This article investigates separate cases of marketing blunders committed by prominent multinationals in Japan. Examined are General Mills, Avon Cosmetics, Simmons Mattress, Procter and Gamble, General Motors, Ford Motor, and Chrysler. A pattern of fundamental blunders is revealed that is common to all. This pattern and the lessons it suggests for management are discussed in detail. Suggestions are offered on how marketing blunders can best be avoided, in general, by firms seeking to sell in international markets.

This article addresses marketing failures of prominent American firms in Japan. It is based on actual blunders committed by these companies over the last 30 years. Most popular business writings concentrate on firm successes, in part because such information is readily available from companies seeking positive publicity. But unless success stories are truly extraordinary, they tend to be forgotten and consequently, little of value is learned. Indeed, studying the mistakes that companies commit is useful because of the invaluable lessons that emerge. Ricks (1983) has uncovered many such cases in dozens of foreign markets in areas such as packaging, translation, market research, and especially regarding adaptation of the “four Ps” of marketing strategy—product, distribution/place, pricing, and promotion.

Similarly, the focus of the present study is on international marketing. Because it is the conduit through which the firm interacts with its world, and because it is the function over which local managers usually have the greatest control, marketing, when handled skillfully, is perhaps the most important success factor for companies operating in foreign markets. The objective of this article is to examine marketing mistakes abroad to see what can be learned, in the hope that internationalizing firms today can avoid the problems that have plagued others in the past.

In this study, company ventures were chosen that reflect a variety of product types and cases representing some of the more egregious examples of marketing blunders by American
firms in Japan. Prominent companies were chosen because they tend to be more active overseas and because detailed information on larger firms is more readily available. Data were obtained from published company histories, journal and newspaper articles and, when possible, through interviews with executives involved with the cited firms. Every effort was made to verify the accuracy of information reported, with multiple sources used wherever possible. The chosen companies were General Mills, Avon Cosmetics, Simmons Mattress, Procter and Gamble, General Motors, the Ford Motor Company, and Chrysler. The last three firms were treated collectively as “the Big Three” automakers. These companies represent a cross section of multinationals handling a variety of product types. It must be noted that these firms are all American and, as conditions in the United States—including the large size of the U.S. domestic market—are often substantially different from those in other countries, lessons drawn from U.S. firm experiences may not be consistently relevant to the needs of companies in other countries. Nevertheless, the examples presented and the problems encountered are relatively generic, and the lessons that emerge are fundamental—they should apply to most firms in most markets around the world. Moreover, it must be emphasized that the focus of this article is on the marketing of consumer goods. Given that the marketing requirements for consumer goods may be substantially different from those of industrial goods (e.g., Campbell and Cunningham 1983; Hakansson 1982), the findings of this article should be viewed accordingly.

Japan was chosen because it possesses a culture and business infrastructure that are different in the extreme from those of most other countries, thereby providing numerous salient examples. Moreover, it is often said that firms which can make it in Japan can make it anywhere. Therefore, the article should provide suggestions having universal application. Finally, Japan is the second largest consumer market in the world and should be of interest to any company about to expand overseas.

The article starts off with case histories of some of the more infamous marketing blunders by American firms in Japan. These cases are examined for common patterns of marketing failure. It then concludes with an extensive treatment of managerially relevant implications that, it is believed, are fundamental to success in not only Japan, but in most countries around the world.
As the U.S. market for cake mixes began to mature in the early 1960s, General Mills, the originator of Betty Crocker brand cakes, turned its attention to Japan. With its standard of living rising rapidly and displaying a penchant for Western goods, Japan seemed a logical target. Moreover, early market research revealed that the Japanese never made cakes at home—they always bought them from bakeries and sales of Western-style cakes were on the rise. This fact suggested the emergence of an opportunity for General Mills to make a killing in Japan’s huge, family-oriented market.

There was, however, one major technical problem to overcome: the vast majority of Japanese households had no oven. General Mills perceived this as the reason Japanese housewives were obliged to buy expensive ready-made cakes—they simply had no way of preparing them at home. Management assumed that the devoted mother and wife might therefore find great pleasure in making her own cakes and, in the process, save money for her family. Searching around to overcome the technical impasse, General Mills hit upon the one appliance found in every Japanese kitchen: the electric rice cooker. Immediately, the company set to work and soon developed a cake mix that could be used in the rice cooker. In subsequent test marketing, Japanese housewives gave the resulting cake very high ratings. After naming the product “Cakeron” (a Western sounding name intended to distinguish the cake from local brands), General Mills thereupon launched it in Japan.

At first, local retailers quickly stocked up on Cakeron and all seemed to go well. However, it soon became apparent that the new product was not getting repeat sales. The Japanese housewife was clearly resisting the Cakeron concept. It was at this stage, well into the launch, that General Mills decided to conduct focus group sessions with Japanese consumers in an attempt to unravel what was going wrong. Two major problems were quickly revealed. First, in Japan, rice is often eaten at every meal and hence, the housewife usually makes enough rice at one time to last through three meals. When not being used, leftover rice is often stored in the cooker. This meant that the rice cooker in the typical Japanese household often had rice in it throughout the entire day. Consequently, using the device to bake cakes proved inconvenient.

Second, not only is rice the main staple of the Japanese diet, it is also considered a sacred food, possessing numerous symbolic qualities and traditions that date back thousands of years. Newly cooked rice may be seen as reflecting the core of Japanese civilization itself: pure and unadulterated by things foreign. For the average housewife, the daily cooking of rice is like an age-old ritual, sacred and purely Japanese. Thus, prob-
lems arose when, in the process of preparing Cakeron, housewives discovered that the mix could leave a cakey aftertaste of either chocolate or vanilla in their sacrosanct cooker. Consequently, homemakers throughout Japan rejected the new product as a contaminator of the sacred rice. Later, one pundit compared the act of a Japanese making a cake in her rice cooker to that of an English housewife making coffee in her teapot—it simply isn’t done. As a result, General Mills soon realized its error and withdrew Cakeron from the Japanese market (Fields 1983; Fortune 1981).

In the 1990s, Betty Crocker is still relatively unknown in Japan. Indeed, a General Mills official reported that the company, which also offers a broad line of breakfast cereals, has no sales force and no formal operations there. Its Japan presence is limited to indirect exporting via local distributors.

At various times, Avon has been the largest manufacturer and marketer of cosmetics in the world. The company first entered Japan in 1969. During its first four years there, Avon could not turn a profit. This was partly the result of failing to adapt its marketing and product offerings to the needs of the Japanese market. To begin with, when the Japan subsidiary was first established, a sales force was organized in the traditional Avon way that had worked so well in America and in the dozen other countries in which the firm did business: door-to-door sales by local, commissioned housewives.

However, this approach soon fell apart because, first of all, the average Japanese housewife is very reluctant to sell products to total strangers. Second, Japan is a crowded place and the home is considered a private refuge—it is unusual for Japanese to accept strangers into their homes in the same way Avon ladies are welcomed in the West. Finally, Japanese are characteristically timid with strangers, and any such encounter may be fraught with fear that one of the parties—buyer or seller—will lose face or suffer some embarrassment. Therefore, the Avon lady in Japan proved less aggressive and less outgoing than her counterpart in the West (Consiglio 1992; Kraar 1976). This basic difference in culture almost led to Avon’s undoing in Japan. Eventually, the company overcame the problem by assigning each saleswoman’s territory as her own neighborhood and social group, a milieu in which she already knew her customers or could get to know them easily (Consiglio 1992; Kraar 1976; Salmans 1979). Avon’s then-manager in Japan reports that modifying the company’s sales territory strategy in this way to conform with local standards of social behavior played a large part in the firm’s ultimate success in Japan (Hemus 1984). To help overcome the innate shyness of sales people, Avon began offering large “beauty class”
meetings, where it dispensed product information and pep talks (Kraar 1976). The firm also tried other approaches to distribution such as direct marketing and direct mail - innovations not previously applied in Avon's other markets - which helped the company further penetrate Japan's complex consumer market (Consiglio 1992; Hemus 1984; Holden 1990).

At the outset in 1969, Avon attempted to launch its dominant range of products that enjoyed high popularity in the United States. These were make-up, fragrances, bath additives, skin care products, costume jewelry, and gift and decorative items. However, at the time, nearly 85 percent of cosmetic sales in Japan was dominated by just three categories: skin care, make-up, and hair care (Hemus 1984). Fragrance, while a huge business in the West, holds little appeal for the average Japanese. There are several reasons for this, which, if Avon had done its homework, would surely have surfaced. First, Japanese men usually do not approve of their wives wearing perfume; it has negative connotations for them. Indeed, the women in Japan who wear perfume are often associated with the “night business”—bar hostesses, prostitutes, and the like. Second, Japan is an intensely humid country, and hot much of the year. Under these conditions, a scent may become overly strong, and Japanese, evidently unbeknownst to Avon, find strong scents a bit overwhelming. Third, scents that appeal to women in the West are just as likely to offend in the East; Japanese women have their own set of tastes (Salmans 1979). To counter these problems, Avon conducted extensive local market research and invested heavily in R&D. These approaches produced a line of seasonally oriented products much more in tune with local needs (Salmans 1979; Hemus 1984).

Another misfire for Avon was bath additives. In Japanese households, bathing follows an age-old ritual. In short, while most Japanese bathe everyday, the tub is not used for washing; it is used for relaxing. Bath water is constantly retained at a high temperature, with family members taking their turn in the tub or bathing together with small children. As part of the ritual, each family member always washes before entering the tub. As the same water is eventually shared by all, it is considered unacceptable to use soap, shampoo, and other such additives in the tub. This practice is so ingrained in Japanese culture that the fact that Avon attempted to launch such a product indicates a failure of market research.

In the West, Avon is sometimes associated with popular prices that offer good value for the customer's money. Popular pricing has worked well in many of its markets around the world. But not in Japan. For example, in the past, with a view to increasing market share, Avon has lowered prices on some of its key Japanese offerings. Simon Hemus, the firm's former marketing
manager in Tokyo, reported that this approach had exactly the opposite of its intended effect—sales were negatively impacted. Later research revealed that the Japanese are very attuned to product quality and are willing to pay dearly for it. Whenever they encounter a good whose price is significantly lower than competing items, the Japanese usually assume the quality is poor. Thus, with so many other higher-priced brands on the market, Avon’s image suffered. Moreover, because image impressions last a long time, the company’s long-term sales were hurt as well. Avon subsequently raised its prices to bring them more in line with the firm’s desired image. Ultimately, through painstaking effort, Avon did succeed in Japan, capturing by 1989 a three percent share of the total market. However, in 1990, the firm sold its Japan business to a local company (Holden 1990).

The Simmons Mattress company currently enjoys substantial sales in Japan, but it wasn’t always this way. Historically, the Japanese had always slept on futons, usually in a room that doubled as living quarters by day. Undeterred by this fact, Simmons sensed the Far East’s trend to Westernization; and so, back in 1964, the firm decided to begin making and selling its beds, mattresses, and boxsprings in Japan. Unfortunately, by 1967 Simmons found itself in trouble with the government, and had not yet turned a profit (Sales Management 1967).

The first problem was that demand in Japan turned out to be less than expected. For one thing, ingrained habits like sleeping modes are based in culture and hence, change very slowly. By 1967, fewer than 15 percent of Japanese were sleeping on Western style beds (Sales Management 1967). Additionally, rooms in typical Japanese houses are usually not big enough to comfortably accommodate large-sized Western style beds. The situation was much worse in the small apartments in which the vast majority of Japanese lived in the 1960s. Simmons failure to adequately recognize these conditions nearly killed its Far East business.

Other problems arose in sales and distribution. In Japan in 1967, there were about a dozen domestic bed manufacturers competing for what was already a small market. As with most other industries there, these firms were closely allied with retailers and distributors in ways that virtually excluded foreign access. Japanese suppliers and retailers are bound to each other through a deeply imbedded sense of obligation known as on and the intense desire to maintain societal harmony, known as wa. For a Japanese to switch suppliers in a manner that disregards on and wa is to incur great dishonor and embarrassment. Thus, owners of Western-style hotels, condos, or other housing almost always gave their business to the compatriot
supplier to whom they owed a favor, no matter what Simmons offered (Ricks 1983; Sales Management 1967). This impasse was further complicated in the 1960s by escalating Japanese fears of an invasion by Western manufacturers. Indeed, Simmons sales activities became so aggressive that for some time the Japanese government considered sanctions against the firm (Sales Management 1967; Train 1981).

Consequently, Simmons had no choice but to create its own sales channels. In the beginning, the company hired and trained a sales force consisting of eight Japanese men. However, sales failed to materialize for reasons that became clear only several weeks into the new program. It seems that none of the salesmen could attest to the benefits of Simmons products because none had ever slept in a Western style bed (Ricks 1983; Sales Management 1967; Train 1981). In a market where people had had a particular sleeping mode for thousands of years, potential customers were unwilling to switch to a totally new concept that the seller hadn’t tried himself. Once this problem was corrected, another arose that was related to Japan’s strict class system. Simmons had discovered that many of its potential customers were Japanese who had acquired Western tastes and typically belonged to the upper class. Unfortunately, none of the company’s sales staff could call on these clients because they all came from lower classes. In fact, if a salesman called on someone of a higher class, there was a good chance the customer would be insulted (Ricks 1983; Sales Management 1967; Train 1981).

The next obstacle was in pricing. Simmons had bought and staffed concessions in major Tokyo department stores, but sales soon floundered because its products were way overpriced. In advertising, the company bypassed television, by far the best medium in Japan for increasing awareness of new products. Indeed, largely due to its misunderstanding of the local market, Simmons applied numerous untraditional approaches, all with little success (Ricks 1983; Sales Management 1967). This series of blunders reduced the likelihood of converting the locals to mattresses and nearly forced the firm to leave Japan. Eventually, Simmons downsized its Japan operations, entrusting its sales there to a local licensee.

P&G formally entered Japan in 1972 through a joint venture with Nippon Sunhome, a minor player in the local soap industry. P&G’s initial problems began with its Japan launch of its laundry detergent, Cheer. The Japanese soon discovered that Cheer didn’t produce many suds if fabric softener was added to the wash. This was at a time when fabric softener had become very popular among Japanese housewives (Swasy 1993). To make matters worse, P&G’s local advertising empha-
sized, as it had with great success in the West, that Cheer was effective in all water temperatures. The problem, as the company soon learned, was that Japanese housewives wash clothes in cold water, usually straight from the tap. Consequently, they didn’t care about all-temperature washing. The formula that had worked so well in America was a failure in Japan (Huddleston, Jr. 1990; Swasy 1989). To better suit local conditions, P&G subsequently reformulated Cheer so that it wouldn’t be affected by fabric softeners and advertising was changed to emphasize Cheer’s cleaning power in cold water, not all temperatures. P&G officials noted that the detergent later became one of their best-selling products in Japan (Swasy 1993).

In another incident concerning Camay soap, P&G, having had much success with a particular television ad in Europe, decided to run the same campaign on Japanese TV. In the ad, a woman is taking a bath when her husband suddenly walks into the bathroom. She begins telling him about her new beauty soap and how it produces great lather. But the husband, stroking her shoulder, reveals that it isn’t suds that’s on his mind. As P&G chairman Edwin Artzt later reported, the company found that Japanese consider it bad manners for a man to intrude upon his wife. Moreover, Japanese attitudes toward sex are distinct from those of consumers in the West, and consequently they didn’t consider the ad funny either (Huddleston, Jr. 1990; Swasy 1989, 1993). Later, the company ran Camay ads showing men approaching women and telling them how lovely they look. But in Japan, men simply don’t do that kind of thing, and these ads flopped as well (Huddleston, Jr. 1990; Swasy 1993). P&G conducted marketing research and quickly redesigned the ads to make them conform with local sensibilities. The approach paid off as the company’s more recent ad campaigns have proven quite popular (Swasy 1989).

Later, P&G fumbled again on the Japanese launch of Pampers brand disposable diapers. Initially the firm introduced the bulky and shapeless Pampers version that had sold so well in the United States. However, market research subsequently revealed that Japanese mothers change their babies’ diapers more than twice as often as Americans (Huddleston, Jr. 1990). Moreover, unlike young families in America, the Japanese tend to live in tiny apartments (often less than 500 square feet) and so have very little extra space to store bulky items such as American-style diapers. In short, with so little storage space and so many changes per day, what Japanese mothers need are thin diapers that are easy to store and use. Eventually, the company redesigned Japan Pampers along these lines and ultimately became the market leader (Freeman 1990; Swasy 1993). Indeed, P&G cites its experiences with Pampers in Japan as one of its biggest lessons in the importance of tailor-
ing products to suit actual needs of local consumers (Freeman 1990).

Currently, with nearly $1.5 billion in sales, Japan is poised to replace Germany as P&G’s biggest foreign market. But it took ten years and nearly $300 million in lost profit and sales for the firm to learn how to succeed there (Huddleston, Jr. 1990). As chairman Artzt recently confessed, P&G “stormed into the Japanese market with American products, American managers, American advertising, and American sales methods and promotional strategies” (Freeman 1990). The approach proved disastrous. Eventually the company had to learn to adapt products and marketing style to Japanese culture. Indeed, according to Artzt, the company eventually succeeded in Japan because it came to truly understand the country regarding its customers, trade, culture, and key competitors—P&G Japan now thinks and acts like a Japanese company (Freeman 1990; Freeman and Kilburn 1988).

In Japan, American automakers have finally begun to make inroads after many years of failed attempts and escalating trade frictions. Since 1993, vehicle imports from the Big Three (GM, Ford, and Chrysler) have enjoyed substantial growth (Boone, 1994). Increases are attributable in large part to five factors: (1) the Japanese yen has sharply increased in value, making U.S. goods significantly cheaper for Japanese consumers; (2) the Big Three have, at the same time, substantially reduced the Japan pricing of many of their models; (3) for the first time, a few of Detroit’s products are now being offered with steering wheels installed on the right-hand side, reflecting actual driving conditions in Japan; (4) in a country where gasoline sells for nearly $4 a gallon, the automakers are finally offering a larger selection of smaller cars that get better gas mileage and, overall, are better suited to Japanese road conditions; and (5) Detroit is establishing domestic shops for repair and maintenance of American cars (Boone 1994). Yet in spite of these gains, the Big Three have not yet managed to capture even one percent of the Japanese car market. In contrast, European car companies, smaller and possessing fewer resources than Detroit, have captured more than seven percent, proving that it can be done.

The Big Three were active in Japan from the 1920s, but were forced to pull out with the approach of World War II. Following the war, the Japanese government erected a wall of tariff and non-tariff barriers that greatly hindered U.S. companies’ attempts to enter the local market. The situation began to loosen in the 1960s as the economy improved and foreign governments demanded greater access. While auto import quotas were eliminated in 1965, major vehicle customs duties were
not removed until 1978 and the certification procedure for imported cars was rather complex until 1982 (Japan Automobile Manufacturers Association 1989). The Japanese government meanwhile did not allow American firms to form domestic ventures with local companies until 1972. All of these obstacles were further compounded by Detroit's higher production costs, relative to those of their Japanese competitors. Finally, Japan long enjoyed substantial advantages deriving from lower cost of capital, lower commodity and other taxes, higher productivity levels and, until 1985, highly favorable exchange rates.

Consequently, many of Detroit's problems have been clearly traceable to protectionist foot-dragging by the Japanese government and to idiosyncrasies of Japan's culture and business infrastructure. However, other obstacles were just as surely made in Detroit, the result of inadequate market research and marketing efforts by the auto-makers themselves. Indeed, the most striking indicator of this is the Big Three's failure, until 1993, to supply vehicles with right-hand drive steering (RHD) in spite of the fact that the Japanese have always driven on the left. This is a classic case of firms failing to adapt a product, in a very fundamental way, to the needs of the market. In Japan, there are numerous domestic and European manufacturers all supplying cars with the requisite steering design. Given all these choices, it's no wonder few Japanese even consider buying American. Management in Detroit would no doubt consider a foreign firm's attempts to sell a RHD product in the United States a disaster of product design and ridiculously insensitive to local needs. Yet this is exactly what the Big Three have been attempting to do in Japan throughout almost their entire history there.

There are several reasons why attempting to sell LHD cars in Japan is unlikely to succeed. First, Japan is a land of narrow streets and congested highways. Thus, driving a car from the left-hand seat is inconvenient and frequently even dangerous. Second, freeways in Japan are overbuilt with toll booths; on some expressways, the driver may encounter one every few miles. These are obviously difficult to use for the opposite-seated driver. Third, the failure to accommodate Japanese consumers on such a basic point is the clearest indication of the Big Three's lack of commitment to the local consumer. The typical Japanese is extremely quality conscious. His view is that, if the automaker won't even supply a RHD car, then surely there must be other problems with the car. Recently, management in Detroit has started to get serious about this issue. The president of General Motor's subsidiary in Tokyo has even admitted that the company cannot succeed there until the right-hand drive problem is properly addressed (Maskery 1991). It must be noted that each of the Big Three
firms is now offering RHD models in Japan, but it took several decades for them to finally address this basic need in the local market (Boone 1994).

In a related issue, Japan's mainstream passenger car market is for models with engines 2,000 ccs or smaller in size. The market for engines over 3,000 ccs accounts for only 3 percent of total sales but, prior to 1994, Detroit had nearly always promoted models that were typically 3,000 ccs or above (Chipello and Chandler 1992; Johnson 1993). Moreover, the large-bodied cars that most Americans favor do not fit in the average Japanese garage and they are simply too big to be conveniently navigated over many domestic roads. Yet these are the cars that the Big Three have traditionally pushed in Japan. With regard to pricing, Detroit typically targeted its offerings at Japan's most affluent consumers. In 1993, about 80 percent of all passenger cars sold in Japan were priced under ¥3 million (about US $30,000) (Chipello and Chandler 1992). Yet, it was only within the last couple of years that the automakers began pricing some models below this level (Boone 1994). For example, Automotive News reports that following price cuts in 1993 that brought Big Three pricing much more in line with local conditions, sales of some models have risen substantially, thus underscoring the importance of pricing strategy that is tailored to suit local purchasing power (Johnson 1993).

Another major obstacle for Detroit has been quality. Historically, in view of quality-conscious Japanese, the Big Three have had a reputation for shoddy products requiring expensive maintenance. Boone (1994) cites one study by the U.S. Department of Commerce in which the proportion of Japanese consumers surveyed who considered American cars in their most recent purchase was only 0.2 percent. Over half the respondents listed "May require more time and money to repair" and "May have frequent mechanical trouble" as principal reasons for their lack of interest. Other studies have similarly suggested that quality issues have been a major impediment to American car sales in Japan (e.g., Nagashima 1977; Niffinegger and Odlin 1983). Indeed, the problem is confounded because such concerns are likely to rub off on potential Japanese distributors.

Historically, Japan's idiosyncratic distribution system has posed substantial barriers to market penetration. At first, Detroit thought to link up with Japanese manufacturers in an effort to gain access to local consumers. However, these efforts did little to increase American sales. What the automakers failed to properly address is the fact that Japanese manufacturers keep a tight rein on the distributors that handle their sales in Japan. In the United States, car dealers are usually independent operators, free to market a wide selection of competing...
brands, both foreign and domestic. But in Japan, makers own equity in about a third of the dealers and 40 percent of dealers have long-term debt with the makers. In short, the vast majority of Japanese dealerships are in some way beholden to their domestic suppliers. Moreover, among Japanese sellers, there has long existed a strong cultural bias in favor of locally made goods. Consequently, most Japanese dealers won’t even consider handling American cars, and even when they do, they simply do not give them the same attention as domestic brands (Boone 1994; Maskery 1991).

In response to this problem, the Big Three have traditionally complained that setting up their own Japanese distribution network would be prohibitively expensive. But data for the six years through 1988 confirm that Japan’s most successful foreign automakers—Mercedes-Benz, BMW, Rover, and Volvo—were those that established their own extensive domestic dealer outlets (Japan Automobile Manufacturers Association 1989). Clearly, Detroit needs to reconsider its distribution strategy in Japan. One executive at GM recently admitted that, in a shift from traditional approaches, the firm did set up an independent distribution system for the Geo car model, which resulted in increased sales. In Japan, as in numerous countries around the world, independent distribution represents a realistic solution for circumventing the idiosyncrasies of local distribution patterns. Ford is currently the most aggressive of the American firms in building its own network there and the strategy is just beginning to pay off. In fact, Ford’s stature in Japan has improved so much that recently, Japanese bankers asked the American giant to take over management of the troubled Mazda Motor Corporation, in which Ford owns a large stake. That the Japanese auto industry would seek help from Americans is something of a historic first and underscores the progress made in recent times (Reitman and Suris 1994).

At the most fundamental level, these cases appear to underscore the following marketing errors that firms are likely to commit not only in Japan, but in any foreign market worldwide.

1. Insufficient commitment to the market
2. Inadequate market research
3. Failure to tailor products to suit consumer needs and tastes
4. Failure to modify basic marketing components to fit local conditions
5. Failure to set prices at market-sensitive levels
6. Mishandling of the firm’s image and reputation.

Each of these problems is now examined in turn.
It is often the case that American firms enter foreign markets casually, sometimes as a means of dumping excess inventory during slack periods at home. In the long run, most such ventures fail partly because foreign dealers and customers sense that the American supplier is unreliable and lacks commitment. Top management commitment is critical to success abroad because it affects the specific international strategies and decisions of the firm. After objectives have been identified in a given market, management must determine whether or not it is sufficiently willing to commit the financial and human resources necessary to realize long-term gains. This point is especially critical overseas because, for a variety of reasons, foreign ventures usually require substantially more time than domestic ones to bear fruit. The firm's degree of commitment naturally determines the aggressiveness and persistence with which it enters the local market. Management that is timid or uncertain about its prospects may adopt inefficient marketing and other strategies, thereby setting the stage for early failure. The situation is particularly hopeless in those markets where domestic competition is keen.

If the home office is less than enthusiastic about international sales, it is unlikely that the foreign manager will receive the support he or she needs to succeed. The task of the foreign manager is already difficult owing to unique conditions in the local market. He or she may have to go to extraordinary lengths to satisfy the demands of consumers whose tastes may be quite different from those of customers at home. Under such conditions, the manager is likely to make unusual requests of superiors. If upper management is reluctant about supporting its foreign operations or is preoccupied with business at home, such requests are likely to go unheeded and the foreign venture may never achieve the momentum it needs to survive. In such cases, upper management may become disappointed and will probably reduce the already inadequate resources going abroad. Ultimately, the foreign venture is abandoned, with major losses accruing to the firm.

Sometimes, in competitive and demanding markets like Japan, the best solution to this problem may be to establish local manufacturing facilities, so that full attention can be given to satisfying local tastes and demand. However, as many firms are unwilling to take this costly step, a second option is to establish a subsidiary with warehousing facilities in the country. The primary way to avoid such failures is for management, at the very beginning, to undertake a thorough realistic evaluation of its prospects in the target market as well as of the resources and length of time required for success. Management must then fix upon the extent of its commitment to the venture. Once a substantial commitment level is determined, it must then be communicated, in a comprehensive
and consistent way, to all concerned players in the proposed channel, from production at home to after-sales service abroad. High management commitment derives in part from the knowledge gained through market research.

Market research doesn’t always work and is sometimes unnecessary at home where executives may possess a natural feel for the market. However, the kind of understanding an executive has for his home base comes naturally only to those who have lived, studied, and worked in a given country for most or all of their lives. Consequently, it is virtually impossible for the non-native to thoroughly understand conditions overseas without comprehensive market research. While research seldom guarantees correct decisions, it usually improves the firm’s chances for success by a substantial degree. The company that attempts to go international without doing prior research is surely asking for trouble. The most important requirement in this process is obtaining information that is current and unbiased.

The executive who manages to get overseas is often well-educated and may have enjoyed substantial success at home. He or she may have long ago relegated the market research function to a trusted staff and may have developed the habit of synthesizing business decisions from abstracts of data and information gathered from numerous sources. With such a background, the executive may find it hard to be humble and accept the reality of his or her profound ignorance about specific conditions in a foreign market. Feelings of pride and a lifetime of self-sufficiency may inhibit such a person from undertaking the learning required to make a foreign project succeed. Or, if the boss is sensitive to this need, he or she may make the other mistake of relying on reports and data provided by subordinates who themselves have neglected their homework. In extreme cases, some executives may not even acknowledge the elemental necessity of studying the target market. Such deficient processes are common among American executives about to take their businesses abroad. In a large sense, it is a form of arrogance and may be the most fundamental reason why Americans neglect to adequately research foreign opportunities.

The cases outlined in this article illustrate how insufficient or failed market research leads to blunders. Avon attempted to launch products for which there was no demand and Simmons neglected to adequately consider the sleeping habits of ordinary Japanese. Procter and Gamble made the common error of translating successful Western ad campaigns directly into Japanese, without first investigating possible conflicts with traditional values. The Big Three automakers continue, to this day, to market products in Japan that are simply ill-suited to
local needs; deficient understanding of distribution issues has hindered their efforts there for nearly three decades.

As revealed in the cases, marketing blunders usually result from inadequate knowledge and are almost always more expensive than the research that would have prevented their occurrence (assuming management acts on its knowledge). Indeed, comprehensive market research pays for itself, usually in the short-run. It allows the firm to plan for a successful venture, or reveal disqualifying problems before any investment is made. Market research should be undertaken without fail by firms venturing abroad.

In a 1993 survey, of the vast majority of Japanese who stated they would not buy an American car, nearly half cited “incompatibility with Japanese road conditions” as the main reason (Johnson 1993). The fact that success has evaded the Big Three in Japan for so long must be a result in large part of their refusal to supply cars with right-hand steering and whose size matches local conditions. While it is true there are some products with universal appeal requiring little local adaptation, the vast majority of goods bound for overseas need to be modified in ways that address the needs and desires of the local consumer.

A product is the sum of the physical and psychological satisfactions it provides the consumer. Thus, in addition to its physical aspect, a product also provides the user with a bundle of satisfactions incorporating its form, taste, color, odor, texture, performance, packaging, warranty and servicing, prestige of the brand name, reputation of the maker, country of origin, and any other utilities or meanings that the buyer may perceive.

Nearly all consumers are profoundly affected by thousands of influences reflecting the culture of the country in which they were raised. While it is comforting to assume that people around the world are “modernized” and becoming “just like us,” the reality is altogether different. Fields (1983) notes that while market phenomena and fashion change constantly, the values underlying basic culture evolve at a glacial pace, often over periods spanning hundreds of years. Moreover, consumers are constantly touched by demographic, socioeconomic, infrastructural, and a myriad of other dimensions specific to the place that they call home. These cultural and other factors necessarily determine behavior in purchase situations and, consequently, the ultimate success or failure of new product introductions. The marketer cannot afford to ignore the needs and desires of any group of consumers as reflected in the factors noted above.
Most companies are reluctant to modify products to suit the needs of foreign markets. They justify this reluctance by suggesting that such changes are too costly, would create control problems, or that the market is simply too small to justify a change. Ironically, as Takeuchi and Porter found (1986), product modifications of successful firms overseas are often relatively minor and may require little additional investment. In nearly all cases, where research reveals that a product will enjoy acceptance in the target market, it will probably have to be modified in some way, even if this applies only to packaging and translation of instructions.

All products go through a life cycle of some duration. Procter and Gamble may still be selling Camay a century from now, whereas computer software innovations often endure less than a year. An important first step in adapting a product to foreign markets is determining at what stage it is in the local life cycle. That is, market research should ascertain, among other things, how new a product is to its target market. Products that have been around a long time in the United States may be perceived as new in a different country and must therefore be treated as innovations. Obviously, the marketing effort required to sell a completely new product is substantially different from that required for an old one. The firm that wishes to succeed must accommodate accordingly.

Because it is the principle means through which the firm communicates its message to the new market, advertising is among the most important of marketing tools abroad. In fact, it is usually more essential because, in many cases, not only is the new audience unaware of the product, they may have never heard of the maker either. In other situations, local consumers may hold misconceptions about the company and its brands that must be dislodged before the product can succeed. For example, in 1989, in one of its first major Japanese ad campaigns, General Motors had to overcome the commonly held and incorrect belief that their cars got extremely low gas mileage (Ribeiro 1990). In a country where gasoline prices are nearly three times those in the United States, this was a major obstacle to sales. A well-designed promotion mix must include substantial advertising, in addition to personal selling and public relations. All of these components should be mutually reinforcing and focused on a common goal—successful sale of the product.

Language is a key obstacle to the creation of effective ads, instructions, and other marketing communications. Translation errors have been the source of a great variety of marketing blunders in virtually every country of the world. One American automaker almost began marketing a car in Japan under a name
that in the local language meant “idiot.” Probably the classic such error occurred in China in the 1920s where Coca Cola marketed its soft drink using a name written in Chinese characters that, when pronounced, sounded like Coca Cola, but whose translation meant “bite the wax tadpole”—definitely not the refreshing image Coke intended (Ricks 1983). There are many such examples in the annals of American business overseas and they are not always confined to non-English-speaking countries. For example, “napkin” is synonymous with “diaper” in England and “rubber” means “eraser” in Australia. A Japanese company is currently marketing a brand of sweets in the United States under the name “Homely Cookies.” While “homely” is synonymous with “homey” or “comfortable” in British English, its meaning to Americans - something that is ugly or lacking elegance - is entirely different. When creating an ad (or any other kind of written communication) for a foreign market, language problems can be avoided by following two simple rules: (1) always have the final translation done and approved by a native speaker who resides in the target country, and (2) in order to verify that the proper meaning is conveyed, always have a second translator re-translate the message back into English (a technique known as “backtranslation”).

From the examples given in this article, it should be clear that, in the vast majority of cases, some degree of marketing adaptation is necessary to succeed overseas. Typically, those factors requiring the greatest change are in the areas of language used for communication (in selling, advertising, etc.), distribution, personal selling, salesperson training, pricing, media selection, and packaging. Those components that may be more amenable to standardization are brand name, product positioning, service standards, warranties, and the advertising theme (Takeuchi and Porter 1986).

When it comes to setting prices, Avon, Simmons, and the Big Three all encountered problems in Japan. As these examples revealed, imprudent pricing can sink a foreign venture even before it gets off the ground. Unfortunately, because of all the complex variables involved, pricing is one of the most complicated issues of international business. These variables are either internal or external to the firm. The internal group includes company goals, manufacturing costs, costing methods, degree of company internationalization, the degree of control desired over prices, and the firm’s price levels in the home and other markets. The external group includes general economic conditions, purchasing power and demand of consumers in the target market, competitor’s prices, freight, insurance, landed costs, exchange rates, taxes, duties, and other government-imposed costs (Cavusgil 1988). All of these factors must be considered in the foreign pricing decision.
Too often the firm attempts to charge the same price in foreign markets that it charges at home. This is ill-advised since, as indicated earlier, there are a myriad of factors that can affect international pricing that may not be anticipated based on domestic experience alone. On the broadest level, the firm must first decide if it wants to use skimming or penetration pricing. Under skimming, a relatively price-insensitive segment of the market is targeted and premium prices are charged. Penetration pricing entails charging a low price (often lower than landed cost) with the objective of building market share. Both approaches have their strengths and weaknesses, which should be investigated through market research.

To help with the pricing question, Cavusgil (1988) has devised a useful procedure to follow for pricing in international markets:

1. Verify potential of foreign market. That is, make sure the targeted market possesses qualities sufficient to ensure adequate demand and purchasing power for the company's products.

2. Estimate target price range. That is, estimate the floor, ceiling, and expected prices that can likely be sustained in the target market.

3. Based on the prices estimated above, determine the probable company sales potential in the worst, best, and average case scenarios.

4. Analyze import, distribution, and transaction barriers. In other words, ascertain those factors in the local market that may result in additional, possibly unforeseen costs, particularly costs that the firm may not be incurring now at home.

5. Examine corporate goals and preference for pricing strategy. Bear in mind that without full commitment from top management regarding innovations in pricing, new strategy is not likely to be implemented in a comprehensive or conscientious way.

6. Select a suitable pricing strategy. The choice is usually one or a combination of the following: (a) rigid cost-plus; (b) flexible cost-plus; and (c) dynamic incremental. These are explained in detail below.

7. Check consistency with current price setting. Often, if export pricing is too high, there is a risk that a gray market may develop. That is, the firm's product risks being distributed by non-authorized intermediaries who profit from the difference between a high export price and a low domestic one.

8. Implement the chosen pricing strategy by selecting appropriate tactics, distributor, and end-user prices.
Monitor sales performance and make adjustments as necessary in order to strike an ideal balance for achievement of company goals regarding profits, revenues, market share, and sales volume (Cavusgil 1988).

By following this procedure, the firm is more likely to arrive at a price well suited to local conditions, providing a higher level of profits. Regarding pricing strategies, rigid cost-plus is an approach in which the international costs (freight, duty, taxes, local marketing, etc.) and gross margin are simply added to manufacturing costs. This method ensures adequate margins, but it may also result in a price that is too high to be competitive. Moreover, it is insensitive to critical factors such as local purchasing power and market demand, and it may lead to the development of gray markets. Flexible cost-plus strategy is the same as rigid cost-plus except that it allows the granting of price reductions under special circumstances such as specific market needs, volume purchases, or intense competition.

Under the dynamic incremental strategy, prices are determined by subtracting those fixed production and marketing costs incurred by the firm in the home market from the cost-plus price. It is based on the notion that home costs are incurred regardless of foreign sales. Therefore, only variable and foreign market costs need be recovered on international sales. The approach may allow companies to charge prices that, while profitable, are substantially lower and therefore competitive in markets that might otherwise be overlooked. It assumes that the firm has excess capacity and is making products that cannot otherwise be sold at full prices (Cavusgil 1988). Whatever pricing strategy is chosen, it must be tailored to meet local needs.

In international business, consumers are usually sensitive to the degree of commitment a foreign firm demonstrates in the local market. Foreigners, for a variety of historical and political reasons, may already feel some resentment or suspicion toward, for example, American enterprise overseas. Moreover, American companies have been active in foreign markets throughout this century and, unfortunately, frequent disregard for local culture, language, and customs, and blatant failures in adapting products to meet local needs have given them a poor reputation for numerous types of goods in countless markets abroad.

By failing to adapt their products in very fundamental ways to the needs of Japanese, the Big Three overtly demonstrated their lack of commitment to the local market. These missteps in turn have contributed to Detroit's poor reputation in Japan.
and may have negative consequences for auto sales there for many years to come. By the same token, in neglecting to account for the Japanese housewife's use of fabric softener in her washer, Procter and Gamble proved that Cheer was a defective good, thereby damaging the detergent's chances for early market success.

Once an image is tarnished, it may take many years and huge investments for the firm to restore its good name. On the other hand, when handled correctly, an image can actually serve as an offensive weapon, allowing the firm to charge higher prices, hire excellent employees, obtain financing at better rates, and pre-empt competitors. Additionally, a good image can pave the way for local expansion, product diversification, and a stream of profits that extends indefinitely into the future. The lesson is clear. As the above examples reveal, it is far less costly, in the long run at least, to investigate and accommodate local conditions from the beginning rather than to commit egregious blunders that damage, possibly forever, the firm's good name. Indeed, the successful firm abroad is often aggressive in taking proactive steps to promote a good reputation. Such efforts almost always pay off through increased sales and smoother operations.

As Hartley (1986) has suggested, in thinking about marketing blunders, two points are worth noting: (1) even the most successful companies make mistakes, but can and do survive as long as they maintain a good batting average; and (2) making mistakes can be an effective, albeit expensive, way for the firm to learn. In most cases, the difference between success and failure may be whether or not the company learns from its mistakes. Of course, marketing is a social endeavor and does not lend itself well to laws or axioms. However, there are certain fundamentals that do apply to most firms operating in most situations. This article has examined international marketing blunders and has attempted to elucidate critical marketing fundamentals abroad. It is hoped that Western firms can learn from these blunders and apply marketing fundamentals abroad in a way that ensures success.

1. The first case is taken from George Field's popular book on consumer marketing in Japan, From Bonzai to Levis (1983). Fields was General Mills primary consumer research consultant in Japan and thus had special knowledge of the recounted events.


Freeman, Laurie, and David Kilburn. “P&G Eyes Tripling Japan Sales.” *Advertising Age*, 24 October 1988, 64.


*Educator Insights: International Marketing Blunders by American Firms in Japan—Some Lessons for Management*


This article can be used to meet several teaching objectives. Students should learn: (1) how differences in local culture and business practices can impact company efforts to enter or sustain sales in foreign markets; (2) specific aspects of marketing in Japan, one of the most important consumer markets in the world; (3) important success factors for doing business abroad; and (4) various fundamental strategies and tactics in international marketing. In general, the cases presented help to bridge the gap, in international marketing education, between theoretical teachings and real-world practice.

The instructor might consider involving students in one or more of the following topics for discussion or analysis.

(1) Ask the class to pretend that they, as the marketing department of company X, have been assigned the task of preparing a marketing plan for sales of product X (for example, a home appliance, furniture, or a food product) in Japan. Based on the information provided in the article and in terms of product, price, promotion, and distribution, what factors should they consider and how should the product and its marketing strategy be formulated in order to maximize success?

(2) Have students describe the attitudes that executives at a large domestic firm, one possessing a long history of success at home, might hold as they attempt to enter a foreign market for
the first time. How might these attitudes affect the ability of
the firm to plan and implement appropriate strategies for suc-
cess in the new market?

(3) How would local consumers respond to a foreign
automaker that attempted to market a car in the domestic mar-
ket with a steering wheel on the side that is opposite the local
standard? How would the offering of such a product affect the
attitudes of local consumers toward the associated brand name
or the firm itself? The steering wheel example is extreme, but
can be extended to other types of products (e.g., food, com-
puter software) to emphasize the fundamental need to cus-
tomize many types of products to suit target market needs. The
discussion would be a good opportunity to present the con-
cepts of product life cycle (PLC) and product diffusion in
international marketing. That is, assuming that firms modify
marketing strategy to better position a product in different
stages of its PLC, it follows that, where a product is in a differ-
ent PLC stage in a foreign market from where it is at home (the
usual case), the product would have to be marketed differently
there.

(4) As described in the article, managers responsible for sales
to a foreign market must often contend with problems of low
commitment or indifference on the part of top management.
What can managers in such positions do to overcome this
problem? What are some tactics or political skills managers
can use to “manage” their superiors in order to increase the
chances for success in an international project? What kinds of
skills are important for eliciting top management commitment
and cooperation?

Teaching Suggestions

(1) Assign students to find an article (or the instructor can pro-
vide one) that describes problems that a firm encountered in
entering or sustaining business in a foreign market. Students
are then asked to write a paper in which the problems are ana-
lyzed, appropriate strategies and tactics are discussed, and
final solutions proposed.

(2) Assign students to research the culture and business cus-
toms of a given country, and write about their implications for
planning appropriate marketing strategies. The exercise can be
extended by having students develop a complete international
marketing plan. An excellent framework for conducting cul-
tural and other analyses in the development of such a plan is
provided in Philip Cateora’s *International Marketing*, 9th edi-
tion, Chicago: Irwin, 1996 (see under “Marketing Plans” in the
book’s index).

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