

**Customer Relationship Management**  
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**Lecture – 41**  
**Global CRM**

Hello everybody, welcome to the NPTEL Swayam course on Customer Relationship Management; this is Dr. Swagato Chatterjee from VGSOM IIT Kharagpur who is taking this course for you. We are in week 8 and these are the last 2 videos that we will discuss and the topic is basically Global CRM.

This presentation is also made by Mr. Rahul Goswami, my PhD student and that is why I have mentioned his name ; he is a very, the presentation is pretty well made and we will discuss that. Some topics that we have not covered in CRM, but which will also be important in the context of customer relationship management is the customer CRM analytics, the customer relationship management analytics .

Now, CRM analytics the major topics other than the CLV, calculation customer lifetime value calculation; other than that whatever topics comes into, it comes to be interesting is basically the RFM analysis which is called recency, frequency, and monetary customer analysis .

Second is like marketing mix model that, how you can decide that, how much money you will spend on acquisition of the customer and how much money you will spend on the retention of the customer; if you are the person who is budgeting, marketing expenditures. And the third one is basically recommendation engine and market basket analysis.

So, these 3 things I have, along with many other things I have already covered in marketing analytics course, which is given in the spring semester from January onward. Or otherwise you will find the videos; if you search in our NPTEL website, you will find the videos from the first run.

So, you can, you should, means the audience should go and listen to those videos; because I did not want to repeat those videos again, because that will probably curtail the valuable time that we get only 20 hours in this particular case. So, I would strongly suggest that you go and listen to that videos, because those are also important topics under the CRM umbrella .

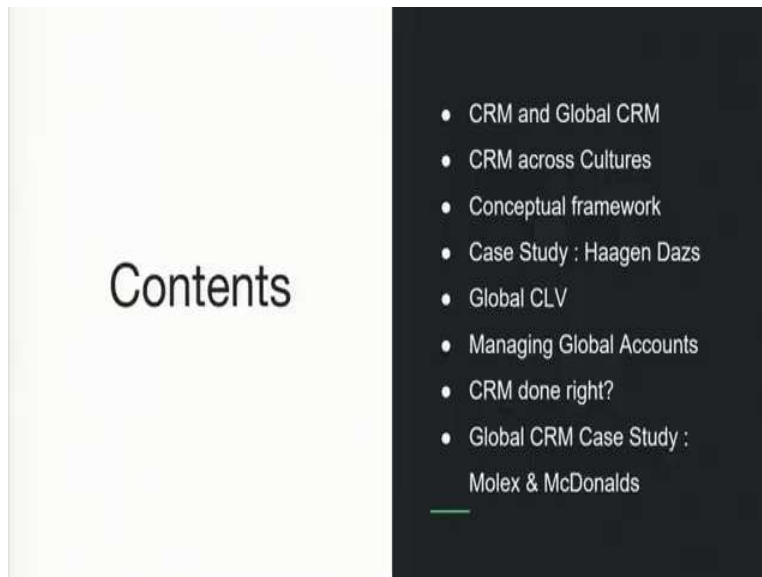
Now, today because we are not discussing the analytics part — today in a very interesting thing that we are going to discuss is CRM in the global context. Now this is something that we will probably not find in normal CRM books.

This is something which is very specific to organization who has that global footprint, either they are exporting to the global world or they have multiple offices in multiple cities and multiple countries and they are collaborating with each other. For example, let's IIT firms, like IBM or TCS who has multiple different kinds of customers.

Now, a customer, a client in Germany and a client in Japan or in the client in USA will have different kinds of preference; because the people are different, their value systems are different.

So, if people are different, their value systems are different; then the customer relationship management has to be different as well. And that is something that we have to embrace, we have to understand carefully and that, in that context this global CRM becomes an important topic of discussion.

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So, today we will be covering this, CRM and global CRM the concept and then CRM across cultures, what is the conceptual framework, certain case studies, and how to manage a global account, how to what is the what are the situations where CRM was done right or wrong. So, mainly case study based discussion with certain conceptual; this is will be the this thing for the next 2 videos.

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## CRM and Global CRM



CRM is the strategic process of selecting the customers a firm can most profitably serve and of shaping the interactions between a company and these customers with the goal of optimizing the current and future value of the customers for the company. (Kumar and Reinartz 2006, 6)

Operationally CRM is : The process for achieving



The diagram illustrates three operational CRM components: 1. Continuing Dialogue with Customers, represented by a speech bubble icon. 2. All Touchpoints, represented by a central blue circle with eight arrows pointing outwards. 3. Differentially Tailored Treatment, represented by a colorful circular arrangement of human figures.

So, what is CRM? CRM is a strategic process of selecting the customers a firm can most profitably serve and of shaping interactions between a company and these customers with a goal of optimising the current and future value. So, current and future value of the customers for the company is something that you want to maximize.

And the process of achieving that is continuing dialogue with customers, we would also discuss this; ensuring all touch points are active and differentially tailored treatment. So, every person is different or as much micro-segmentation possible, you have to do that and based on that you have to take a decision. So, this is basically overall operational CRM is.

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## CRM and Global CRM



GCRM is the strategic application of the processes and practices of CRM by firms operating in multiple countries, or by firms serving customers who span multiple countries, which incorporates relevant differences to CRM Strategies in



Business Practices    Competition    Regulatory Characteristics    Country Characteristics    Consumer Characteristics

to maximize customer value across the global customer portfolio of the firm

Now, what is global CRM? Global CRM is the strategic application of the processes and practices of CRM by firms operating in multiple countries. So, if the firm is operating in multiple countries, this comes into the picture; or by firms serving customers who span multiple countries. So, either the firm itself is in multiple countries or the customers will be in multiple countries, which incorporates relevant differences.


So, what are the various things that are different? Either the business practices are different or the competition is different or regulatory characteristics are different, country characteristics are different or consumer characteristics. So, these are the basic things which are different, and we have to slowly think about how these things are different and what can be done.

Ultimate objective is same, you will again want to maximize customer value; but customer value, the definition of customer value will be very different if the customer is located in one place or customer is located in multiple places.

Or versus you as an organization is located in one place or you as an organization is located in multiple places. In both these cases, the definition, how you define what will be the customer value generation process. That will be very different. How? Let's take some examples.

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Cultures affect CRM



Cultures generate two types of differences : Customer Level and Firm Level

Customer Level

*Every aspect of CRM, from IT and supply chain to marketing and strategy, must be reassessed in a global corporation. IT has to model customers differently across borders, and figure out how to align reporting. Marketers have to know the laws about sharing data. Sales people need to communicate sensitively.*

*(Ward, 2005)*

So, before we talk about these differences; like business practices, competition, regulatory blah, blah, blah. Let's talk about how culture affects. So, culture is something that is different in different places.

So, when we discuss about culture, you have to discuss about **2** cultures; one is the individual culture and one is organizational culture. So, customer-level culture is individual culture and organizational culture. Now you have to also understand; in a service context, not only customer level culture becomes important, but also the employee level culture also is important which is different from the organizational culture.

For example, let's say, I am coming from a background where let's say, there is a non-veg food is not considered to be something bad. Let's assume, there are various people in our country who consume non-veg food and let's say non-veg food is not considered to be anti-environment, anti this, anti that, the thing this is part of the ecosystem.

On the other hand, there is an organization let's say and that organization is run by people, it is a family-owned organization. And in that family-owned organization, the owner of the organization believes that food habits are basically related to whether you are pro-environmental or non pro-environmental . And definition of pro-environment is whether you are having veg food or non-veg food.

Let's say that, he believes that; he or she believes that. And because he is, it is a family-run organization; he thinks that okay these organizations should have this particular culture in it. So, now, if these two people, I as an employee of this organization is trying to serve somebody who is from Germany or USA , where probably non-veg consumption is pretty common.

I will, I as an employee will treat my people, my clients in a different way and the organization will treat the clients as a different way. Because the organization, the whole organization in at

large, has a different belief and I probably do not fit in in this organization might have a different belief.

Now, this is very contradictory beliefs, not always the beliefs are so much contradictory. So, recently we were discussing, we were researching on something called spirituality; that, whether a person, a person is spiritual or a person is religious; a religious person goes to the temple, goes to the, goes to the let's say mosque or church.

And he has certain routine, every day five times he probably go for namaz or every day at a certain period of time he goes to the temple or in his own house does certain pooja etcetera, etcetera. So, this is a religious person; for him the decorum the process is very important.

Let's say, there is another person who is a spiritual person; it can be also a person who is both spiritual and religious, there can be people who can be both spiritual and religious. There can be also people who are either spiritual not religious and either religious not spiritual. All these combinations are possible.

Where a spiritual person is somebody who thinks that there is a God or a superpower that exists outside and we are connected to that and whatever we do, by doing good things, we are trying to basically getting connected with that God or the superpower that is there.

Or whether there is one God or multiple Gods or whatever there is a different story altogether; but he thinks or she thinks that there is somebody outside and we can connect with that somebody outside through our good deeds.

Now, finally, this person probably the behaviour is not so important in terms of the decorum, in terms of the rituals; for him normal prosocial behaviour is something that is enough. Now, if these two, these kinds of people are there in an organization that is an individual employee's cultural or probably personality-related aspects.

Now, the organization itself can have an overall cultural aspect; for example, let's say if it is Ramakrishna mission. Let's say, Ramakrishna mission is a spiritual organization; they allow different kinds of, for our, for ours students, when we were students, we were allowed to have our own religious practice, but it preaches spirituality.

Then there can be another organization which can preach religiousness; now the organization itself might have a culture. So, for example, there are, there might be different kinds of Madrasas. Let's say, where reading the Quran is very important.

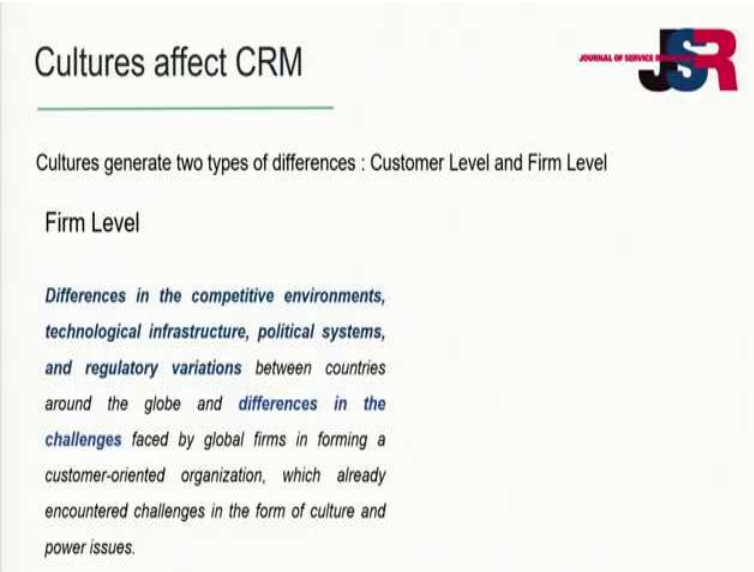
So, they believe that through the procedure, through the procedure you can bring discipline in the life and these disciplines in the life will actually, probably will through that you will be able to connect with the God. So, that particular institutions will have a different viewpoint and these particular institutions have will have a different viewpoint; within a religion also there can be different organizations who have different viewpoints.

So, now an individual can have a different viewpoint. Now, all these when comes together; because service is a human-intensive behaviour. Let's say you and I, I am giving, serving you; I am a doctor, you are a patient, oftentimes what kind of cultural belief you have, what kind of cultural belief I have will impact our decision, how I will give you the service.

Whether how much free I will be, how much, what kind of information I will disclose in front of you; how much information I will not disclose, many things will come into this picture. And if that is the case, then we have to study the cultural aspect both at the customer level and at the organizational level.

Customer level is every aspect of CRM from IT and supply chain to marketing and strategy, must be reassessed in global corporations. IT has to model customers differently across borders and figure out how to align reporting. Marketers have to know the laws about sharing data. Sales people need to communicate sensitively. So, there are various places where the customer culture will come into the picture.

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The slide features a title 'Cultures affect CRM' at the top left, underlined. To the right is a logo for 'JOURNAL OF SERVICE RESEARCH' with the letters 'JSR' in a stylized blue and red font. Below the title, the text reads: 'Cultures generate two types of differences : Customer Level and Firm Level'. Under the heading 'Firm Level', there is a paragraph of italicized text: 'Differences in the competitive environments, technological infrastructure, political systems, and regulatory variations between countries around the globe and differences in the challenges faced by global firms in forming a customer-oriented organization, which already encountered challenges in the form of culture and power issues.'

And firm level culture, it is a difference in competitive environment, technological infrastructure, political systems and regulatory variations and differences in the challenges faced by global firms. So, these are all actually impact the organizational culture.

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**Cultures affect CRM**

**Customer Level**

**Collectivist vs Individualist**

**Designing Websites**

Japanese Web users trusted a local Web site least, were least satisfied, and were least loyal as compared to US, Canada and Germany Web users.

**Repeat Purchase**

A stronger link exist between the human elements of service and sales representatives on repeat purchase intentions for collectivistic cultures compared to the more individualistic cultures.

**Within Individualist**

**Investments in Consumer Relationships**

direct mail does not affect perceived relationship investment in the US

preferential treatment is not effective but interpersonal communications and tangible rewards are effective in all three countries (USA, Belgium & Netherlands)

Now, let me give some examples; the one that I gave just now these two definitions are very broad, let me give some examples. For example, we have a hop state scale five, four scale; there is collectivism or individualism, there is long term orientation, there is masculinity, femininity and there are two other aspects we will come to that.

I think there is indulgence and restraint; whether you do lots of indulge, lots of consumption or not and then fifth point I forgot. So, collectivism individualism I already told.

So, collectivism individualism, let's say this is a cultural definition; oftentimes it has been seen that a western countries are individualistic countries that human, your own need, your own belief, your own comfort matters a lot. And in a collectivist society; you sometimes sacrifice your own comfort, your own belief for the global belief.

Now, whether there is right or wrong, it is a different story; because in some certain cases it has been seen to be right, like individualistic societies can adapt to change, collectivist societies are very cohesive, they do not let themselves change very frequently.

So, for example, in a designing web site context ; Japanese web users trusted a local website least, were least satisfied and were least loyal as compared to US, Canada and Germany Web users. So, because they, the Japanese are basically a collectivist society, in the case of repeat purchases, a stronger link exists between the human elements of service and sales representative on repeat purchase intentions for collectivist culture compared to individualistic culture.

So, in collectivist culture, the human interaction matters more, rather than the performance of the particular product. So, we will see that in our, this thing also, in our India also; when we try to sell something, how good you are communicating, how good you are connected with the person, what kind of personal level of attachment you have that plays a major role.



Along with product quality and service quality, but this thing also plays a very important role and that is something which is very different in an individualistic society.

Within individualistic society what happens? Investment in customer relationships. So, how to do that? You send direct mail does not affect perceived relationship investment. So, you direct mails do not work basically. Preferential treatment is not effective. This is very different from Indian context.

In Indian context or in collectivist context, preferential treatment is something that we love; but here preferential treatment is not effective, but interpersonal communications and tangible reverts are effective in these three countries USA, Belgium and Netherlands.

So, which is very different; here we somebody, somebody gives a preferential treatment in a day to day life that gives you better satisfaction than somebody is giving you certain discounts, certain offers. If everybody gets offered you do not feel good; if you get offered and somebody does not get offered or if you get preferential treatment and somebody does not get preferential treatment that gives you more pleasure. Now, that is very different and which is not the case in the case of individualistic countries.

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## Cultures affect CRM

Firm Level

**IBM Global Services explained drivers of successful CRM in three global geographic areas:**

Americas	EMEA	Asia Pacific
Businesses in the Americas found CRM value proposition development the greatest challenge.	capabilities and risk assessment, customer data integration and data ownership, and process change the greatest challenges in implementing CRM	stakeholder assessment and CRM value proposition development most challenging.

- Process change was very important for successful CRM in all three areas
- Organizational alignment on the CRM priority list EMEA > Americas > Asia-Pacific.

Now, in the firm level, how it is different? Let's say IBM global service explains, explained drivers of successful CRM in 3 global geographic areas. Just check that how the drivers of, successful CRM is different in these 3 places. In the Americas, businesses in Americans found CRM value proposition development the greatest challenge. So, CRM value proposition is one of the major problems here.

In the EMEA; that means Europe, Middle East kind of a situation and Africa I think, capabilities and risk assessment, customer data integration, data ownership and process change are the greatest challenges in implementing CRM.

So, here the process becomes very more important; here what should be the outcome, the value proposition becomes more important when you are trying to implement CRM. Let's say it is a new organization, let's say it is a retail organization and you are IBM and you are asking them to adopt CRM strategies.

IBM has their own tools and etcetera. So, they went ahead and showed them these tools and then showed why don't you adopt it.

Now, IT part is different; another part which is more important than developing the tool is to make people use the tool. Now, these people who are habituated with same kind of probably book keeping and these and that will be not interested to adopt CRM very easily.

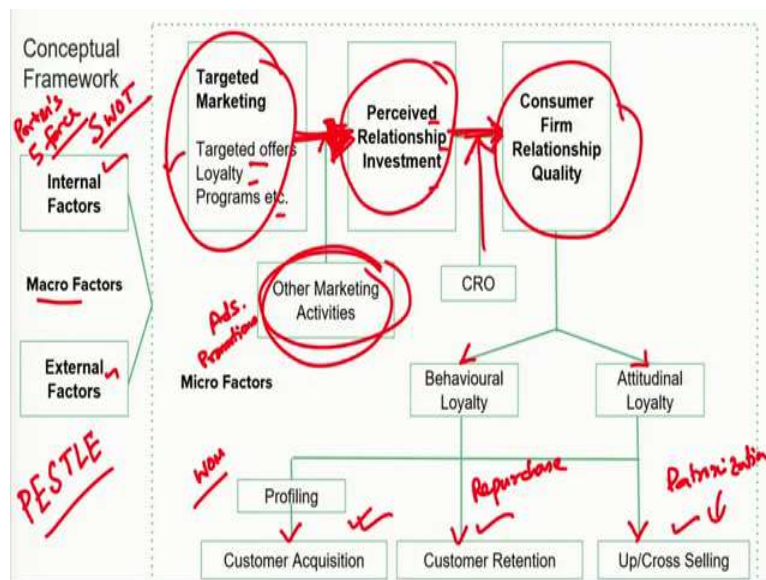
Now, how to make them adopt? In an American context, you can make them adopt by giving a good value proposition. You can say that okay, this CRM will give you this-that, the outcome if you focus on the outcome that makes more important. In a European context or Middle East context, they are very much risk averse.

So, risk assessment becomes more important, the process becomes more important, the data security becomes more important. So, these are the things which are more important. Under the Asia pacific context which is farther east, stakeholder assessment and CRM value proposition developments, most challenging.

So, outcome is more challenging and it, what not how you define outcome, how the stakeholders collectively define the outcome that becomes important.

So, these are very different cultural aspects that can be that, you can see in different CRM contexts. So, process change was very important for successful CRM in all these three areas; an organizational alignment of CRM priority, EMEA gave the highest priority to organization alignment, then Americas and then Asia pacific. Why? Because Asia pacific people are more accustomed; so there is this collectivist thing, collectivist organization. So, they can say that okay if it is organizational alignment is there, then I have no issues.

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Now, what is the conceptual framework? So, the various people have given various conceptual frameworks; we have picked up one. Where we are saying that customer perceived relationship investment will actually lead to customer firm relationship quality; and internal factors and external factors which are macro factors.

Internal factors and external factors, which are macro factors, that is the, that is something that ultimately impacts your micro factors. And the micro factors for what do you do? You do targeted marketing like targeted offers, loyalty, programme; then you perceived relationship investment you try to create and you also try to that leads to perceived relationship investment.

So, this is the relationship basically. And other marketing activities; not only the targeted marketing and it is ads and let's say certain, certain other promotions, these also impacts the effectiveness of this targeted marketing activity.

What it leads to? It leads to perceived relationship investment. And then, the your risk assessment and etcetera will lead to firm customer and firm's relationship quality. So, as you do marketing initiatives and very targeted markets and initiatives also, that will lead to the quality improvement. Now, quality improvement, relationship quality will create two types of loyalty; we talked about this, loyalty can be defined in attitudinal loyalty and behavioural loyalty if you remember. So, attitudinal loyalty and behavioural loyalty gets created. And when that gets created custom, up selling and cross selling happens, customer retention happens and new customer acquisition also happens.

So, this comes from word of mouth, this comes from probably repurchase and this comes from patronization. So, that's what I am trying to say that, even in a B2, in a global context also, this particular thing applies. Now, companies that strive to create value for customers across cultures, face challenges in terms of both micro and macro factors.

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**Conceptual Framework**

Companies that strive to create value for customers across cultures face challenges in terms of both macro and micro factors.

**Macro factors** involve differences that affect entire countries or regions.

**Internal factors** : management objectives, corporate culture and country-specific strategies of the company

**External Factors** : Trade barriers and government regulations, Country characteristics :  
Market size and growth • Political environmental • Economic and market infrastructure •  
Consumer characteristics : Culture • Consumption habits

 McDonalds have adapted their menus and their positioning of various elements of the marketing mix to the largely vegetarian population in India.

So, these macro factors are very different in different countries. How to define macro factors? If you remember this is basic marketing first years context, which is what we do is PESTLE; political, economical, social, technological, legal. and environmental factors.

We also do SWOT for internal factors, SWOT analysis or Porter's 5 forces; these are the two analyses, just go and search about them, I will not cover this year, because these are a marketing strategy basic courses, basic topics. Just go and read about what these things are, but these are suffering internal factors and external factors and they are very different.

The legal or environmental laws in India and the legal environmental laws in Europe will be very different; the sociocultural issues in India, the sociocultural issues in other countries will be very different. So, you being the same company; if you try to serve in multiple countries, you can face different kinds of situations.

Macro factors involve differences that affect the entire country or region. Internal factors are management objectives, corporate culture and country-specific strategies of the company. And external factors are trade barriers, like the one just I told PESTLE, these are certain external factors. One easy example is McDonalds. So, McDonalds when they came to India, McDonalds is a burger company, okay. So, burgers, first of all they generally sell beef burgers. Now, beef burger is something which is not at all accepted in India. So, what they did is, they came up with some chicken burger or some mutton burger something like that.

Now, they also found that in India there is a huge proportion of people who are non-veg — who are veg and who do not even touch non-veg food. Now, for that there was Maharaja Tikki, Tikki burger and etcetera came in. So, Maharaja Tikki burger is Maharaja term is associated with the India; by telling this particular line you are specifically saying that this particular market is made for India and then it is a veg burger basically.

So, McDonalds have adapted their menus and their positioning of various elements of marketing; means this is the only product, the price, the promotion and etcetera to largely vegetarian population of in India they focused on. And that is a very, now, McDonalds is present in many countries; in other countries they don't do that.

But India is a big country, they know there is a huge customer base possible and if they can enter here; they have to adapt to India's cultural background. So, that is what they did, which is a classic case of how external factors impact your marketing decisions.

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The slide is titled "Conceptual Framework" and features a logo for "JOURNAL OF SERVICE RESEARCH" in the top right corner. The logo consists of the letters "JSR" in a stylized, overlapping font, with "JOURNAL OF SERVICE RESEARCH" written in smaller text above it. The main content of the slide is a list of four bullet points under the heading "Micro factors involve individual consumers within those countries or regions."

- Targeted marketing activities of the firm directly affect the perceived relationship investment with the consumer.
- Traditional marketing activities such as advertising and distribution are designed from a segmentation paradigm not a customization paradigm.
- These affect the consumer's familiarity with the firm's brands and should thus moderate the effect of targeted marketing activities on perceived relationship investment.
- Customer relationship orientation moderate the effect of perceived relationship investment on the quality of the consumer-firm relationship

What are the micro factors that can impact? Micro factors involve individual consumers within those countries or regions that I just told. For example, let's say, in India I am talking about one single customer rather than so many customers. And how to tackle one single customer? You can do targeted marketing ads. So, targeted marketing activities of the firms directly affect the perceived relationship investment with the customer.

Traditional marketing activities such as advertisement and distribution are designed for a segmentation paradigm not a customization paradigm. So, this is something that you can also do. These affect the customer's familiarity with the firm's brand and should thus moderate the effect of targeted marketing activities on perceived relationship value.

And customer relationship orientation moderate the effect of CRO as I told, relationship affect, moderate the effect of perceived relationship investment on quality of the customer relationship. So, this is what I just told that, you can do targeted marketing activity, you can do other marketing activity; this will moderate the effect here and this will further impact here, which will be moderated by the relationship CRO, which is the effect, the customer relationship orientation.

So, these are some of the broad customer framework, conceptual framework of these particular concepts.

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Conceptual Framework



- Higher quality of the consumer-firm relationship would lead to higher levels of both behavioral and attitudinal loyalty,
- Those higher levels of behavioral and attitudinal loyalty would lead to greater profits through effective customer retention and increased customer value through cross-selling and up-selling.
- Profiling based on behavioral and attitudinal loyalty would also lead to more effective customer acquisition



Haagen-Dazs's positioning strategy in China as the luxury brand of ice cream for adults is an example of utilizing micro factors to position effectively the brand for its target segments in that country (Kotabe and Helsen 2001)

And then higher quality of customer firm relationships will lead to higher levels of both behavioural and attitudinal loyalty as I just told. Those higher levels of behavioural and attitudinal loyalty would lead to greater profits through effective customer retention, increased customer value through cross selling.

So, these are some of the things that will happen. And profiling based on behavioural and attitudinal loyalty; profiling means segmentation will lead to more effective customer acquisition. How? Let's take the example of Haagen Dazs. So, Haagen Dazs positioning strategy in China as the luxury brand of ice cream for adults is an example of utilising micro factors to position effectively the brand for its target segments in the country. So, ice cream is generally sold to kids, that is a target segment; because kids or youngsters like it.

But here we are creating a luxury brand of ice cream which is targeted towards the adults and not the kids and that is and they utilize the micro factors like; like customers own preference to this particular thing, how much, what kind of benefits I give, what kind of advertisements I do which will ultimately lead to.

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**Haagen Dazs in China**

**Challenges for Haagen Dazs in China**

China's emerging middle classes were being exposed to Western based dairy-based foods in around 1980's. (Most of the Chinese are lactose intolerant and few consumer dairy)

American annual per capita consumption of ice cream around 1980's was 9 kg whereas, Chinese consume fruit as a dessert.

Compared to western countries Chinese have a relatively low per capita income during the 1990s, the Chinese population was known to be extremely price sensitive

Despite of these challenges Haagen-Dazs decided to take the huge societal and cultural risk and set up operations in mainland China.



So, what are the challenges of Haagen Dazs in China? China is emerging middle class were being exposed to western based dairy based foods in 1980. So, from 1980s onwards China was slowly opening up, which happened 10 years later in our country and we were also slowly opening up to the global world. So, most, so that is why the middle class was beginning exposed to western based dairy food products.

Most of the Chinese are lactose intolerant and few consumers dairy. So, this is something which is a very challenging, huge challenge; that if the individual, it is not related to the culture, it is the individual's problem. It is if they are lactose intolerant; then what will you do?

American annual per capita consumption of ice cream around 1980s was 9 kg; whereas consumer, Chinese consume fruit as dessert, rather than ice cream. So, there was a huge scope, but there was a very huge barrier as well.

Compared to western countries, Chinese have a relatively low per capita income during 1990. So, that is also a challenge and the Chinese population was known to be extremely price sensitive; now this is a cultural aspect. This is this might be an internal factor, but this is a cultural factor.

Despite of this challenge, Haagen Dazs decided to take a huge societal and cultural risk and set up operations in mainland China.

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## Haagen Dazs in China

**Consumer Characteristics of Chinese Consumers**

A lot of importance → how they are perceived by peers and their society.

The central cultural principle of 'saving face' governs many of their daily actions.

Face acts as a driver for the growth of luxury goods in China and Chinese use luxury products to demonstrate their status and economic success.

Chinese consumers have a deep appetite for luxurious brands → Especially for people with newly created wealth.

Chinese consumption of luxury brands will account for 60% of global demand by 2020.

So, what did they do? Consumer characteristics of Chinese consumers; they give a lot of importance on how they, how they are perceived by peers.

So, here in this kind of a situation, what the other people tell about you, the social norm or I would not say, only the social norm; the social viewpoint, because very important to you, you would rather want to be looked good by other people than whatever you want to do on your own. .

So, that is a very important thing which is very different in individualistic culture, where you give your value systems, your own, I would say opinion, huge importance — in Chinese context, other peoples' opinion become more important. So, your social identity is bigger identity than your self-identity.

So, if that is the case, the central cultural principle of saving face governs many of their daily actions. So, they want to show that they are saving, they are saving money. So, face acts as a driver, this face acts as a driver for the growth of luxury goods in China.

And Chinese used luxury products to demonstrate their status, so, and economic success. So, they want to show that okay I am a person who is successful and etcetera. So, this is something that actually tried slowly opening up and creating an opportunity for the luxury products.

So, Chinese consumers have a deep appetite for luxury brands, especially for people with newly created wealth. And why newly created wealth was getting created? You see from 1980s onward as China was liberalising a little bit, the income inequality was also going on; if we check the curve of Chinese economics, though it was it says that okay everything we do in the in the domain of consumerism and in the domain of capitalism and then what is the communism and etcetera.

But what happened is that, the income inequality went up; obviously the poor, poverty went down, because poor people got shifted up, but income inequality was still there. And the more the income



inequality and the more this kind of cultural background is there, that I want to be shown to be wealthy or highly praised by other people; I want to show off by buying luxury products.

And that is, this is, this kind of behaviour is not only common in China, many other countries in and around China will probably show this kind of behaviour.

Chinese consumption of luxury brands will account for 60 percent of global demand by 2020. So, this is something which becomes an external factor, which makes it an interesting point for Haagen Dazs to focus on this particular country.

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**Haagen Dazs in China**

Positioning by Haagen Dazs

Haagen-Dazs decided to direct the brand to satisfy Chinese demand for luxury goods that act as obvious markers of economic status.

McKinsey pointed to growth of luxury services > luxury products in China.

Haagen Dazs entered China as luxury product brand but repositioned itself as luxury service brand.

Other Ice Cream brands positioned themselves as Ice Cream brands whereas Haagen Dazs positioned itself as Western Icons of Luxury.


Vice President of the company's Asia-Pacific operations, told reporters in 1998: "What Rolls-Royce is to cars... Haagen-Dazs is to ice-cream."

So, what how did the position? Say decided to direct the brand to satisfy Chinese demand for luxury goods that act as obvious markers of economic status. So, McKinsey pointed out, pointed to growth of luxury services is greater than low growth of luxury products. So, China will focus on services more. So, Haagen Dazs entered as a luxury product brand, but repositioned itself as a service brand. That is what they did. So, they came up initially as a product; when like you sell ice cream, but then they repositioned as a service brand.

So, what other Chinese meant was positioned themselves as ice cream brands; whereas Haagen Dazs positioned itself as Western Icons of Luxury. Other ice ice-cream brands positioned themselves as ice cream brands only; what these guys positioned themselves as a Western Icons of Luxury, they didn't focus on the ice cream part, but the luxury part they focused on.

So, Vice President of the company's Asia Pacific operations, told reporters in 1998 that "What Rolls Royce is to cars, Haagen Dazs is to ice cream." That is how they positioned themselves not as a utilitarian product or an idyllic product, but a luxury product, so which is a very different positioning.

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Marketing Mix	
<b>High Quality Ice Cream</b> Chinese food culture : Green Tea Flavour Culture Tradition focus : Moon Cakes as Gifts Ice Cream hot pots as a Traditional Chinese Meal	 <b>High End Cafe's</b> Ice Cream Cafe's : Chinese consumers prefer ice cream as a dining experience in a well decorated shop. Focus on High end real estate, all imported products, and local cafe managers.
<b>High End Promotions</b> Focus on Indulgence, <u>affordable luxury</u> and intense sensuality in a manner appropriate to Chinese culture. Company invested heavily to create brand awareness and a premium brand image	<b>Super Premium Pricing</b> Chinese consumers crave exclusivity, image and prestige. A higher price with an established brand name delivers all that.

So, what kind of marketing mix they took? First of all, the product is high quality ice cream, Chinese food culture was based on guys' food culture — the green tea flavour was very common. And based on Chinese cultural traditional foods, moon cakes as gifts they came up, ice cream hot pots as a traditional Chinese meal was also being encouraged. So, this was their product. And in the service part what they do? They came up with a high end cafe. So, this is the convenience part I would say.

Product, price, place — so, the place part is this. So, ice cream cafes. So, Chinese consumers prefer ice cream as a dining experience in a well decorated shop. So, they went to a very fancy kind of a cafe. And focus on high end real estate, all imported products and local cafe managers; the cafe manager will be local, but everything else will be very, very posh.

What kind of promotional strategy they take? They focus on indulgence, affordable luxury, — *affordable luxury*; so this is something that is important. You will show luxury, but that has to be also accustomed with affordability; because Chinese people's only people who will like this, is the people who have just now got wealth.

So, that kind of people if you are targeting, you cannot be very luxurious; affordable luxury is something that you have to focus on and intense sensuality in a manner appropriate to Chinese culture. On the other hand company investment heavily to create brand awareness as a premium brand image. So, they did lots of ads, lots of I would say positioning initiatives have been taken to improve the brand image.

And what was the pricing strategy? Customer's Chinese consumers crave exclusivity, image and prestige. So, a higher price with an established brand name delivers all that. So, that is what they give, not a very high price; because affordability was an issue, but much higher than the existing brands and that helped Haagen Dazs a lot.

So, I will stop here in this particular video and in the next part, we will come up with other case studies, in which we will discuss about how various companies have focused, repositioned and marketed themselves in that global CRM context .

Thank you very much for being with me in the video, see you in the next video.