerial perspective, the implications of these findings suggest that if a firm is planning to launch multiple brand extensions, it must determine “the appropriate order of product introduction in order to maximize chances of consumer acceptance” (Dawar, 1994). These research findings only further solidify that there are a variety of factors involved in a successful brand extension evaluation from consumers, other than simply how feasible the extension is or how closely it relates to the parent brand.

Taking Dawar’s research ideas one step further, a 2008 study conducted by Seltene and Brunel chose to evaluate the success of a brand extension on (1) “the distance that separates the brand extension from the extended product in the consumption context,” and (2) “the distance that separates the brand extension from the brand based on its valued brand associations” (Seltene, 2008). Seltene and Brunel developed the research model, as seen below in Figure 2, to mimic the timing of the hesitation a consumer faces when deciding between various brands.

Figure 2: Brand Extension Timing Model



The findings of this experiment revealed that “the context fit alone explained 31.2% of the attitude towards the brand extension” (Seltene, 2008). Again, these findings confirm that there are many factors that account for brand extension evaluation other than initial consumer perceptions.

Brand Extension Category Distance

One possible factor that accounts for brand extension evaluation that will be explored in this paper is brand extension category distance. Building from the ideas explored in Seltene’s 2008 paper, brand extension category distance plays an interesting role in the consumer sentiment of the brand and its products. The concept of a category extension is used when “an existing brand name is applied to a product category that is new to the firm” (Carlson & Johansson, 2006). As a result, brand extension category distance measures the distance, or how different, the category extensions are from the ‘parent brand product.’ In the end, the success of these extensions relies on the consumers’ want to purchase these products. How consumers evaluate these brand extensions has translated to previous research studying the perceived fit between the extension and its parent brand from the eyes of the consumer.

Expanding on the idea of perceived fit from the eyes of the consumer, a 2014 study has shown that consumers' perceptions differ based on styles of thinking which are influenced by culture. This study proposed that although category similarity and benefit similarity have been established as important factors in the success of a brand extension, the question of which factor has a greater impact on consumers' evaluation, has yet to be analyzed (Chang, 2014). Chang hypothesizes that "the relative advantages are moderated by people's style of thinking — holistic versus analytic." More specifically, Chang proposed that analytic thinkers (Westerners) evaluate benefit-similarity extensions more favorably while holistic thinkers (East Asians) evaluate category-similarity extensions more favorably. Analytic thinkers tend to remove an object from the surrounding context and simply make their judgements on the qualities of the object (Chang, 2014). This in turn, "makes it difficult for them to perceive fits between extensions in a similar product category that offer different core benefits than their parent brand." Holistic thinkers on the contrary, look at the bigger picture and focus on the relationship between the object and its context. Because they are likely to make judgements based on their experiences, and holistic thinkers take into account the connections and relationships between extensions and the parent brand as useful contextual factors, they tend to evaluate extensions favorably. Through experimental design, Chang identified analytic and holistic thinkers and measured their responses to brand extension visual stimuli to find that consumers' style of thinking plays a significant role in their evaluation of a brand extension.

Prior research has uncovered that people's "perceptions, categorizations, and causal attributions" vary culturally (Chang, 2014). From Chang's research, it is clear that the thinking styles of consumers, coming from cultural differences, play an impactful role in brand extension evaluations. As will be discussed, other previous research has taken Chang's study one step

further by analyzing the specific cultural dimension of analytic versus holistic thinking and its influence on consumers' evaluation of brand extensions.

Cultural Differences in Thinking

Most similar to the hypothesis this paper hopes to confirm, a 2007 study chose to examine the relationship between Western and Eastern culture's respective notions of analytic and holistic thinking and their evaluation of different hypothetical brand extensions (Monga, 2007). As has been stated in many previous studies, there are a number of factors that influence how consumers evaluate brand extensions. Monga and John chose to explore the lesser explored factor of how cultural differences in consumers can vary the evaluation of brand extensions. Through a series of scaled questionnaires and open-ended questions about hypothetical brand extensions and overall brand perception, completed by a split sample of participants including Indian students and American students, the study concluded that indeed, consumers from Eastern cultures, where perception comes from a holistic point of view, evaluate brand extensions more favorably compared to those from Western cultures that evaluate these new product offerings from an analytic way of thinking (Monga, 2007). Given the results of this study, it is evident that cultural differences play a significant role in styles of thinking and therefore, why consumers evaluate brand extensions differently.

Given the existing literature, it is apparent that the idea of brand extension category distance, coupled with many other factors, influence how the brand and extension fit are evaluated by consumers. After conducting this thorough literature review on brand extensions, brand extension category distance, and cultural differences in styles of thinking, it is apparent that establishing the new dimension of specific and diffuse cultural differences as a predictor of how consumers from these cultures evaluate brand extensions with differing brand extension

category distances from the parent brand, will fill a gap in the current understanding of brand extension evaluations. As illustrated in this literature review, most of the existing knowledge regarding the relationship between cultural differences and brand extension evaluation has been examined through the lens of analytic and holistic thinking. Choosing to investigate the specific and diffuse cultural dimension and how its influences in styles of thinking impact consumers' evaluation of brand extensions will shed light on an unexplored area of analysis.

Cross Cultural Model Framework

One theoretical framework grounding this research stems from the model of cross-cultural differences published in the book titled, *Riding the Waves of Culture*. Published in 1997, Fons Trompenaars and Charles Hampden-Turner developed this model of the seven dimensions of culture. Through their many extensive cross-cultural studies, Trompenaars and Hampden-Turner developed these cultural dimensions which include: universalism versus particularism, individualism versus communitarianism, achievement versus ascription, neutral versus affective, specific versus diffuse, human-nature relationship, human-time relationship (Trompenaars, 1997: 8-10). The framework of my research will be built on the specific versus diffuse cultural dimension of the original cross-cultural model. The specific and diffuse cultural dimension differs on the degree of involvement in relationships. Although this relationship applies to social relationships amongst people, it can also be used to describe the level of relationship between a brand or product and a consumer. For the purposes of this research, the difference between the specific and diffuse cultural dimension will be observed through the product or brand and consumer relationship.

According to Trompenaars' findings, in more specific societies, the roles and identities of brands and their products are fairly limited. If Adidas for example excels in making athletic

wear, the brand should focus on athletic wear and not expand into other product categories such as developing its own line of sports drinks, as it can detract from what the brand already manufactures well. However, in more diffuse societies, the roles and identities of brands and their products are able to expand. Although Adidas excels in making athletic wear, in more diffuse oriented societies, expanding product categories by offering a line of sports drinks is feasible as these diffuse oriented consumers are able to envision products of the same brand in diverse product categories. Consequently, developing a long-standing relationship with a diffuse oriented consumer would prove more beneficial to brands looking to expand their product category offerings, as these consumers would be more accepting of these diverse product categories.

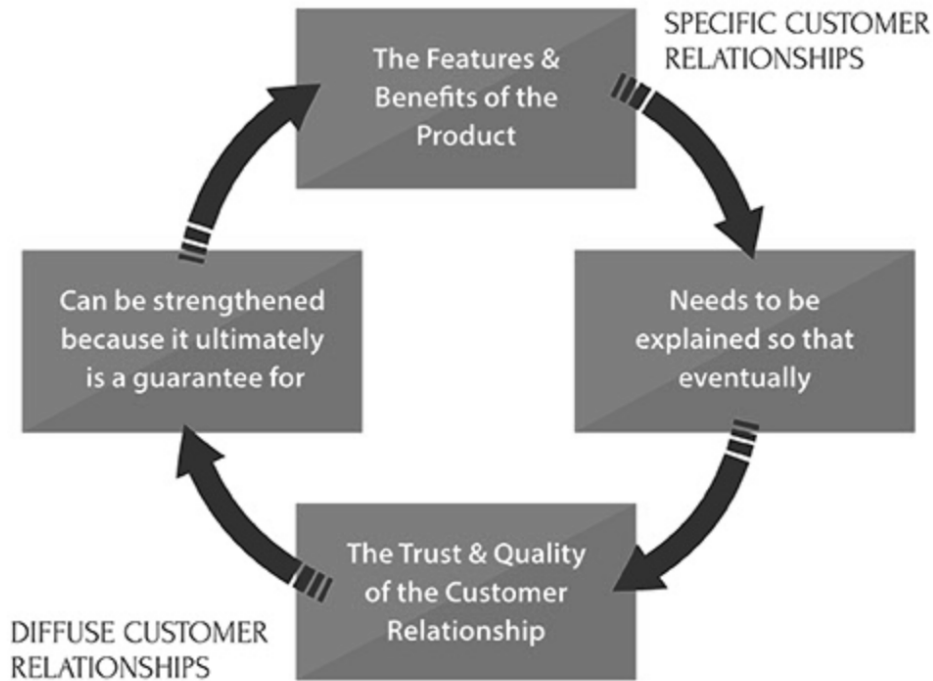
Building on the foundation of this dimension of cultural differences, this knowledge has created best practices for cross-cultural communication and leadership. These takeaways can be useful for brand managers in managing the strategy and communication of launching new products and capturing the trust and sustained relationship with the customer. For the purposes of this research, we will assume that consumers from diffuse (Eastern) and specific (Western) cultures approach their consumption behavior and decisions the same way as they do with their relationships. In particular, knowledge on how specific and diffuse people act can be critical in the success of a brand extension. For example, it has been observed that customer loyalty can be situational and fleeting amongst consumers from specific cultures, whereas with consumers from diffuse cultures, although initially developing a trusting relationship is more difficult, once it is achieved, a long-lasting relationship with the product or service is created (ELAvate Sales).

Figure 3 below, further illustrates the assumptions that can be leveraged to support the hypothesis. As can be seen, people from diffuse cultures value the trust and quality of the

relationship whereas the sole focus is on the features and benefits of the product for people from specific cultures (ELAvate Sales).

Figure 3: Specific and Diffuse Customer Relationship

Reconciling Specific and Diffuse Customer Relationships



Culture Influences in Systems of Thought Framework

Another theoretical framework used in the foundation of this research comes from a study conducted on culture and systems of thought by examining the differences in holistic and analytic cognition. This study builds from the fact that consumers from diffuse cultures value the trust and quality of the relationship with a product while consumers from specific cultures focus on the features and benefits of the product. The premise Nisbett's study came from the assumption of universality in cognitive processes that became a standard adopted in the 20th century (Nisbett et al., 2001). The authors disagree with this assumption by arguing that there are

in fact, “considerable social differences that exist among different cultures that affect not only their beliefs about specific aspects about the world but . . . even the nature of their cognitive processes—the ways by which they know the world” (Nisbett et al., 2001). Through analyzing the interactions of Ancient Greek and Chinese societies as well as the dialectical differences and contemporary sociocognitive systems in place by these different cultures, the researchers gathered overwhelming evidence that cognitive processes can be highly susceptible to cultural influences, contradicting long standing socio-psychological assumptions that “cognitive processes are universally the same and biologically fixed” (Nisbett et al., 2001).

This finding is a necessary building block for the goals of this paper examining the specific and diffuse cultural dimension. It is clear that different styles of cognitive processes exist from different cultures, and as a result, consumers from these cultures will behave differently when interacting with brands and their products. This research hypothesizes that these differing cognitive processes in consumers from specific and diffuse cultures is the basis for why these consumers will evaluate brand extensions differently.

Research Design

Study Design

Unlike previous studies examining the relationship between culture and brand extension evaluation, this study analyzed brand extensions from a secondary research perspective. The overall aim of this methodology was to observe just how many products were sold by the same company in countries falling on various points of the specific and diffuse cultural spectrum, and how many product categories were present in order to determine brand extensions. By assessing the number of product offerings, how many product categories they come from, and how these offerings differ country to country, a relationship can be confirmed between culture and its influence on brand extensions are evaluated by these culturally different consumers.

Data Collection

The data collection was largely framed by Trompenaars' model of cross-cultural differences, specifically the specific and diffuse dimension. By first quantifying the scale of countries on the specific and diffuse cultural dimension seen in Figure 1, it allowed for the variable of product offerings in each country to be analyzed against the independent variable of culture in each country. For this study, six countries were selected on both ends of the specific and diffuse spectrums. South Korea, Japan, and Taiwan were chosen to represent countries with a diffuse oriented culture. On the other hand, Germany, the Netherlands, and the United States were chosen to represent countries with a specific oriented culture. Assigning each country a numeric value from one to ten representative of where they fall on the spectrum enables the analysis to begin.

After establishing the set of countries that would be studied, choosing which companies to evaluate in the set of countries was to be deliberated. Gauging by size of the company and its

global presence, Panasonic, Coca Cola, L’Oréal, Mitsubishi, and Procter & Gamble were selected as these companies hold a large presence in each of the six countries and are simply well-known global brands. Gathering product and product categories was the next step in the data collection process. This was achieved through searching corporate websites of each company in each country to find the number of products sold in that country and how many product categories were classified. For example, the raw data collection for Panasonic across all six countries can be seen in Figure 4 below.

Figure 4: Panasonic Raw Data Sample

| South Korea | | Japan | | Taiwan | | Germany | | Netherlands | | United States | |
|---------------|------------|----------------|------------|------------------|------------|---------------|------------|----------------|------------|---------------|-----------|
| digital av | 106 | home app | 51 | video/cam/com | 231 | tv | 43 | tv | 52 | audio & video | 7 |
| home app | 10 | seasonal | 41 | air conditioners | 76 | home | 95 | home | 56 | cameras & | 6 |
| beauty/health | 54 | kitchen/cookin | 60 | refridgerator | 53 | photo & video | 202 | camera | 137 | microwave & | 7 |
| projectors | 57 | av/camera | 95 | washer/dryer | 46 | beauty/health | 143 | phones | 30 | telephones | 3 |
| professional | 47 | beauty/health | 69 | small | 24 | kitchen & | 42 | personal care | 25 | personal care | 14 |
| space player | 8 | battery | 6 | home app | 60 | telephone fax | 52 | kitchen | 28 | massage | 1 |
| security | 49 | telephone | 18 | beauty/personal | 79 | TOTAL | 577 | air condition. | 2 | home & office | 5 |
| tough book | 4 | computer | 6 | water | 24 | | | TOTAL | 330 | TOTAL | 43 |
| scanners | 13 | car nav | 10 | TOTAL | 593 | | | | | | |
| tools | 28 | housing equip | 1 | | | | | | | | |
| healthcare | 42 | mobile phone | 2 | | | | | | | | |
| gas/heat | 18 | other | 10 | | | | | | | | |
| video system | 2 | TOTAL | 369 | | | | | | | | |
| TOTAL | 438 | | | | | | | | | | |

Furthermore, control variables such GDP, GDP per capita, and population were collected to eliminate any potential confound due to the size of the countries selected.

Data Summary

As a whole, a sample size of 30 was used in the analysis. Using a generalized mixed model in R, relationships between the cultural variable and product offerings in product categories were able to be observed. Figure 5 below illustrates what the data set looks like for a single company across countries.

Figure 5: Panasonic Raw Data Sample Summary

| company | country | GDP (trillions) - 2019 | GDPpercapita - 2019 | population (millions) - 2019 | diffusespecific | productcat | totalproducts |
|-----------|---------------|------------------------|---------------------|------------------------------|-----------------|------------|---------------|
| panasonic | south korea | 1.647 | 31,846.22 | 51.71 | 1.000 | 13 | 438 |
| panasonic | japan | 5.082 | 40,246.88 | 126.3 | 1.223 | 12 | 369 |
| panasonic | taiwan | 0.610692 | 25,873 | 23.6 | 1.318 | 8 | 593 |
| panasonic | germany | 3.861 | 46,445.25 | 83.02 | 8.182 | 6 | 577 |
| panasonic | netherlands | 0.9071 | 52,331.32 | 17.28 | 9.000 | 7 | 330 |
| panasonic | united states | 21.43 | 65,297.52 | 328.2 | 8.818 | 7 | 43 |

Results

As previously mentioned, this research was intended to show how culture impacts brand extension evaluations by different consumers. Brand extensions were interpreted from the product categories and product offerings sold by each company in each country. After running a generalized linear mixed model of the data in R, the output is supportive of the initial hypothesis that consumers from diffuse oriented cultures will evaluate brand extensions more favorably. This evaluation is based on the product offerings and product categories sold in the diffuse oriented countries compared to the specific oriented countries.

The first model, as seen in Figure 6 below, simply analyzed the effect of culture on product offerings.

Figure 6: Diffusespecific Effects Output

```
Random effects:
  Groups Name      Variance Std.Dev.
  company (Intercept) 1.737    1.318
Number of obs: 30, groups: company, 5

Fixed effects:
              Estimate Std. Error z value Pr(>|z|)
(Intercept)   4.550129   0.590158   7.71 1.26e-14 ***
diffusespecific 0.068272   0.003156  21.63 < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

Correlation of Fixed Effects:
              (Intr)
diffusspcfc -0.031
> exp(summary(model2)$coefficients)
              Estimate Std. Error      z value Pr(>|z|)
(Intercept)   94.644614   1.804273 2.230584e+03      1
diffusespecific 1.070656   1.003161 2.483273e+09      1
> exp(confint(model2))
Computing profile confidence intervals ...
              2.5 %      97.5 %
.sig01
(Intercept)  22.859153 390.681623
diffusespecific 1.064066  1.077313
```


As seen by the output of this model, when the value of the “diffusespecific” variable increases by 1, the number of products (or extensions) offered increases by about 6.6-7.7% at a 95% confidence level. From this information, we can see that culture does in fact have an effect on the products offered by the same brand in a different country, just as the hypothesis suggested.

The next model included the previous culture and total product offerings variable, but also took into account the population control variable. Intriguingly enough, when population was included into the mix, it revealed in which cases the culture variable is more important. As seen in Figure 7 below, the data output shows that in countries with larger populations, the effect of specific or diffuse cultures can be seen more clearly in terms of the products and extensions offered by a company.

Figure 7: Population Effects Output

```

Fixed effects:
              Estimate Std. Error z value Pr(>|z|)
(Intercept)   3.630526   0.591900   6.134 8.59e-10 ***
logpopulation  0.230865   0.011325  20.386 < 2e-16 ***
diffusespecific 0.054427   0.003281  16.588 < 2e-16 ***
---
Signif. codes:  0 '***' 0.001 '**' 0.01 '*' 0.05 '.' 0.1 ' ' 1

```

For instance, when comparing Panasonic in the United States and Japan, the company offers 43 products offered in 7 categories in the United States while offering 369 products in 12 product categories in Japan. As both countries have large populations over 100 million people, the difference in products due to culture is significant. In smaller countries however, this difference is less prominent.

Overall, the generalized mixed models displayed the significance of the role that specific and diffuse cultural differences play in how consumers evaluate brand extensions, and as a result,

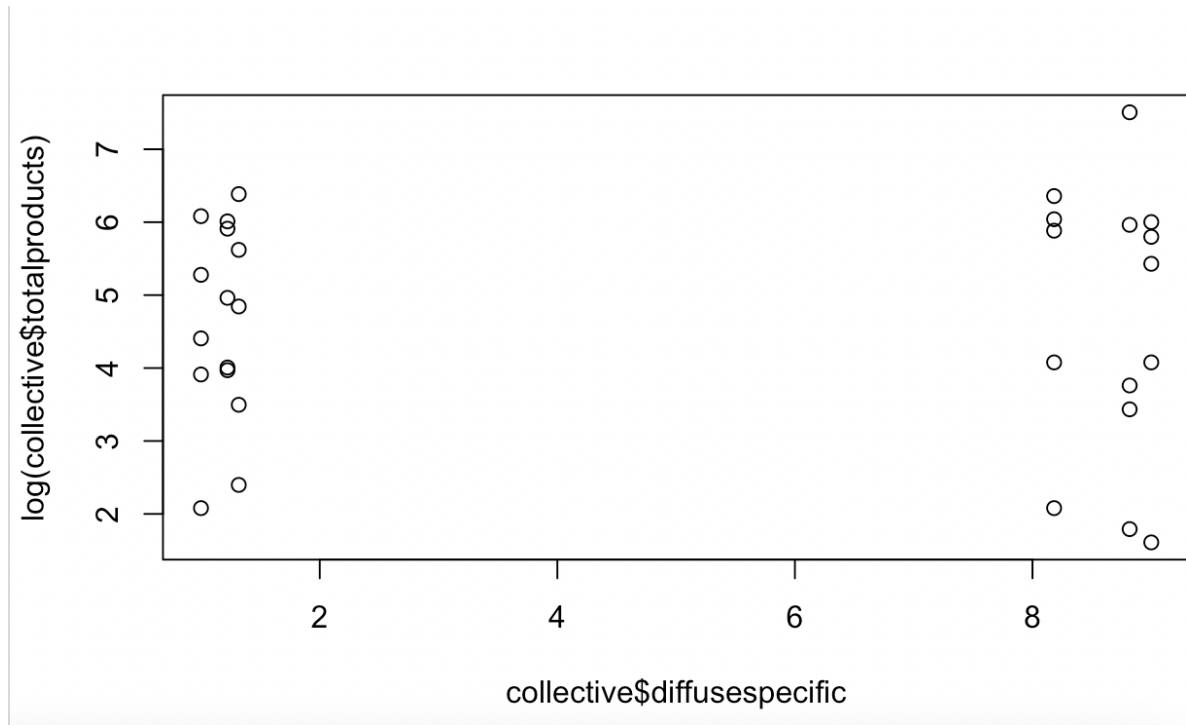
what products companies choose to offer in the countries they operate in. As will be discussed more in the next section, taking advantage of this new knowledge presents companies' planning global expansion an opportunity to take these factors into consideration before launching brand extensions.

Discussion

After having conducted the research on the set of companies and countries, it is evident that there is a significant relationship found between culture and product offerings. Interestingly enough, there is also a significant relationship found between population size and how the specific and diffuse culture variable impacts the product offerings sold in each country by the same company. The implications of these findings are beneficial to companies planning to expand their product offerings in the form of brand extensions as it can be used to help make more informed decisions on which consumers will be more receptive and open to brand extensions, especially those with large product category distances. Taking Coca Cola as an example: in Japan the brand offers 143 products to its consumers including alcoholic beverages and health beverages containing multivitamins among other ingredients to promote longevity whereas in the United States, the brand offers 31 distinct beverages all pertaining to the brand's reputation of sparkling soft drinks. Combined with the results of the generalized mixed model, it can be interpreted that the Japanese consumers diffuse oriented style of thinking allows for Coca Cola to successfully sell brand extensions with large product category distances, as these consumers take into account the relationship they have with the brand and approach the sale of these products from a broader perspective. Furthermore, the large population sizes in both Japan and the United States amplify this cultural effect as seen in the data output in Figure 7 in the previous section.

Although the importance of the cultural variable is clearly shown in the model output, when plotting the total products offered by a company against the specific and diffuse culture variable, the spread of product offerings does not seem as different, as can be seen in Figure 8 below.

Figure 8: Diffusespecific and Population Chart



As some of the companies chosen in this analysis include produce food & beverage, personal care, and cosmetic products, this lack of variation in product offerings seen in the plot above could be explained by differences in regulation of chemicals allowed in products sold in these countries. Focusing on cosmetics alone for example, the European Union has banned or limited the use of more 1,300 chemicals while the United States has done the same for only 11 (The Guardian). This is a staggering discrepancy that can translate to other products such as food, personal and home care products sold in different parts of the world, under the rules and regulations of the respective countries.

Nevertheless, the impact of specific and diffuse cultural differences in how consumers evaluate products and brand extensions and therefore which extensions companies decide to sell to which type of consumer is an important takeaway that will only be further magnified with a larger scope of country and company data.

Limitations

In an ideal world, companies would have an exhaustive list of all of their products or services offered on their websites. The data collection involved in this research is further proof that this is not the case. Navigating through corporate websites for each company in each country to find a thorough list of product categories and products sold in each category was challenging at times due to limited information available to consumers, along with language barriers and differences in website design.

Furthermore, even if overall brand or product information is available, uncovering the true scope of the brand extensions offered in these countries in order to more accurately analyze product category distance, occasionally proved difficult. Consequently, collecting a large number of precise data points for companies in countries across the specific and diffuse cultural spectrum was not very feasible given the resources at hand.

Future Research

Future research on how specific and diffuse cultural differences influence brand extension evaluation from products varying in category distance could be done by involving the consumer. It would be interesting to conduct primary research interviews with consumers from countries ranging along different points on the specific and diffuse cultural spectrum created by Trompenaars. Exploring the attitudes of these culturally different consumers straight from the source would allow the research to bypass any issues in data collection from corporate websites that fail to disclose the full product information.

Building off of the methodology created by Monga in her research titled “Cultural Differences in Brand Extension Evaluation: The Influence of Analytic versus Holistic Thinking,” creating a measure for brand extension category distance, then proposing hypothetical brand

extensions to these consumers and uncovering their attitudes and perceptions, will allow for more knowledge to be collected on the cultural influences in overall cognitive processes.

Ultimately, this analysis on the specific and diffuse cultural dimension opens the doors to many new research questions about cultural styles of thinking and enable real world applications about how brands and marketers can incorporate cultural influence into product extension decisions.

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