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MASTER'S THESIS

**A COMPARATIVE STUDY OF MANAGEMENT OF MISTAKES IN
CROSS-CULTURAL MARKETING**

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LIST OF ABBREVIATIONS

- CCM** – Cross Cultural Marketing
- CCC** – Cross Cultural Communication
- LC** – Low-context
- HC** – High-context
- CQ** – Cultural Intelligence
- EQ** – Emotional Intelligence
- CSR** – Corporate Social Responsibility
- MNE** – Multinational Enterprise
- SME** – Small to Medium Enterprise
- SRC** – Self-Reference Criterion

QCA – Qualitative Comparative Analysis

INTRODUCTION

In the last couple of decades, significant changes to the business landscape have occurred because of globalization. As the world is becoming increasingly integrated and interconnected, more and more businesses choose to expand their operations abroad (Cheung, 2010). Major technological advancements have made international trade, cross-border traveling, logistics and communication faster and easier than ever before. In 2018, the global trade value of exported goods added up to almost 19 trillion U.S. dollars worldwide, representing a nearly 13 trillion increase from 6.45 trillion U.S. dollars in 2000 (O'Connell, 2019). Cambridge Dictionary defines globalization (n.d.) as “a situation in which available goods and services, or social and cultural influences, gradually become similar in all parts of the world”. Similarly, Robertson (1987, p. 38) describes it as a “crystallization of the world as a single place”. These definitions make it easy for managers and companies doing business internationally to fall into the trap of mistaking globalization as simply uniformity as opposed to understanding the diversity of this globalized marketplace. The present globalised business landscape demands future leaders and their companies to possess both emotional intelligence (EQ) and cultural intelligence (CQ) to successfully navigate the complex cross-cultural environment. In a world where it is becoming increasingly easier for products, ideas and values to cross borders, one has to remember that cultural differences between countries as well as within countries are still present (Dahan & Peltekoglu, 2011; Mower, 2013).

When businesses internationalize and begin marketing their product to foreign markets, they generally choose between two approaches: standardization or customization. Baalbaki & Malhotra (1993, p. 19) define standardization as “the worldwide offering of identical product lines at identical prices through identical distribution systems supported by identical promotional programmes”. Levitt (1983) argues that technology, communication, transport and travel are all responsible for this new commercial reality. In contrast, complete customization is defined as a forming of individual custom-made marketing campaigns that contain no common factors across markets (Baalbaki & Malhotra, 1993). Yet, both of these marketing approaches carry significant risks. Standardization, while providing a cheaper and quicker approach, is fully unadapted to the local environment, the local habits, tastes, and lifestyles of consumers. Despite growing globalization and a certain level of “standardization” of tastes and preferences, research has demonstrated that even across a relatively similar market such as European countries, consumer tastes and preferences widely differ (Wierenga, Pruyn & Waarts, 1996). On the other hand, customizing products for foreign markets, including translation of marketing messages, use of appropriate images, and a sensitivity to the local culture, also carries certain risks, and is frequently associated with huge marketing blunders. These mistakes can be costly by damaging the brand in the foreign market, but can also adversely affect the brand globally (White, 2009). For instance, the controversial “toxic masculinity” ad by Gillette caused a worldwide boycott that resulted in an \$8 billion write down for the company in its 2019 fiscal fourth quarter earnings (Richa

& Soundarya, 2019). Some of these mistakes do not happen solely in foreign markets – a misunderstanding of culture can also lead to mistakes in the domestic market itself. In the United States, there are many examples of marketing mistakes that were caused by an inadequate consideration of culture, ethnicity, or race, within the U.S. market. Examples include Pepsi's 2017 commercial accused of trivialising the "Black Lives Matter" movement or Dove's "washing off race" advert featuring a black woman turning into a white woman, supposedly after using Dove body lotion.

It is apparent that a large number of companies still do not acknowledge the importance of fully understanding the culture they are doing business in. Perhaps the most publicized examples of such practice are blunders in cross-cultural marketing (CCM). With global advertising expenditure surpassing 560 billion U.S. dollars in 2019 (GroupM, 2018), mistakes in marketing can carry a significant financial burden. However, the damage done to the brand image often poses a bigger problem. Greyser (2009) argues such scandals primarily affect trust, integrity and overall marketplace situation of the brand. A blunder is defined as a mistake that is avoidable and caused by "carelessness, poor judgement incomplete analysis or ignorance" (Dalgic & Heijblom, 1996). In a cross-cultural context, these often connote racial, religious and cultural insensitivity or sexism and have damaging consequences on company's performance, brand image and organizational culture. Still, the literature on the topic contains plentiful examples of companies renowned for their global success who fall victim to such cross-cultural marketing scandals.

Many marketing blunders tend to happen because of translation. Phrases, idioms, metaphors or simply words that have another meaning in a different culture often do not transfer well. For example, when marketing in China, Mercedes-Benz, KFC and Pepsi all fell victim to the complexity of the Mandarin language. Mercedes-Benz entered the market under the name "Bensi", which translates to "rush to die". Similarly, KFC's slogan "finger-lickin' good" translated to "eat your fingers off", while Pepsi's "Pepsi brings you back to life" slogan was translated as "Pepsi brings your ancestors back from the grave" (Klement, 2018). Another problem lies in not understanding the foreign culture well enough. A prime example of this is Procter & Gamble's marketing of Pampers diapers in Japan. A promotional campaign featuring a stork delivering disposable diapers was a major success in the U.S., but failed miserably in Japan. This was due to the Japanese not being familiar with the western tale of a stork delivering babies. These examples showcase the complexity of cross-cultural marketing. One could argue that cross-cultural marketing without cultural intelligence is similar to walking through a minefield blindfolded and not understanding the culture of another country can have severe consequences. Issues regarding culture, race, gender and sexuality can often damage a company's reputation and performance both in foreign as well as local market.

So why do successful global companies spend millions on carefully constructed marketing campaigns just to fail miserably in a foreign market? The research on the topic of culture, cross-cultural management, marketing and communication is vast and readily available.

Nevertheless, identifying the differences and similarities between different cultures has proven to be a difficult task. Hofstede's theory of cultural dimensions still serves as a basis for cultural research, despite being almost 30 years old. The model has also been widely criticised due to its methodology, reliability and simplicity in compartmentalising a complex concept of culture (Thomas & Peterson, 2017). Another problem touches upon addressing the blunders made in cross-cultural environment. White (2009) observes that the biggest obstacle in researching marketing blunders is that companies are not as eager to discuss their mistakes as they are their successes. This means that while these mishaps are widely publicised in popular media, they lack the information depth to become truly valuable for further research. Furthermore, Lorenz (1994) discovered that a limited number of companies reflect and analyse their own past blunders leaving themselves vulnerable to making the same mistake again. In an environment where such scandals are often swept under the rug, the mistakes made by others could serve as a useful tool to avoid similar scandals (Dalgic & Heijblom 1996). Thus, with globalization having a bigger and bigger influence on company's business, it is important for businesses to understand the complexity of the cross-cultural environment. Failure to do so can result in marketing blunders that can have a significant effect on the company's reputation, culture, organizational structure and sales.

The main purpose of this thesis is thus to provide a deeper understanding of the internal and external implications of marketing blunders in a cross-cultural environment through a critical analysis and comparison of the selected three case studies. This understanding will help inform and educate future cross-cultural marketing managers to successfully overcome or completely avoid these blunders.

The goals of this thesis are:

- To critically analyse and compare several well-known cross-cultural marketing blunders made by large players in the international arena (Gucci, Nivea, and Dolce & Gabbana);
- To determine and understand the impact of marketing mistakes on each company's performance, sales, shareholders, stockholders, and overall organizational culture in the affected country;
- To observe the company's response to the scandal by analysing their external communication, CSR and annual report;
- To analyse the information that emerged in popular media and social media addressing the scandal in order to obtain cultural context and insight into public perception;
- To compare and reflect on the cultural differences between the company's organizational culture and the affected country's national culture; namely to answer questions as to why do these blunders occur and how to prevent them;
- To provide a thorough comparative case study of past cross-cultural marketing mistakes and educate current and future professionals operating cross-border on the importance of learning from mistakes of others, while also being prepared to self-reflect on own mistakes.

Following the proposed purpose and goals, this thesis will attempt to answer the subsequent research questions:

RQ1. Why do cross-cultural marketing mistakes occur?

RQ2. What are the best methods used to overcome a multicultural scandal?

RQ3. What are the short term and long-term effects of the mistake on company's performance in the affected country, as well as in the home market?

RQ4. What is the relationship between the national culture of the affected country and organizational culture of a company committing a mistake?

RQ5. How can cultural intelligence aid in preventing cross-cultural marketing mistakes?

The research methodology for this thesis is based on secondary data and is comprised of both a theoretical as well as an empirical part.

The theoretical framework is grounded on secondary sources in the field of cross-cultural marketing. Mower (2013) points out that researchers often seemingly use synonyms such as multicultural marketing, international marketing, multinational marketing and foreign marketing to describe the same concept. Cross-cultural marketing itself is considered a multidisciplinary field, hence the research is also conducted in relevant fields around it. These fields include marketing, CSR and cross-cultural management. To ensure the reliability of the sources, Springer Link, Sage Journals, PROQUEST, Google Scholar and other online databases are used. The main type of sources used in the thesis represent scientific articles, which provide relevant and up to date information on the topic. Furthermore, the researched literature includes books, dissertations and newspaper articles. All gathered theory is thoroughly examined and properly referenced. It serves as a basis for further analysis of the cross-cultural marketing mistake cases in the second part. The apparent gaps in the literature are addressed and discussed.

The empirical part represents a comparative study of cross-cultural marketing blunders. Gucci, Nivea and Dolce & Gabbana case studies will be critically analysed, compared and contrasted. All three cases were selected for the different perspectives they offer. Gucci's "blackface" scandal will allow us to examine the complex multicultural environment within the USA; Nivea's "white is purity" ad will serve as an example of repercussions caused by improper communication on social media aimed at the Middle East, a region still dealing with colourism; while Dolce & Gabbana's ad will allow us to see the impact of culturally disrespectful communication on a country like China. Firstly, the company's external communication will be examined. This includes the company's press statements, social media posts, annual reports and changes in CSR as a response to the mistake. Furthermore, newspaper articles from popular news outlets will be selected, analysed and contrasted to illustrate the media's reaction. Secondly, the short-term and long-term effects on the affected

company's sales, shares and stocks will be determined. This part will be supported by secondary data from Statista, Bloomberg and several other sources, as well as the company's monthly, quarterly and annual reports. Lastly, the implications of both organisational culture of the company as well as the national culture of the affected country will be critically discussed and supported by proper theory.

1 THE IMPORTANCE OF CULTURAL UNDERSTANDING IN MARKETING

Before diving into the theory of cross-cultural marketing mistakes presented in the second chapter, the relevant context showcasing the importance of cultural understanding in marketing needs to be provided. Firstly, a recent shift in the field of marketing will be addressed, providing the reader with a better understanding of the increasing importance of cultural awareness. Next, the two types of culture, national and organizational, will be discussed and compared. Subsequently, the chapter will touch upon Hofstede's cultural dimensions model and Hall's studies of low context and high context cultures, as well as present some of the criticism of the models. The alternatives to the two models will be presented, but not discussed in depth. The chapter ends with presenting and elaborating upon arguably the most important skill in cultural understanding, cultural intelligence.

1.1 A New Age of Marketing

To fully grasp the importance of cultural understanding in marketing, it is necessary to address a recent shift in the field. The American Marketing Association describes marketing as "the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large" (Jaworski, Lutz, Marshall, Price, & Varadarajan, 2017). Carrying more complexities than might be apparent at first glance, marketing and advertising in particular is a field of maximum exposure, particularly in the age of digitalization, internet and globalization. Done correctly, this exposure can yield massive benefits and help companies grow exponentially as well as solidify them in a new market. However, done incorrectly, the damage done can be irreparable, causing companies to abandon their pursuits of the new markets or even completely shut down their operations. It is the way the companies market themselves that determines how they will be perceived by consumers as a company and as a brand. It also gives businesses an opportunity to communicate their values and beliefs in order to gain, regain or retain customer's trust and loyalty. Alrubaiee & Al-Nazer (2010) explain that rising customer loyalty is arguably the sole most important factor in the company's long-term financial performance.

Another important and arguably the integral part of marketing is communication. The way one conveys the advantages of their product or service can have an immense impact on sales. Although both external and internal communication methods and tools have been present for

a long time in form of traditional media, these tools have now become faster, more effective and cheaper through modern technological advancements. Television, radio and newspaper advertisements are still considered a staple in the field and can be very effective. However, compared to the majority of digital marketing tools they are significantly less affordable and have to rely on poll demographics to target their audience. Therefore, digital advertising and social media advertising in particular is becoming a more and more prominent tool, as it offers an increasingly easier way to communicate and advertise to a specific audience. Platforms like Facebook, Instagram and Twitter allow marketers to target specific audiences based on gender, location, age group and preferences. All these factors contributed to a major shift in budget allocation from traditional advertising towards digital advertising (Appendix 2). In 2017, the digital advertising spending across the globe amounted to \$204 billion, a \$26 billion increase from 2016 (Magnaglobal, 2017). One of the largest digital advertising platforms, Facebook, reported a nearly \$17.5 billion of global ad revenue as of 1Q of 2020 (Facebook, 2020).

It is apparent that the digital marketing landscape is expanding at a rapid pace and the four keywords of this expansion are speed, reach, targeting and affordability. This becomes ever-more apparent in the field of cross-cultural marketing (CCM). The effectiveness and affordability of digital marketing encourage more and more businesses to expand their operations abroad and market to a foreign environment. A by-product of this is a global landscape of extremely high competition that forces international marketers to set out to achieve maximum exposure in the shortest amount of time. This creates a significant opportunity to quickly introduce and establish a brand or a product in a new foreign market with its own distinct characteristics. However, without proper research and cultural intelligence (CQ), it creates room for error as well. Therefore, when the entire world becomes a billboard for one's advertisement, a skilled digital age marketing manager must be mindful of the messages the company wishes to convey. Subsequently, taking into account the national culture, language, gender and religion of the receiver is of utmost importance.

1.2 National and Organizational Culture

In order to successfully analyse the marketing blunders and why they occur, we must touch upon the concept of national culture and how it affects the management decisions and strategy. Hofstede (1983) describes nations as political entities with their own legal, governmental, labour and educational systems often sharing a common language or a small number of languages (Thomas & Peterson, 2017). These factors then form and influence a country's national culture. However, the distinctiveness of the national culture is questioned because many nations have multiple cultures within their borders and identical cultural entities can be present in multiple countries (Lenartowicz & Johnson, 2003; Thomas & Peterson, 2017; Peterson & Søndergaard, 2014). Thomas & Peterson (2017) give an example

of Anglophones and Francophones in Canada, both having separate cultures within the same national borders.

National culture presents a solid starting point in understanding the cultural environment in a country, but it is important not to overlook the subcultures and the overall context that influences the cultural environment. The researchers who wholeheartedly adopt only the national culture concept in analysing and comparing different countries, risk ignoring the importance and impact of the subcultures (Thomas & Peterson, 2017). Some researchers argue that the concept of national culture is slowly diminishing with technological breakthroughs and economic development around the globe. The argument often brought forth is that “nations are not static entities and develop over time” (Thomas & Peterson, 2017, p. 31). And with the rise of mass communication tools as well as increase in education availability across the globe, we might start experiencing culture convergence. Some researchers believe that such convergence could lead to the point of countries having almost identical cultures or identical set of values, beliefs and behaviour (Yang, 1988; Kerr, Dunlop, Harbison & Myers 1960, Thomas & Peterson, 2017). A study done by professor Ronald Inglehart (1990) at least partially supports this theory. Inglehart conducted a survey of people’s values in 65 countries, singling out two value orientations based on country’s wealth (Thomas & Peterson, 2017). Through his research spanning from 1981 to 1998, he found out that as the wealth in the countries increased, so did the advocacy of post materialistic values. This finding backs the correlation between wealth and cultural values. Moreover, it supports the belief, that if the richness of a country increases the cultural disparity declines and people become more alike (Thomas & Peterson, 2017). Admittedly, Inglehart’s study focused on post materialistic values related to economic improvement, which do not fully encapsulate other components of such a complex concept as culture. It is therefore highly improbable that cultures, which evolve and expand in such unpredictable ways, would converge into one common entity (Inglehart, 1990). The proposition of whether or not such convergence will occur is especially important in the business context. Will companies and their business operations in the future influenced more by technology or national culture?

This brings us to the concept of organizational culture and its correlation to national culture. Feldman (1976) argues organizations have values similar to culture and are able to attract a portion of people in the society who have already adopted their set of values (Thomas & Peterson, 2017). Organizational culture has been defined as common established attitudes, values and beliefs of members of the organization as well as philosophies, goals and strategies of the organization (Williams, Dobson, Walters, 1993; Schein, 1985). However, as indicated in Table 1, it is important that we distinguish national culture from that of an organisation. Hofstede, Neuijen, Ohayv, & Sanders (1990) provide arguments for a clear separation of the two. They see organizational culture and national culture as two separate entities, composed of different elements. Values of an organization are learned through routinized practice, organizational programs such as HR and socialization in the workplace

(Thomas & Peterson, 2017; Hofstede et. al. 1990). In contrast, he points out that national culture values, beliefs and behaviour are developed and ingrained in people before they become a part of an organization. Employees have only limited involvement with their organization, while their involvement in national culture is much greater (Hofstede et. al. 1990).

Table 1: Comparison between national and organizational culture

National Culture	Organizational Culture
Shared meanings	Shared behaviours
Unconditional relationship	Conditional relationship
Born into it	Socialized into it
Totally immersed	Partly involved

Adapted from Thomas & Peterson (2017).

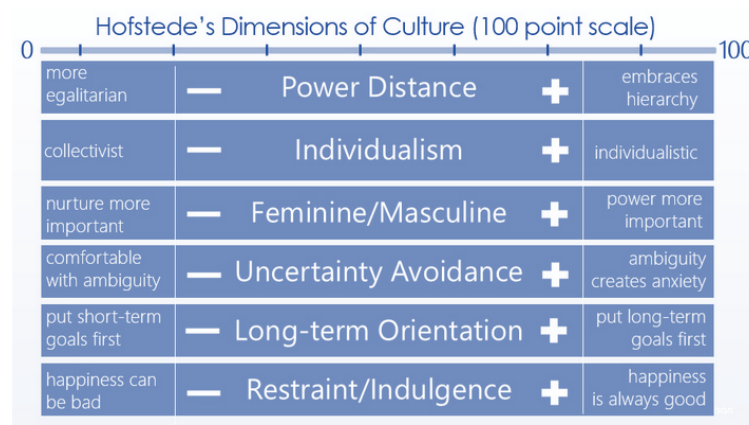
1.3 Hofstede’s Cultural Dimensions

To avoid CCM mistakes, marketing managers must thoroughly examine and research the culture they are advertising in. However, this can often prove itself to be a difficult task. Culture is a complex concept extremely challenging to research and arguably even harder to conceptualise. Two of the most distinguished names in cross-cultural research, Hofstede and Hall each offer their own take on what culture is. Hofstede defines it as being "the collective programming of the mind that distinguishes the members of one group or category of people from others" (Hofstede, 2011, p. 3). On the other hand, Hall describes it as: "Deep cultural undercurrents which structure life in subtle but highly consistent ways that are not consciously formulated. Like the invisible jet streams in the skies that determine the course of the storm, these currents shape our lives; yet, their influence is only beginning to be identified" (Hall, 1976, p. 12).

The most comprehensive study of culture influencing workplace values was conducted between 1967 and 1973 by a Dutch professor Geert Hofstede. Despite being over four decades old, Hofstede’s research is still a staple in the field of cross-cultural communication (CCC) research and often a method of choice for many cross-cultural marketers. Predominantly for comparing different national cultures and values of its members. Originally, Hofstede’s study included 70.000 IBM employees from 50 different countries, but was later expanded to include other focus groups and countries, bringing the total to 76 (Foster, 2015). In his research, Hofstede found patterns among the gathered answers and formed a theory of originally 4 cultural dimensions, which were later expanded to 6. The current 6 dimensions of national culture are power distance, individualism vs collectivism, masculinity vs femininity, uncertainty avoidance, long-term orientation vs short-term normative orientation and indulgence vs restraint. As seen in Figure 1, Hofstede created a

100-point scale for all cultural dimensions and measured national culture on this scale (Foster, 2015; Hofstede, Hofstede & Minkov, 2017).

Figure 1: Hofstede’s dimensions of culture



Source: Foster (2015).

It is important to note that neither high nor low score in this 100-point scale is inherently good or bad, it simply represents a measure of quality each national culture represents (Forster, 2015). Having a 100-point scale makes it easier to compare and contrast different countries in terms of their national culture.

Power distance is a dimension, that represents the allocation of power in society and how people perceive it. A higher score on the scale signifies that the majority of people in the society abide by the rules and accept the hierarchy. In contrast, lower score societies lean towards a more equal allocation of power (Hofstede, Hofstede & Minkov, 2017; Foster 2015).

Individualism/Collectivism dimension focuses to which extent are the society’s members integrated into social groups. On the side of individualism, people are expected to look after themselves and their close family. In contrast, collectivist cultures strive towards integration into strong, “tight knit” social groups, which often include extended family. People in collectivist societies can expect unquestioning loyalty by the members of their respective social group (Hofstede, Hofstede & Minkov, 2017; Foster, 2015). Hofstede (2011) describes this as “I”- consciousness vs. “We”- consciousness.

Masculinity/Femininity dimension showcases the allocation of values between genders in a specific society. Masculine societies tend to value achievements, assertiveness, ambition, competitiveness and lean more towards materialism. The gap between genders in terms of “emotional and social roles” is also larger. On the other hand, feminine societies tend to place great value on modesty, cooperation and sympathy for the weaker members. Furthermore, the gap between genders in terms of “emotional and social roles” tends to be smaller, with both men and women often accepting more feminine values and roles

(Hofstede, Hofstede & Minkov, 2017; Foster 2015; Hofstede, 2011). This dimension is often described as “tough versus tender” cultures. (Foster, 2015)

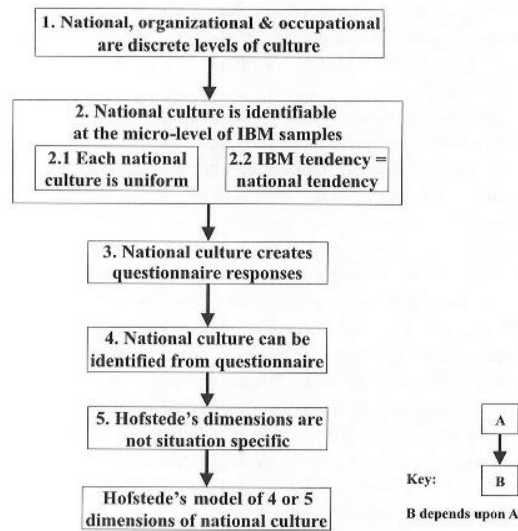
Uncertainty avoidance is the extent to which people in the society are comfortable or uncomfortable with unknown, surprising, or out of the ordinary situations; how much they tolerate ambiguity (Hofstede, 2011). Hofstede (2011) argues that uncertainty avoidance should not be confused with risk avoidance. The countries with a higher score seek to limit the possibility of such situations from happening, through implementation and practice of stern codes of behaviour, laws and intolerance towards unorthodox opinions. However, countries with low uncertainty avoidance tend to be more open to unorthodox opinions, try to have fewer rules and its members are often more phlegmatic and thoughtful (Hofstede, Hofstede & Minkov, 2017; Foster 2015; Hofstede, 2011).

Long-term vs. Short-term orientation is a dimension added to the list by Hofstede after asking permission for its inclusion from Michael Harris Bond, a cross-cultural social psychologist. Bond first established this dimension when conducting a survey among students from 23 different countries using a questionnaire created by Chinese students (Hofstede, 2011). He found out that societies with a preference for long-term orientation have values founded in perseverance, the exercise of economic prudence, status hierarchy and possess a sense of shame. In contrast, short-term oriented societies value tradition, social obligations and personal stability and firmness (Hofstede, Hofstede & Minkov, 2017; Foster 2015; Hofstede, 2011).

Indulgence vs. Restraint is the last of the dimensions and was added by Hofstede in 2010 with collaboration with Bulgarian linguist Michael Minkov. A society that scores high on indulgence, grants its members a nearly free gratification in terms of natural human aspirations for life enjoyment and having fun (Hofstede, 2011). Restraint, on the other hand, signifies a society that strives to control gratification through strict social norms (Hofstede, Hofstede & Minkov, 2017; Foster 2015; Hofstede, 2011).

Because of its widespread use in academic as well as professional management settings for a number of decades, there have been many criticisms of Hofstede’s work. Perhaps the most notable one is the critique by McSweeney in 2002. McSweeney (2002) argues that Hofstede’s model should be rejected for its flawed methodology. In his critique, he identifies and highlights five different assumptions that underlie Hofstede’s model, as seen in Figure 2.

Figure 2: Five assumptions underlying Hofstede's model according to McSweeney



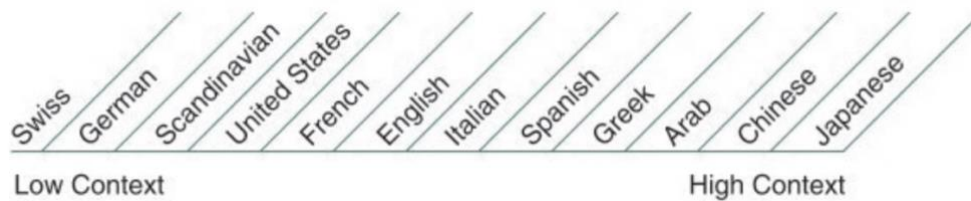
Source: Williamson (2002).

Although all of McSweeney's 5 assumptions bring forth valuable arguments, I will highlight the two that are most commonly shared by other critics of the model. The first assumption is concerned with national, organizational and occupational culture. McSweeney argues that Hofstede in his model is assuming that national culture is distinguishable from the organizational and occupational one, while also assuming that it is measurable. He points out that Hofstede could not have been able to control organizational or occupational culture when he was measuring national culture, as these are not independent concepts. The second assumption is one shared by many of the critics of the Hofstede's model. McSweeney points out that the model interprets the differences in national culture through IBM staff. This creates a multitude of problems as it assumes that each culture either uniform or the tendencies of IBM employees equate to national tendencies (Williamson, 2002).

Although the most widely used and arguably the most approachable method, Hofstede's model has had many alternatives throughout the years. These alternatives include Schwartz's Culture Model, GLOBE – Project, Trompenaars' Model of National Culture Differences and Edvard T. Hall's research on culture. The latter being especially well-known for its low-context and high context culture model. All of the mentioned models recognize the importance of cross-border communication, which has become even more relevant in today's interconnected world. However, Kittler, Rygl & Mackinnon (2011) argue that except for Hall's studies, all of the mentioned models do not definitively link culture and communication initially. In contrast to the others, Hall (1992, p. 212) presents a communication-oriented perspective on culture, arguing that "culture is communication and no communication by humans can be divorced from culture" (Kittler, Rygl & Mackinnon, 2011, p. 64). Albeit sharing some of the similar criticism as Hofstede, Hall's research is of great value, especially in the field of cross-cultural marketing, which relies so heavily on

communication. Furthermore, the rise of globalization and how different cultures interpret the same message and act upon it makes examining cross-cultural communication a crucial aspect of cross-cultural marketing (Kittler, Rygl & Mackinnon, 2011). In his most influential book “Beyond Culture”, Hall (1976) argues that cultures vary by their perception of context and information to establish meaning and believes that there is no meaning without these two ingredients (Kittler, Rygl & Mackinnon, 2011). He compartmentalizes cultures into “low-context cultures” (LC) and “high-context cultures” (HC). LC cultures are known for their explicit nature of communication. The message one wishes to convey is predominantly transmitted through the spoken word. What is said is usually also meant (Thomas & Peterson, 2017). USA, Germany, Switzerland and Scandinavian countries are all examples of largely LC countries. See Figure 3.

Figure 3: Low Context and High Context countries



Source: Thomas & Peterson (2017).

In contrast, HC countries rely heavily on implicit meaning. The search for meaning is not exclusively found in words, but also by observing non-verbal cues, the setting and several other factors of context (Thomas & Peterson, 2017). Communicating with a member of an HC culture can be challenging at times if one does not grasp the “unwritten” customs or practices of the target culture. Japanese, Chinese and Arab countries serve as the most common examples of HC countries. It is important to know, that Hall intended this model to be used as a continuous scale of two polar opposites with almost infinite possible variations between context and information, but never the two extremes themselves (Hall, 2000). This means that no country can be entirely LC or HC for that matter. Similarly to Hofstede, Hall’s research, while widely used in cross-cultural communication research and praised for its usefulness and popularization of CCC research, received some harsh criticism over the years. The model has been challenged for its bipolar structure, overgeneralizing, rocky empirical foundations and for its age (Chuang, 2003; Holden, 2002; Starosta & Chen, 2003; Kittler, Rygl & Mackinnon, 2011).

1.4 Cultural Intelligence

As we will see in the following chapters, many of the CCM mistakes occur because of a lack of cultural intelligence (CQ) from managers, marketing managers and other members of the organizational culture in the company. Ang et. al (2007, p. 336) define CQ as an

“individual’s capability to function and manage effectively in culturally diverse settings” while describing it as a multidimensional concept consisting of cross-cultural interactions with a different ethnicity, race and nationality. Following this definition, one is reluctant to dispute labelling CQ as a must-have soft skill in the present multinational environment. In fact, Gooderham, Grøogaard & Nordhaug (2013) argue that persons who are very competent in communicating with individuals within their own national context may be significantly less successful whilst operating cross-border and interacting with members of different cultural groups. Similarly, a study conducted in 2011 by Rockstuhl, Seiler, Ang, Van Dyne, & Annen (2011), suggests a correlation between leadership with CQ and a successful cross-border leadership (Dangmei, 2016).

Because CQ is a relatively new concept that started gaining attention only in the past several years, its empirical research is still scarce. The majority of the research was conducted in the field of HR, whereas the international marketing literature on this topic is still limited (Magnusson, Westjohn, Semenov, Randrianasolo & Zdravkovic, 2013). This scarcity becomes especially apparent when comparing it to other better known and established intelligences. Similarly to the concept of the culture itself, researchers have found it increasingly challenging to define and encapsulate the entire concept of CQ (Thomas, 2006). Over the years many experts have attributed several different meanings term, although the majority of them are complementary. Earley & Ang, (2003) distinguish two main meanings of CQ, largely dependent on the context. They argue that CQ can stand for the ability and ease of an individual to adjust to another culture. Alternatively, it can also mean behaviour, which is perceived as intelligent across various cultures. In addition, Brislin et al. (2006) argue one should separate cultural intelligence from other types of intelligences such as social and emotional intelligence, although they share similarities and are reciprocally influenced. He also points out that several integral parts of these two intelligences are either directly or indirectly influenced by culture, using empathy and social deftness as an example.

Earley & Ang (2003) and Ang et al. (2007) research conceptualizes CQ into 4 different elements:

1. Cognitive CQ encapsulates the knowledge a person is able to amass about the new cultural context with the help based on the interpretation and analysis of the available information (Gooderham, Grøogaard & Nordhaug, 2013).
2. Motivational CQ refers to the ability to pursue the acquisition and application of knowledge and weather the obstacles or failures that come your way. Individuals with this element of CQ tend to learn and adapt to the new culture largely due to their intrinsic motivation for it (Gooderham, Grøogaard & Nordhaug, 2013).
3. Behavioral CQ is the ability to communicate or transmit one’s intended actions, verbal and non-verbal, in a different cultural environment. People who possess this skill are able to present themselves in an appropriate manner by displaying appropriate behaviour elements like tone, wording, gestures, facial expressions and language (Gooderham, Grøogaard & Nordhaug, 2013).

4. Metacognitive CQ is the ability of a person to employ mental processes in order to gain cultural knowledge, awareness and adequately adapt to the culture he or she is interacting with. People with high levels of metacognitive CQ will examine their own cultural beliefs and those of the interacting culture while making appropriate mental adjustments (Brislin, Worthley, & Macnab, 2006; Dangmei, 2016).

The research predominantly suggests that CQ is a learned skill, formed out of cross-cultural skills, cultural knowledge and cultural metacognition (Liao, 2015). Moreover, it is considered to be significantly more malleable compared to other forms of intelligences (Morris, 2018; Van Dyne et al., 2012). For example, working in a multicultural environment or participating in international student exchanges paired with the practice of empathy, tolerance, adaptability and attentiveness to what is unique about another culture are all factors that increase CQ (Liao, 2015). A study at a public university in Ankara collected data from 450 students in order to explore the effects of the Erasmus student exchange programme on CQ of students. The analysed data suggests that university students who participated in the Erasmus exchange, possess higher cognitive, metacognitive, behavioural and motivational CQ (Emil & Gökten, 2018). Such research represents positive news for companies looking to hire university students with high levels of CQ in order to increase their overall cross-cultural competency.

However, it is apparent that a large number of companies still do not acknowledge the importance of fully understanding the culture they are doing business in and thus increasing their CQ. Moreover, CQ is often neglected in hiring processes, despite its crucial importance in a globalized business world. For successfully navigating the complexities of the cross-cultural environment, having just high IQ and EQ is simply not adequate anymore, unless it is paired with CQ. As the world is becoming more and more global, multinational enterprises (MNE) will need to invest in increasing their employees' CQ. Dangmei (2016) points out that many MNEs rely on emerging markets for expansion and revenue growth. Thus, it is very important for them to familiarise themselves with the culture they are doing business in order to be successful.

2 CROSS-CULTURAL MARKETING MISTAKES

Cross-cultural marketing (CCM) is a term often used interchangeably with other terms such as international marketing, multinational marketing and cross-border marketing. However, while it certainly encapsulates many significant features, it is important to distinguish it as a separate term. Because of globalization, the borders between countries often become blurred as migration, homogeneity and interconnectedness seem to be on the rise. Nonetheless, the differences between cultures either globally or intra-nationally still exist and are crucial for the company's international success. In a world where consumption became global, it is important to understand the impact of culture and acknowledge the relatively new concept of CCM (Popovici, 2011). Tian (2009) defines CCM as "a strategic process of marketing which applies to customers with a different culture from the one of the marketers: different

spoken language, religion, norms, values and the life style” (Popovici, 2011, p. 59). Furthermore, Popovici (2011, p. 59) argues that the use of CCM deepens the research a company conducts on the international markets in order to find “sensitivity (similarities and differences) on the influences of the Mother Company’s culture” (Popovici, 2011, p. 59). Subsequently, she rejects the notion of CCM replacing international marketing. Instead, she proposes viewing CCM as something that elevates or completes the concept of international marketing.

2.1 The Why of Cross-Cultural Marketing Mistakes

The global population is growing at a rapid pace, with United Nations (UN) predicting it will reach 8 billion people by the end of 2024. Despite this, people seem to be more and more interconnected due to faster and cheaper logistics, technological advancement and the internet. As of April 2020, the number of active users of the internet reached almost 4.57 billion (Statista, 2020b). Such an agile and digitalized global landscape caused a major shift in the way businesses operate and market their products. We see an increasing trend of companies taking their business internationally and cater to their customers in different countries. These countries have their own language, culture, politics, and many other factors that directly or indirectly affect the buying habits of people. Consequently, such influence may cause them to either accept or reject certain messages, products and ideas (White, 2009). As the culture, and corresponding consumer behaviour, is evolving and changing, we are only starting to grasp its influence on the field of cross-cultural marketing. A turbulent global environment, following the Covid-19 pandemic and racial injustice protests in the United States, only adds up to the importance of company’s cross-cultural communication and marketing. Cross-cultural marketing is therefore a field of enormous potential, but great risk as well. If a company does not understand the target culture well enough, or they simply do not do enough research, they may fall victim to a marketing mistake (White, 2009).

For the purpose of this thesis, cross-cultural marketing mistakes or blunders are defined as “avoidable mistakes that companies make in foreign markets” (Dalgic & Heijblom, 1996, p. 81). If the mistake is unavoidable, then it serves no purpose to the research at hand. However, Dalgic & Heijblom (1996) argue that the large majority of them are in fact avoidable. Moreover, Makridakis (1991) recognizes blunders as often being “less serious failures than complete bankruptcies” (Dalgic & Heijblom, 1996, p. 81).

Although it is certainly rare for cross-cultural mistakes to result in bankruptcy, they still have a significant impact on the company’s success in a foreign market and can severely damage its reputation, trust and brand image. There are many factors causing the company to make the mistake that could otherwise perhaps be avoided. One of the crucial and universal factors of success in a foreign market, though often most neglected, is research. Many major companies tend to do the basic research, such as getting to know their customers’ needs and wants, shopping habits and buying power, but often neglect the influence of culture or simply

forget to study and learn the cultural specifics of the foreign market and its consumers. This consumer diversity is often a consequence of many factors such as religion, culture, politics, ethnicity, language, geography, history and societal structure. The reason companies resort to such careless practices and fail to acknowledge the complexity of the research could perhaps be explained by observing the dynamicity of the global business environment and the growing relevance of third-world country markets. If the companies wish to remain competitive, they must be agile and often rush to establish themselves in foreign markets in fear of losing to competition. This need for quickness represents an obstacle for conducting in-depth market research necessary to gain knowledge of the target country and to increase cross-cultural competence of marketing managers. Additionally, Dalgic & Heijblom (1996) argue that marketing managers tend to be guilty of equating the domestic market with the foreign one, subsequently failing to acknowledge their differences. This often-ethnocentric view could perhaps be best explained by Lee's (1966) "Self-Reference Criterion" or SRC. Lee argues that a person's personal experience, cultural values and beliefs unconsciously affect their decisions and represent the main reason for mistakes among businesses operating internationally.

Another reason why marketing campaigns result in failure is overconfidence. Past examples of marketing mistakes often showcase this issue, as companies are found to be guilty of repeating their own mistakes. A good example of this is the U.S. car manufacturer Ford attempting to market their new model named Pinto to its Brazilian customers. However, the automobile giant failed to realize that the word in Brazilian Portuguese slang stands for "tiny male genitals" (Sunshine, 2012). Successful companies in their domestic market often get blinded by their achievements and mistakenly equate the success in their home market with their international success (White, 2009). Seeing the foreign market as "forgiving" sends plenty of companies down a path of fast and shallow research, cutting costs, not having enough resources, etc. Additionally, to avoid repeating the mistake, Hartley (1975) argues that companies could learn from their past mistakes by applying a similar method as soccer players preparing for games by reviewing film from past games. The problem is that the in-depth literature is severely scarce regarding cross-cultural blunders. The research is largely done from outside looking in and that has its limitations. The companies are simply not willing to discuss and share information about their failures, as they are their successes. Rather than try to learn from them, these blunders are often swept under the rug and remain a company secret. Although the advancement in information technology made it easier for companies to convey messages and to communicate with their customers on a global scale, it is also apparent that negative news spread just as fast, arguably faster. Businesses are therefore often reluctant to share information on why these mistakes happen to protect their brand image.

2.2 Categorization of Cross-Cultural Marketing Blunders

Cross-cultural marketing mistakes have been largely present and have been increasing in quantity with the rise of globalization and new players entering the global markets. The mistakes companies make, especially well-renowned ones, are widely covered and scrutinized by media outlets all over the world. Moreover, social media platforms such as Facebook, Twitter, Instagram and Reddit allow for a virality effect, making the news spread quickly across the globe with users sharing, commenting and liking. This debate puts companies in an uncomfortable position of having to “put out the fire” and try to redeem themselves as quickly as possible. White (2009) makes a point in labelling the customer the “final judge” of the company’s actions, despite what the companies’ intentions were. While the mistakes can leave a large scar on the company’s reputation, the oftentimes shallow research that goes into investigating these mistakes and the short attention span of online news articles and social media posts regularly result in the controversy to be forgotten in time. Consequently, such seemingly limited repercussions often open the door for the company to repeat the mistake once again. In contrast, in-depth literature remains relatively scarce, considering that the early research dates back to the 1950s and predominantly features major U.S. companies expanding to other markets. One reason for this relatively limited in-depth literature analysing the mistakes could be found in the affected company’s reluctance to disclose the details of their mishap making it hard for researchers to get past the shallow information disclosed in the media.

International marketing mistakes largely fall into two main categories: mistakes connected to the company’s international business strategies and mistakes caused by macro-environmental factors (Dalgic & Heijblom, 1996). The first one is largely connected to causes such as poor customer targeting, wrong mode of entry and improbable marketing objectives (Dalgic & Heijblom, 1996). However, this thesis and its cases focus on the latter. Macro-environmental factors often connote a failure to comprehend the target culture, values, traditions, habits and language. The latter being one of the most common causes of cross-cultural marketing mistakes.

Language is an integral part of the culture and the main direct communication tool of the majority. However, one could argue that it is still one of the most overlooked and undervalued aspects of cross-cultural marketing. With approximately 6500 different languages being spoken today, international marketing managers should be vary of the hurdles that may come their way. The sheer number of languages can cause marketers to turn a blind eye to the language complexity within the country’s borders. There is a large number of countries where spoken and written communication is conducted in the nation’s primary language, like France, the USA, UK and Japan for example. Nonetheless, a significant number of countries identify as either bilingual or multilingual. A good example are some African countries, that are past colonies of European nations such as France, Spain, Portugal. In addition to the language of their past colonisers, they often speak English, their native languages and different dialects as well (White, 2009). On the other hand, language

is a tool that works on multiple levels within a complex cultural context. It comes through many different channels and can take many different forms. Spoken language is largely inseparable from non-verbal forms of communication such as body language, gestures, imaging, symbolism and others. Through time, each culture developed its own set of heavily ingrained “subtle and not so subtle nuances in meanings and images” (White, 2009, p. 28). These are often a product of the society they live in as well as their own personal experience. Therefore, subliminal messages in advertisements, commercials and business meetings can have a large upside to them if used correctly and in contrast, they serve as a potential large pitfall if used incorrectly or unintentionally.

Subsequently, a majority of cross-cultural blunders fall into this major category. China is one of the markets that are most affected by it, as a result of the size of the market and the sheer number of complexities Mandarin and Cantonese language bring to the table. Additionally, with a number of possible cultural differences, legislation and societal structure affecting the performance of foreign businesses in China, something as simple as a translation of a three-word slogan might be perceived as requiring less attention. Perhaps the most famous blunder belongs to the U.S. fast-food chain KFC, which opened its first store in Beijing in 1980. Unfortunately for them, their slogan “Finger lickin’ good” was roughly translated to “Eat your fingers off” (Klement, 2018). While an embarrassing mishap, the restaurant chain was not heavily affected by the incident as it is currently the number 1 fast food restaurant in China with more than 5000 restaurants. China proved to be a difficult market for the names of companies as well. Mercedes-Benz experienced this first-hand as they tried to enter the Chinese market under the name “Bensi”, which sounds similar to the phrase “rush to die” in Mandarin (Klement, 2018). The move from a German automotive giant to decide for localization and shorten their name to reach its Chinese customers perhaps had good intentions, but backfired. The brand later changed its name to “Benchi”, which loosely translates to “dashing speed (Brooks, 2014).

An additional important aspect of language are its dialects and slang. When translating phrases or slogans, one should keep these in mind to avoid ridicule. A great example of this is the Swedish firm Electrolux, which produces vacuum cleaners. When expanding to the U.S. market, they decided to use a promotional phrase “Nothing sucks like an Electrolux”. Needless to say, the brand failed to make a significant impact in their market entry, but has since recovered and established itself as an important brand on the U.S. market (Brooks, 2014). Similarly, American beer company Coors learned the traps of translating slang when they attempted to advertise their product in Spain under the slogan “Turn It Loose”. Turn it loose, an idiomatic phrase signifying a fun and carefree attitude in American English was unsuitably interpreted as “Suffer from diarrhea “by the Spanish market (Brooks, 2014).

Another common result of cross-cultural marketing mistakes is a perceived lack of cultural sensitivity and knowledge about the target culture. Such examples often intertwine with language mistakes, because of marketing’s heavy reliance on communication. However, one should be hesitant to equate something that could perhaps be avoided by employing a skilled

and culturally intelligent translator, to cultural ignorance, insolence and arrogance some companies convey when advertising on a foreign market. A number of such examples can be found in the fashion industry, particularly high-fashion. In 2018, Prada's monkey figurines in their Manhattan store window display were criticized for their racist iconography. The mistake resulted in the Italian high-fashion brand reaching a settlement with The New York City Commission on Human Rights. Subsequently, Prada will have to invest in promoting diversity and inclusion, by organizing racial equity classes for its employees and executives as well as create a scholarship program for minority background students (Miller, 2020). Another example is Versace's 2019 controversial t-shirt, which upset a lot of its Chinese customers. The Italian brand released a t-shirt with a text design listing several cities and their countries of origin. This came at a very turbulent time in China, with mass protests happening in Hong Kong. Versace's t-shirt listed special administrative regions of Macao and Hong Kong as their separate countries instead of attributing them to China. Consequently, this caused Versace to apologize and burn all of their products with this design (Prideaux, 2019).

2.3 Strategies for Avoiding Cross-cultural Marketing Mistakes

The variety, complexity and number of different CCM mistakes made by companies in foreign markets indicate, that there is no existing universal strategy to tackle this problem. Instead, each target culture and accompanying campaign requires its own custom-made strategy. However, there certain guidelines companies can follow when devising their international marketing plan.

In his research of marketing mistakes, White (2009) suggests an "almost blunder-proof international marketing plan" would be devised following these simple steps:

- Study intensively,
- do your "homework",
- remember to ask questions,
- and take the answers to heart.

He acknowledges that this approach does not inherently mean mistakes will not occur, but argues that the number can be significantly reduced. Additionally, if things don't go according to plan, this framework could help international marketers develop the right mindset to meet the research demands, gain knowledge to implement corrective measures and focus on the final objective (White, 2009). White's steps might appear elemental in their nature, but should not be dismissed as being unimportant. The glooming reality is that a "bulletproof" plan to completely avoid these mistakes doesn't and will never exist, due to the complexity and evolving nature of culture. However, White's steps help in focusing on the most important and crucial aspects of cross-cultural marketing.

3 METHODOLOGY

3.1 Research Purpose and Goals

The main purpose of this thesis is thus to provide a deeper understanding of the internal and external implications of marketing blunders in a cross-cultural environment through critical analysis and comparison of the selected three case studies. This understanding will help inform and educate future cross-cultural marketing managers to successfully overcome or completely avoid these blunders.

The goals of this thesis are:

- To critically analyse and compare several well-known cross-cultural marketing blunders made by large players in the international arena (Gucci, Nivea, and Dolce & Gabbana);
- To determine and understand the impact of marketing mistakes on each company's performance, sales, shareholders, stockholders, and overall organizational culture in the affected country;
- To observe the company's response to the scandal by analysing their external communication, CSR and annual report;
- To analyse the information that emerged in popular media and social media addressing the scandal in order to obtain cultural context and insight into public perception;
- To compare and reflect on the cultural differences between the company's organizational culture and the affected country's national culture; namely to answer questions as to why do these blunders occur and how to prevent them;
- To provide a thorough comparative case study of past cross-cultural marketing mistakes and educate current and future professionals operating cross-border on the importance of learning from mistakes of others, while also being prepared to self-reflect on own mistakes.

3.2 Research Design and Case Selection

The research methodology for the thesis is based on secondary data and is comprised of both a theoretical as well as an empirical part.

The theoretical framework presented in the first two chapters is grounded in secondary sources in the field of cross-cultural marketing, as well as relevant surrounding fields of cross-cultural research, cross-cultural communication research and culture research. The reliability of the sources was ensured through the use of popular academic publication databases such as Sage Journals, Springer Link, ResearchGate, Statista, PROQUEST and Google Scholar.

For the purpose of this thesis, a study of three cross-cultural marketing blunders was conducted. Gucci, Nivea and Dolce & Gabbana's case studies were critically analysed, compared and contrasted. The selection method was largely based on the relevancy of the mistake and the size of the international company. Therefore, no cases before the year 2015 were considered. Gucci's mistake started gaining traction in the first week of February 2019, Nivea's controversial ad was posted on the 4th of April 2017 and Dolce & Gabbana's video commercials made their way online on the 18th of November. To ensure a high quantity and quality of the emerging information, it was important that the cases represented highly publicised cross-cultural marketing mistakes made by well-known companies. Although two, out of a total of three, cases stem from the high-fashion industry the uniformity of industry was not of relevance. In contrast, the similar nature of the mistakes served as one of the deciding selection factors. For that reason, CCM mistakes connoting racism, and in Dolce & Gabbana's case both racism and sexism were chosen, as it enabled a more in-depth and easier comparison of the cases and the results. On the other hand, the three selected cases all offer different perspectives on the issue as they target different cultures. Gucci's "blackface" scandal affected a complex multicultural environment that is the U.S.; Nivea's "white is purity" exposes the colourism issue in the Middle East and Dolce & Gabbana's video ad highlights the importance of cultural awareness when communicating with a country like China.

Following the selection of Gucci, Nivea and Dolce & Gabbana's CCM mistakes, a basic overview of the popular online news sources including BBC News, Washington Post, New York Times, Fox News and Financial times was undertaken. This, paired with a deep dive of each of the company's "about us" pages, allowed for a better understanding of the examined company, affected culture and provided the reader with a description of the CCM mistake. Moreover, it helped determine the order in which the research was to be conducted. Next, the affected culture was carefully examined to provide the reader with the necessary context supporting and explaining the issue at hand. For Gucci and Nivea's case, this represented a deep-dive into the historical implications. For instance, the history and modern implications of blackface in the U.S. were explained with the help of Stephen Johnson's 2012 book titled "Burnt Cork: Traditions and Legacies of Blackface Minstrelsy".

With a deeper understanding of the CCM mistake and why it occurred, the analysis shifted towards observing the implications and consequences of the problem. Therefore, the company's external communication was examined. For each of the cases, three online newspaper articles were analysed and compared. The selected news outlets include popular online newspapers such as CNN, BBC News, Fox News, The Washington Post, The New York Times and Financial Times. Moreover, all of the chosen articles were published within a three-day period after the CCM mistake, to ensure the comparability of the emerging information and the initial reaction. Similarly, social media comments offering a public perception were examined. For Gucci's and Dolce & Gabbana's case, Twitter was chosen as the main platform for analysis. In contrast, Facebook comments served as the main source

of analysis for Nivea's case study. This was mainly due to the present availability of the comments and what the platform of choice was for the examined company; either to post the controversial advertisement or issue an apology afterward.

Lastly, the company's response and tangible as well as intangible repercussions of the mistake were researched. The research encompasses an examination of the company's press statements, social media posts, annual reports, changes in CSR, online statistics portals such as Statista and Bloomberg and other information that might emerge in the media. For the data collection, a method of press clipping was used.

3.3 Critical Analysis and Comparison

For critical analysis and comparison of the three cases, I have used a method of qualitative comparative analysis (QCA). The low number of cases is justified by the amount of in-depth analysis and research conducted necessary for proper analysis of CCM mistakes. Ragin (1999) argues that as we increase the number of cases, our deep knowledge of them becomes increasingly difficult to obtain. Furthermore, in order to ensure more of what he calls "shared causally relevant features", the number of cases is best to stay low, causing more homogeneity between them. Of course, this in turn presents a number of limitations of QCA. Limited diversity of natural phenomena and contradictory outcomes being two of the most pressing. And although I did not do QCA in its full form and did not attempt to establish causation, I have nonetheless tried to establish commonalities across the three cases.

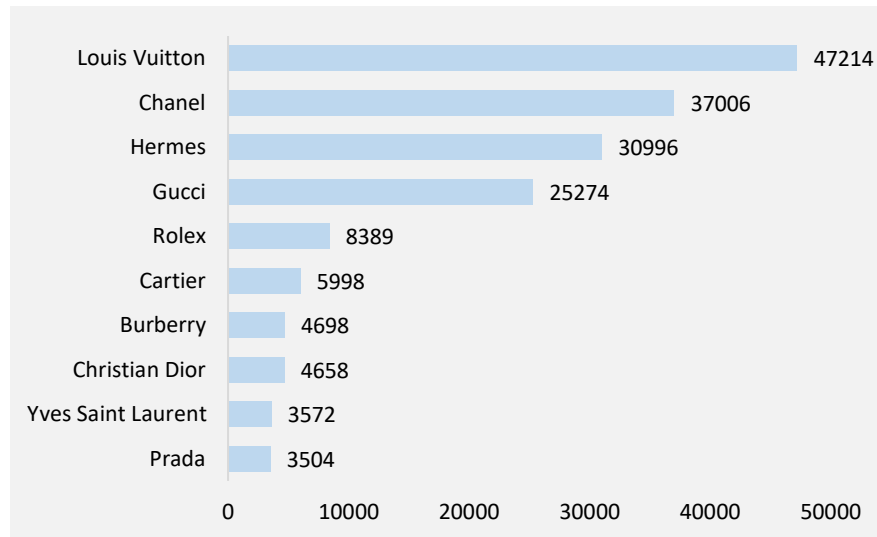
Furthermore, I used process tracing to try establish the sequence of events. George & Mckeown (1985, p. 35) argue that the method is not only dependant on the comparison of dissimilarities between variables in cases, it also "investigates and explains the decision process by which various initial conditions are translated into outcomes" (Falleti, 2006). Moreover, they expand on the methodology by describing it as a process that "attempts to uncover what stimuli the actors attend to; the decision process that makes use of these stimuli to arrive at decisions; the actual behavior that then occurs; the effect of various institutional arrangements on attention, processing, and behavior; and the effect of other variables of interest on attention, processing, and behavior" (George & Mckeown, 1985, p. 35; Falleti, 2006).

4 GUCCI: BLACKFACE CONTROVERSY

Gucci is an Italian luxury fashion house founded in 1921. According to data found on Statista, Gucci has most retail stores out of any luxury brands, 520 throughout the world (BNP Paribas, 2017). Initially regarded mainly as a European high-fashion powerhouse, Gucci has quickly expanded its operations to a global market and solidified its status as one of the most successful international luxury brands. The fashion house is considered to be 4th most valuable luxury brand in the world behind only Louis Vuitton, Chanel and Hermes

(Kantar Millward Brown, 2019). For the top 10 most valuable luxury brands worldwide see Figure 4.

Figure 4: Top 10 most valuable luxury brands worldwide in 2019 (in million US dollars)



Adapted from Kantar Millward Brown (2019).

4.1 Description of the Blackface Advertisement

In February 2019, the Italian luxury brand faced heavy criticism when several users on social media pointed out a sweater on their website connoting racial symbolism. The black roll-up turtleneck sweater seen in Figure 5, featured a white female model and was a part of Gucci's 2018 winter collection. However, the most controversial part of this wool balaclava jumper is that the roll-up collar which covers both the mouth and the nose of the model features a mouth cut-out with a thick red outline (Held, 2019). According to Young's (2019b) article, the description on the Gucci website said the item was "inspired by vintage ski masks, multicoloured knitted balaclavas walked the runway, adding a mysterious feel to this collection". Shortly after the outrage Gucci promptly removed the controversial item from their online store and issued an apology.

Figure 5: The controversial sweater



Source: Gucci (2019b).

4.2 The Troubling History of Blackface

To properly grasp the importance, magnitude and implications of Gucci's cross-cultural mistake, one has to start with researching the complex and troubling history of "Blackface" in the United States. The origins of the term date back to mid 19th century when white actors performed at the so-called minstrel shows with their faces painted black. According to Johnson (2012), they used black polish and burnt cork to darken their skin. Red grease paint was added to this makeup to create an image of abnormally large lips. Additionally, some actors also wore a wig with curly black hair as seen in Figure 6. Their outfits were often worn out ripped clothes with mismatched colours and oversized shoes resembling a clown (Johnson, 2012).

Figure 6: A vintage poster promoting a minstrel show



Source: *Buildnationblog* (2016).

The structure and the content of the performances varied, but singing and dancing served as a staple to every show. The most popular black character that is still associated with

blackface to this day is that of Jim Crow. The dancing and singing blackface character was supposedly created by an American minstrel show performer and playwright Thomas D. Rice. Rice, often regarded as “the father” of the minstrel shows, created the character based on an old African American folk trickster with the same name (Johnson, 2012). His shows became so popular, that most historians credit him with singlehandedly popularising American minstrel shows, and consequently, the stereotypes of African Americans being lazy, unintelligent and incapable of integrating into white American society (Johnson, 2012).

Due to their rising popularity with white audiences, the number of sold-out shows grew exponentially. Soon other performers and venues, predominantly in the south of the U.S. began adopting and replicating the trend popularized by Rice. While the minstrel shows might have been perceived funny to the predominantly white audience and were often seen as harmless comedy, they were extremely demeaning and hurtful to the African-American community and its perception in the society (Trammell, 2019). According to Trammell (2019), the shows portrayed African-American people as being stereotypically lazy, cowardly, ignorant and hypersexual. The Smithsonian's National Museum of African American History and Culture (n.d.) described, that "by distorting the features and culture of African Americans - including their looks, language, dance, deportment and character - white Americans were able to codify whiteness across class and geopolitical lines as its antithesis. Because these impersonations were so popular and prevalent in the mid 19th century, even some African American actors wore blackface on stage. The main reason for this being, that it was the only way they could get a role as actors. Moreover, the predominantly white audiences at that time were reluctant to seeing African American people perform on stage (Trammell, 2019).

4.3 The Role of Blackface in Modern Times

The practice of blackface is undoubtedly seen as a major stain in the history of the American as well as global culture and its impact is still present today. Researching and analysing only the history of racism, blackface and Jim Crow symbolism, could give one a misguided impression that these kinds of problems occurred in a distant past and carry little significance in modern times. But even after the minstrel shows started to decline in popularity at the end of 1870s, the stereotypes and the degrading imagery still had a major presence in popular media (Johnson, 2012). Best example of this is perhaps the 1899 children's book called "The Story of Little Black Sambo", which features a degrading image of a dark-skinned child protagonist (Ocbazghi & Skvaril, 2019). Moreover, Sambo is a demeaning term that was used to describe slaves in the times of slavery. Such racist imagery can be found appearing regularly in the popular cartoons, literature and comics in the first half of the 20th century. Some well-known examples seen in Figure 7 include Looney Toons, Tom & Jerry and Captain Marvel.

Figure 7: Popular cartoons and comics with racist imagery



Source: Ferris State University (n.d.).

Unfortunately, one does not have to look very far in the past to find examples of blackface. Johnson (2012) notes that there seems to be a major re-emergence of it in popular culture in recent years. He highlights Robert Downey Jr. playing a white method actor wearing blackface in the 2008 action comedy *Tropic Thunder*. Johnson also mentions two other notable examples, one being the comedian Sarah Silverman wearing blackface in her comedy show and the other is the TV-Show *Mad Men*, where a character appeared wearing it.

Thus, this presents us with a question if the blackface ever really went away. The 1960s notably marked a nationwide disappearance of blackface in the mass media, however, Gucci's incident seen in Figure 7 and many other incidents in recent times show, that this imagery is still present and deeply ingrained in today's society.

4.4 Media Reaction to Gucci's Blackface Incident

4.4.1 Social Media

The photos of the controversial sweater first started circulating on the social media platform Twitter. Twitter is a popular microblogging social media site through which users can share their messages in real-time using their mobile devices or computers. (Hoang, Lim, Achananuparp, Jiang & Zhu, 2011). Messages posted on the platform are called tweets and allow up to 280 characters per posted tweet. Twitter users can retweet, comment or share the message on other media platforms, often making the tweet gain traction and go viral. Hoang et al. (2011) argue that events that garner social media attention often see their popularity rise through word of mouth and are therefore labelled as viral information. These can vary from photos, blog posts, videos, opinions and other forms of content. Most notable examples of a Twitter virality are often ground-breaking events such as natural disasters, military attacks, election results and controversies (Hoang et al., 2011) According to Statista, Twitter currently has approximately 330 million active users with around 64 million active users coming from the United States (Twitter, 2019; Statista, 2020a). With Twitter being so

popular in the U.S., it comes as no surprise, that the photo of a racist sweater gained momentum and virality on the platform. On the other hand, according to several news outlets, the item was surprisingly available in store to purchase for months prior to causing controversy on Twitter. Due to the news of the controversial Gucci item spreading like wildfire, it is uncertain who was the first person who posted the photo, however, many users started posting their own tweets and opinion on the subject.

The underlying theme of the social media reaction to the controversial item was outrage. Several users posted their thoughts implying disbelief that such an item exists in today's day and age and highlighting the contrast between companies perceived value of diversity as opposed to the actual. Similarly, a question was raised about how such products can go through several layers of approval and have no person notice its demeaning nature. Several users were also quick to point out previous transgressions of high-fashion brands and a recent trend of racist imagery in the industry. Namely the Prada incident two months prior, which similarly evoked racist blackface imagery. Prada was forced to remove a keychain resembling a black monkey with oversized red lips. The product was a part of their "Pradamalia" collection (BBC News, 2019). Moreover, the timing of the controversy could not be worse for Gucci. As several Twitter users pointed out, the outrage came at the time of Black History Month. The month is of special significance to the African-American community as it represents honouring the accomplishments of African Americans throughout history. The month was officially recognised by the U.S. President Gerald Ford in 1976 and since then, February is the designated Black History month (History.com Editors, 2020). Lastly, the lack of diversity in positions of power issue was brought up as well.

Consequently, a vast majority of people called for a boycott of Gucci products and cancelling the Italian brand. One user wrote, "stop giving money to designers who are blatantly racist". This practice is often referred to as "cancel culture". Though similar to boycott, according to Anne Charity Hudley, the head of linguistics of African America at the University of California, cancelling a person or a business "promotes the idea that black people should be empowered to reject the parts of pop culture that spread harmful ideas" (Romano, 2019). Additionally, she points out that refusing to participate in the spread of such ideas often presents an alternative to not having the ability to stop it through politics (Romano, 2019). The call to boycott Gucci reached new heights when it prompted several celebrities and other prominent African-American people to voice their opinion on the subject and calling for a boycott of Gucci products. However, some took a more drastic approach. Rapper 50 Cent posted a photo on his social media, that shows him burning his Gucci branded T-shirt and saying he does not support the brand anymore.

The escalation of the social media outrage was arguably much more detrimental to Gucci's reputation than for most other high-fashion companies guilty of a CCM blunder. The fashion house has worked intensively in the past few years to position themselves in the African-American culture through collaborations with prominent figures like 50 Cent and TI, as well

as with some others supporting the brand, most notably the boxer Floyd Mayweather, Soulja Boy and Young Thug (Saponara, 2019). White (2009) argues, that customers form high expectations of the product and the company they trust. Therefore, if they start to feel the company betrayed their trust, customer confidence is bound to decline.

4.4.2 Online Newspaper Outlets

The controversial sweater soon made its way into the news as it filled several headlines of the United States media. For the critical analysis and comparison, three of the most popular online newspapers in the United States were chosen and compared.

CNN: “Gucci apologizes after social media users say sweater resembles blackface”

The title of the article immediately conveys the nature of the controversy, mentions what the controversial product is and lets the reader know that the company already issued an apology. The latter in particular seems to be the main focus of the title. Use of words such as “say” and “resembles” connote neutrality and give the reader little insight into the stance of the author on the issue. However, the seriousness of the scandal is conveyed through the use of graphic codes. These capture the reader’s attention due to their size and placement. For instance, a video featuring a photo of the woman wearing the controversial sweater is featured right below the title. Additionally, the article features a photograph of Gucci’s Twitter apology and a tweet of a user commenting the controversial item. The reader of the CNN article could gain a solid introspection into the problem only by reading the title and observing the graphic codes. This directness could perhaps be explained by observing Hall’s HC and LC cultures, where the United States is placed among the latter. Similarly, Gallos & Callan (1997) argue that the United States predominantly values a more explicit and direct style of communication (Holcombe, 2019).

The text content of the CNN news article informs the reader that the Gucci’s sweater has been discontinued by the company, provides a short description of the product and then proceeds to address the apology. Although the author provides the reader with the official statement posted on Twitter, she reiterates the sentiments conveyed in the post by citing a part of the apology. This use of citations is continued in the following paragraphs when attempting to illustrate the social media outrage and is prevalent through the majority of the text. Such refrainment from paraphrasing gives the reader an impression of objectivity and reliability. Towards the end, the focus shifts towards a wider problem in the industry and the U.S. in general by naming a few of the latest controversies. For example, Prada’s “Pradamalia” product line incident portraying blackface imagery and a recent scandal involving the Virginia Gov. Ralph Northam wearing blackface in a photo in his school’s yearbook. Although Northam apologized, the article reports that he now denies being in that yearbook photo (Holcombe, 2019).

Fox News: “Gucci sweater creates uproar for appearing to resemble blackface “

Similarly to the CNN, the Fox News article has a very direct and descriptive title, however, its focus is significantly different. The headline fails to mention the apology and instead highlights the caused controversy. In contrast to the previous article, the author describes the reaction as an “uproar”, implying to the reader the magnitude of the outrage. Notable is also the use of only one large photograph showcasing the model wearing the controversial item (Perez, 2019).

The article starts with the author reiterating that the sweater caused an uproar on social media and mentioning people calling it “Haute Couture Blackface for millennials.” This choice of words omitted from the CNN article implies that the reader is familiar with the fashion industry and its jargon. According to Lexico (n.d.), an online dictionary powered by Oxford, haute couture originates from French and is literally translated to high dressmaking. In the text, the author addresses similar pressing matters surrounding the mistake, from the company removing the sweater, the Twitter comments and the company’s apology. However, it does so in a significantly more condensed matter than the CNN article and with a different structure. As implied in the title, the focus is on the controversy itself, with the author providing the reader with a price tag and the company’s description of the item on their website, both omitted in the CNN article. Furthermore, the apology is only briefly mentioned at the end of the text, where the author cites Gucci’s original statement. However, the author fails to mention the recent mishaps connected to the Blackface, giving the reader little context on the subject matter (Perez, 2019).

The Washington Post: “‘Haute Couture Blackface’: Gucci apologizes and pulls ‘racist’ sweater“

When analysing the article by The Washington Post, several differences to the previous two articles become clear. The title is much less descriptive and features a previously mentioned “Haute couture”, once again assuming the reader’s familiarity with the term. Furthermore, the headline is much more direct in labelling the sweater racist and does not resort to using words such as “resemble” and “appearing to resemble” found in the other two articles. The use of graphic codes is similar to the CNN article as it features a large photograph of the controversial sweater directly beneath the title, Gucci’s apology statement on Twitter and several Twitter comments from the users (Chiu, 2019).

The Washington Post article is the longest of all three. The reader is immediately informed of the Black History Month and its significance. Next, the author aims to provide context by mentioning a recent Virginia Gov. Ralph Northam blackface scandal and transitioning towards explaining the pressing Gucci scandal. The controversial sweater and its model are described in great detail and followed by the mentioned of the price tag and the outrage it caused. Much like the CNN and Fox News articles, the reader is provided with Gucci’s official statement and examples of the Twitter uproar. However, the author goes into much deeper issues and even provides the reader with Twitter comments showcasing a different perspective on the subject matter. The Story of Little Black Sambo, diversity in the fashion

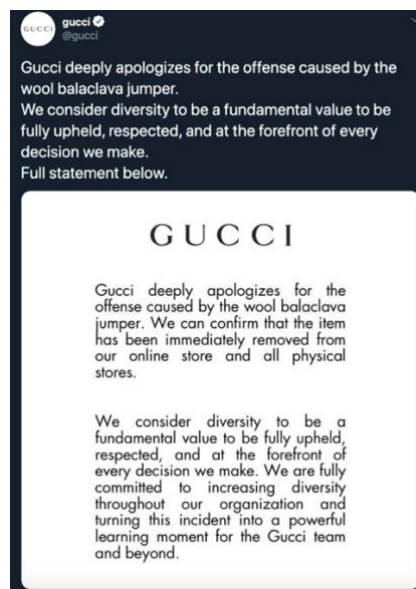
companies, as well as comments rejecting the hints of racist imagery are all featured in the article (Chiu, 2019).

4.5 Company's Response and Aftermath

4.5.1 The Apology

The company responded shortly after the social media outrage started gaining momentum. They removed the controversial sweater from the store and released a short statement on Twitter. For the Twitter apology see Figure 8.

Figure 8: Gucci's Twitter apology



Source: Gucci (2019a).

Posted from an official Twitter profile of Gucci, the post consisted of text and an accompanying photo. Because Twitter has a 280-character limit, the text represents the beginning of the statement, while the photograph contains a full statement. In the social media post, Gucci starts by apologizing for the offense caused by their sweater and reiterates that they have removed the product from the store. In the second half of the statement, the company labels diversity as one of their main values. They vow to make it their mission to increase the diversity in their organization and learn from this mistake.

Shortly after, a letter to employees by Marco Bizzari, CEO and president of Gucci leaked into the media, first appearing on the Fashionista website (Klein, 2019). In a lengthy text, Bizzarri immediately points out he and the creative director Alessandro Michele are deeply impacted by the situation. He acknowledges the mistake and confirms it was a result of cultural ignorance. Taking full responsibility for the mistake, Bizzari continues the letter by

expressing his strong conviction, that the mistake could in no way be intentional. He states that the current portrayal of the brand in the media is “putting at risk all the values” they believe in and have been working towards; citing diversity, self-expression, community building and inclusivity as being the DNA of the brand (Klein, 2019). After naming some of the initiatives launched by Gucci since 2015, the year he was appointed CEO, he once again reiterated the company’s values and how they drive the corporate culture at the core of Gucci. He concluded by saying “we thought we were standing in a better position, and we need to recognize that we are not.” As a set of immediate measures, Bizzari proposed building a global cultural awareness program, a set of scholarships in many major cities around the world “facilitating different communities within the creative office” and a discussion with the leaders of different communities “to develop a constructive and appropriate framework”. The statement concludes with pointing out that people/customers are at the core of what Gucci does and they will take this mistake as a challenge to strive towards a common goal-developing a “stronger organization” (Klein, 2019)

Furthermore, Alessandro Michele, the creative director of Gucci released a company letter to employees, hinted already in Bizzarri’s letter, expressing his regret that one of his creative projects was perceived racist. He expressed that racism was never his intention and that the design was inspired by the Australian performance artist Leigh Bowery. Bowery was known for his face makeup and extravagant costumes and Michele reportedly wanted to channel the Australian artist’s “camouflage art, his ability to challenge the bourgeois conventions and conformism, his eccentricity as a performer, his extraordinary vocation to masquerade meant as a hymn to freedom”(Young, 2019a). Similarly, to the contents of Bizzarri’s statement, Michele goes on to reiterate the initiatives the brand intends to launch, such as scholarship programs and internal training to increase inclusivity, diversity, participation and cultural awareness. He concludes by acknowledging that the situation presents a learning moment for him and Gucci (Young, 2019a).

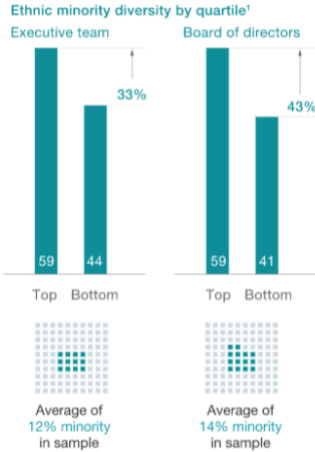
4.5.2 The Four step Action Plan and CSR

On March 18 Gucci started implementing its four-step action plan in “to promote diversity, equality and inclusion in the company”, by announcing the Changemakers Program (Garret, 2019). The program is meant to include three important elements: Gucci Changemakers Fund, a separate scholarship fund and an action plan built towards promoting employee volunteering. The first element of the initiative, The Changemakers fund, is a \$5 million investment into community-based programs in several cities across the USA. The details and the decision of which programs will receive the fund and how to approach the matter will fall on the Changemakers council comprised of prominent members of the African American community, including fashion designer Dapper Dan, singer Will.i.am, poet and activist Cleo Wade among others (Fisher, 2019). The scholarship program is designed to help a more diverse student talent to pursue a career in fashion. The selected students will each be given \$20,000 for their educational pursuits over the next 4 years (Fisher, 2019). And lastly, Gucci

will allow its employees to take up to 4 days of paid leave in order to participate in volunteering in their communities, in work that tackles issues such as equality, protection of the environment, refugee support, homelessness and education (Fisher, 2019).

This initiative comes after the CEO of Gucci Marco Bizzarri met with Dapper Dan, an African American fashion designer to discuss the framework Gucci should build on to promote diversity in the African-American community after the Blackface scandal. It is important to note that the two met in a predominantly African-American part of New York, Harlem. Dan also discussed the positive impact the new initiative will have on the “black community, black designers and fashion in general.” He also points out the new opportunities for “ethnic minorities” to learn and influence the industry, calling it “getting a seat at the table”. Continuing their efforts towards diversity, Gucci appointed Renee E. Tirado as their global head of diversity in the end of July 2019. Forbes notes, that this follows a common trend in the industry with other luxury fashion brands such as Chanel, Prada and Burberry hiring new heads of diversity and launching new initiatives in the first half of 2019 (Garret, 2019). Moreover, adding to the before-mentioned steps, Gucci employed Kimberly Jenkins, a fashion and race professor at Parsons School of Design to be their in-house scholar and educate their employees on the role of race “in perceptions of identity, beauty and intrinsic human value” (Givhan, 2019; Garret, 2019).

Figure 9 :Likelihood of financial performance above national industry median %



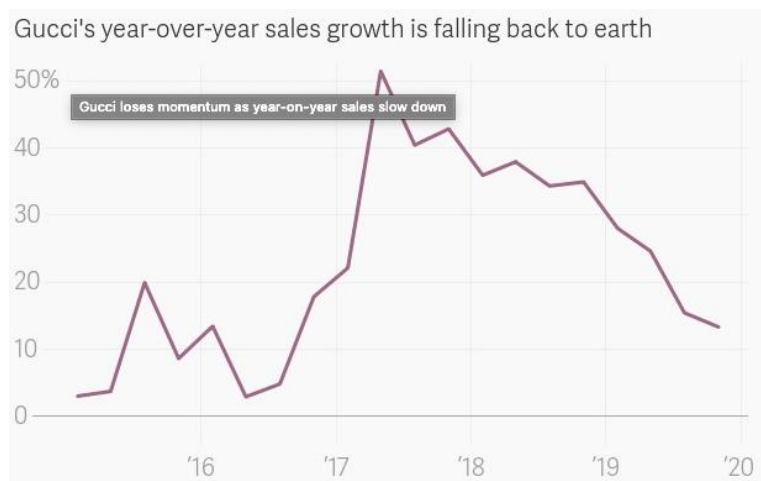
Source: Hunt, Prince, Dixon-Fyle, & Yee (2018).

As seen in Figure 9, a 2017 study by McKinsey & Company observing racial and cultural diversity in six different nations and its correlation with profitability found out that companies that have higher ethnical diversity among its executive teams tend to be 33% more likely to outperform their peers in terms of profitability (Garret, 2019). This result is in line with the same study conducted in 2014 when the score was 35% (Hunt et al., 2018).

4.6 Effect on Sales

Gucci is part of a Paris-based Kering S.A. corporation that owns Yves Saint Laurent, Balenciaga and Alexander McQueen among several other luxury brands. Many of Kering's top brands have experienced a strong sales growth throughout the past half-decade and this includes Gucci. As Marco Bizzari took over as the CEO of the fashion brand in 2015 and hired creative director Alessandro Michele, the brand has been experiencing an impressive sales growth on a yearly basis. This is largely due to Michele's reinvention of the brand, which appealed to the younger generation. The company paired it with smart marketing and positioning within the popular culture. In 2017 Gucci reported 43.8 percent sales growth, while the 2018 reported numbers were up by 34.9 percent (Adegeest, 2019). For Gucci's year-over-year sales growth see Figure 10.

Figure 10: Gucci's year-over-year sales growth



Source: Adegeest (2019).

As it pertains to 2019 however, the company's revenue growth started shifting from extraordinary to a more solid (see Figure 10). In April 2019, Gucci, which represents the majority of the Kering's revenue, reported a 20% revenue growth, which is 8% lower than three months before and almost 30% lower than at the start of 2018 (White & Denis, 2019). The revenue increase in the second quarter dropped even further to 12.7%, which was below the anticipated growth of the analysts (Mulholland, 2019b). This equated to a total of 2.4 billion euros for the first half of 2019, a 16.3% increase from the previous year. The sales were mainly powered by strong performance in Asia with a 24% turnover increase and western Europe with 20%. However, sales in North America fell 2% (Dalton, 2019).

The trend of slowing down continued through the 3rd quarter. On the 24th of October 2019, Gucci reported its revenue growth to be the lowest since Q2 of 2016 at 11%, compared to its previous quarter (Dalton, 2019). The Italian fashion house was heavily affected by its sales in Hong Kong, a popular luxury shopping destination, due to the protests. However, the third quarter surprisingly exceeded the analyst expectations, as the fashion house was

expected to have only an 8-9% increase. Dalton (2019) argues that this is due to Gucci stabilizing their operations in the U.S. in particular, albeit the sales in the region declining another 2%. This marked the regions one of Gucci's lowest performing since its February blunder. Although the brand apologized, the backlash on social media and loss of support from some prominent members of the African-American community seems to have taken a reputational toll. (Dalton, 2019; Vogue, 2019; Mulholland, 2019a). Analysts believe that Gucci's slowing sales performance can in part be attributed to the blackface scandal, although brands cutting policies on marketing activities and unsustainable rapid growth seem to be the two most influential factors. In its full year results, Kering reported a 13.3% increase in revenue for Gucci. This brought an added €1.3 billion in sales compared to 2018 (Business Wire, 2020).

Interestingly, throughout the year and in its final year results, Kering never once mentions the blackface scandal or the possibility of it being responsible for the sales slowdown, particularly in the United States. When asked about the sales slowdown in the region, Jean-Marc Duplaix, Kering's CFO attributed it to the decrease in tourism to the United States as well as lower consumer sentiment (Adegeest, 2019). He also added that the Italian fashion brand is working towards regaining customers by conduction marketing campaigns as well as events to accompany their products.

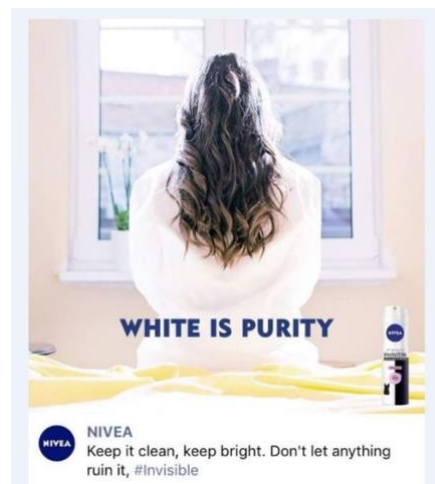
5 NIVEA:" WHITE IS PURITY" ADVERTISEMENT

Nivea is a German skin-care brand owned by Beiersdorf AG, a company founded in 1882 by Paul Carl Beiersdorf. With its long history, spanning for over 130 years, Nivea and Beiersdorf positioned itself as one of the world's leading skincare and personal care brands. Although the brand has a significant global presence, the majority of its value still stems from its strong position on the European market. According to Brand Finance (2016), Nivea is placed 2nd in Europe among cosmetic brands by brand value, bested only by L'Oréal Paris. Additionally, Nivea was ranked 14th in Kantar Millward Brown's (2020) list of the top 50 most valuable German brands.

5.1 Description of Nivea's Facebook Advertisement

On 31st of March 2017, Nivea posted an advert on their Facebook page which was intended for its audience from the Middle East. Facebook as a digital advertising platform allows marketers to post ads from the main profile and target a specific region, therefore the post appears only to the people from that region. The controversial ad promoted a brand-new antiperspirant from their "Invisible for Black & White" line of deodorant sprays and featured a woman dressed in white clothes facing a white frame window, a blue coloured slogan "White is Purity" and the promoted deodorant in the lower right corner. This imagery was supported with a caption saying "Keep it clean, keep it bright. Don't let anything ruin it".

Figure 11: Nivea's controversial advertisement



Source: BBC News (2017).

The original post seen in Figure 11 was instantly flooded with comments by users deeming the advert racist. This prompted Nivea to quickly remove the ad, but the damage was already done. Similarly, to the Gucci scandal, the news of Nivea's racist blunder began spreading like a wildfire on social media platforms with several users posting the photo of the original ad and adding their own comments. However, due to the original post being published on Facebook, the majority of the outrage seemed to be present on the mentioned platform. The ad itself was bound to do significant damage to Nivea's reputation and caused the brand to issue a statement and apologize. However, the nature of the blunder escalated even more when certain alt-right social media accounts began adopting it as their "official antiperspirant" (BBC News, 2017).

5.2 Background of the Affected Culture

The Middle East is an area still heavily affected by colourism. Merriam-Webster dictionary defines colourism as "prejudice or discrimination especially within a racial or ethnic group favouring people with lighter skin over those with darker skin" (Colourism, n.d.). This form of institutional and social racism is still heavily ingrained in many countries and their societies in the Middle East. Moreover, the colour of the skin played an integral role in hierarchies of power formed throughout the history of the region, particularly the slave trade (Kalev, 2018). Although Middle East colourism is more subtle as the Indian caste system and definitely less frequently discussed as in the United States, one does not have to look very hard to find it. A good example of this is the practice of blackface in the popular culture. The Gucci scandal and several other CCM blunders show, that this dated racist practice still has a presence in popular culture, especially in the United States. However, its practice in modern times is largely condemned, criticized and frowned upon, whether its use is intentional or not.

In contrast, it still seems to be a common practice among entertainers from regions in the Middle East to use blackface as a form of entertainment. For example, there are instances of its continuous use in Middle East countries of Egypt, Kuwait, Libya and Sudan (Al Jazeera, 2019). Walsh (2019) reports in his New York Times article, that the problem in the Middle East is predominantly present in the field of comedy. Comedic theatre plays and even TV-Shows on national television network support stereotypes that depict black people as lazy, not being able to speak Arabic properly or having a ridiculous accent. Recent examples include a Libyan comedy sketch show featuring a woman wearing blackface and baby in a stroller, which later turns out to be a monkey. Another example comes from 2018 when the state television in Kuwait aired a blackface comedy skit aimed at Sudanese people, who represent a minority in the country (Walsh, 2019).

Figure 12: Racist Libyan sketch show



Source: Walsh (2019).

Joseph Fahim, a film critic from Egypt, argues that most Middle East countries, including his home country, would never admit that they are racist and recognise their racism against black people (Walsh, 2019). And even several entertainers guilty of using blackface in recent years have attempted to dismiss the notion by describing it as “just comedy” and only retract and apologize if the criticism was too harsh. Although public apologies are scarce in the region, there are some advancements being made to tackle racism. For example, a new law in Egypt that criminalizes racist content and can, in worst cases, even cause the company to shut down (Walsh, 2019).

Perhaps such criticism, public apologies and laws signify that the public consciousness on the issue is improving and people are ready for a change, after years of turning a blind eye to the derogatory uses of blackface and other colourism practices. With this perceived change in public consciousness and delicateness of the problem, it becomes apparent, that conducting business and marketing in the Middle East can be increasingly challenging. Without diving into cultural specifics, religion and history of the countries, companies risk making a mistake Gucci and Nivea made. History in particular is an aspect that can be easily

overshadowed by the other important aspects of research, but should not be neglected by marketing managers, or anyone doing cross-cultural business for that matter.

Similar to Gucci's case, Nivea's mistake could have been avoided by researching the history and the cultural issues that stem from it, although arguably the improper selection of words could have had a similar effect anywhere in the world. It is important to note that slavery was formally abolished in the United States in 1865, it however remained legal in several countries of the Middle East until as recently as 1970 (Miers, 2003). Much like the U.S., the area has a history of oppression, whether in terms of slavery or equal rights of black people. For several centuries Arab slaveowners have captured Africans and transported them to their countries. Moreover, the word "abeed" loosely translated to slave or servant is still commonly used in the Arab world for dark-skinned people (Walsh, 2019). It is this cultural context that helps one begin to understand the outrage of the public to the controversial Nivea advertisement.

5.3 Media Reaction

5.3.1 Social Media

The Nivea "white is purity" ad started receiving harsh criticism in the comment section immediately as it was published on Facebook. Subsequently, the company removed the original post and with it the comments under it. However, the "fingerprints" of the public outrage are still visible on Facebook, with many users commenting under articles posted by newspaper sites such as BBC News, CNN International, Complex; as well as reposting the screenshot of the ad with their own commentary. Contrary to the Gucci's comments, which were predominantly in favour of criticising and labelling the product racist, Nivea's comments showcase a very divided opinion.

The comments and the discussion can be separated into three different categories. The first category are the people who deem the ad offensive and derogatory. The commenters were quick to highlight the naivety and ignorance Nivea conveyed with it, especially for targeting the Middle East. Additionally, some argued that racism in the Arab countries is still very present, although not often addressed. The second group represents comments regarding the absurdity of the political correctness culture we live in and how quickly offended people have become. Such comments predominantly argue that different colours represent different things, and that white is commonly associated with purity and cleanliness and should therefore not be immediately deemed racist. And the third group, similarly to the Gucci's case, questions the decisions of marketing managers at Nivea, with several users pointing out the tone-deaf nature of the advertisement. Additionally, some even suggested a firing of the person in charge.

Figure 13: Neo-Nazi groups embracing Nivea’s controversial ad



Source: BBC News (2017).

However, perhaps the most troubling aspect of the social media traction the ad received is its acceptance and embrace among extreme right and neo-Nazi communities. As seen in Figure 13, the groups praised the company for “choosing their side”, which quickly elevated the controversy surrounding the ad causing many major news outlets to report on this support.

5.3.2 Newspaper Articles

The scandal received worldwide media attention and was covered by a large number of large news outlets. The analysis will focus on The New York Times, BBC News and The Washington Post articles, that came out shortly after the mistake happened.

New York Times: “Nivea Pulls ‘White Is Purity’ Ad After Online Uproar “

The headline of The New York Times article focuses on the controversy surrounding the ad and the decision by Nivea to remove it. With naming the ad after its controversial slogan “white is purity”, the reader gets a glimpse of the nature of the outrage. In addition, the author uses a word like “uproar” to add weight to the seriousness of the problem. Perhaps a bit surprising is the use of graphic codes or the lack thereof. The article has only one large photograph, which is placed under the title and features what seems to be hundreds of Nivea Men Invisible for Black & White antiperspirant roll-ons. Although the product is part of the same campaign, it is not the same product as in the advertisement. The controversial product is a spray antiperspirant targeting female demographic (Tsang, 2017).

In the text, the author starts with a short summary of the issue highlighting the controversial slogan “white is purity”, hinting Nivea’s past racially insensitive offences and pointing out the worrisome support from white supremacist groups. A short description of the advertisement in question is then added and followed by a statement made by Nivea: “We are deeply sorry to anyone who may take offense to this specific post. Diversity and equal

opportunity are crucial values of Nivea.” The conversation then turns towards a wider issue, with the author pointing out the sensitivity of companies towards negative reactions to social media. She argues how online discussions can “snowball” and gives an example of Google training the ad placement computers to detect offensive content. In addition, the article provides the reader with examples of comments by the alt-right embracing Nivea’s “white is purity” slogan as well as reminding the reader of the company’s 2011 mishap with the “Re-civilize yourself” campaign. In the second part of the text, the focus is once again on the apology, with the author providing the reader with more context by explaining the targeting and the intentions of the company with the slogan. The ad was a part of a larger campaign for a deodorant product targeted towards customers in the Middle East and intended to connect the colour black with strength and white with purity. The New York Times article concludes with several short examples of CCM blunders by Urban Outfitters, Zara and Pepsi (Tsang, 2017).

BBC News: “Nivea removes 'white is purity' deodorant advert branded 'racist'“

The BBC News article title is very similar to The New York Times in the amount and selection of information the reader is able to deduct from it. However, in contrast to the previous article, the headline informs the reader of what product the controversial ad promotes and is more direct in addressing the nature of the issue with the use of the word “racist”. Although The New York Post article provides a significant amount of context surrounding Nivea’s CCM mistake, it fails to provide the reader with an actual screenshot of the ad. On the other hand, the BBC article features a screenshot of the “white is purity” along with its caption: “Keep it clean, keep bright. Don’t let anything ruin it, #Invisible”. The screenshot also features a caption provided by the author of the article conveying, that the ad intended for the Middle East has since been removed. In addition, two more graphic codes can be found in an article. A photograph of a Twitter comment condemning the ad’s racist implications and a screenshot of alt-right support on Facebook as seen in Figure 13 (BBC News, 2017).

The BBC News article starts by informing the reader that Nivea has apologized and removed the ad “deemed discriminatory”. The sentence is put in bold and gives the reader an impression of importance. Overall, the text addresses similar pressing matters surrounding the scandal, such as what the ad entails, what was its target audience, its embrace by the alt-right and the company’s apology. However, the article does so in significantly less detail as The New York Times article. The author provides little additional context and relies heavily on citing the official statements and social media comments without providing much of his own input (BBC News, 2017).

The Washington Post: Nivea’s ‘White Is Purity’ ad campaign didn’t end well

The headline of The Washington Post article provides the reader with only a vague insight into its content. The author’s decision to choose a set of words “didn’t end well” to describe

the ad campaign, gives the reader little to no foresight into the severity of the problem. Especially when comparing it to the use of words such as “uproar” and “racist” by the BBC News and The New York Times authors. The article shares a number of structural features with the BBC News article. Both feature a large photo beneath the title, a great number of paragraphs and photographs to break up the text. On the other hand, there are several notable differences. The article features a video of Kylie Jenner’s controversial Pepsi commercial and examples of Twitter posts and “niveausa” responding to them, the only article to do so. Unfortunately, the reader is not provided with the screenshot of the derogatory ad (Wang, 2017).

Similarly to the other two articles, the text starts with a brief summary of the controversy and a short description of the ad. From that point on, the author strongly focuses on providing the reader with a wide array of shocked social media comments and a description of the troubling comments and photos left by the alt-right. This included describing a photo of the Nazi leader Adolf Hitler. The author then cites the company’s statement on the matter and proceeds to inform the reader of Nivea’s 2011 “Re-civilize yourself” campaign (Wang, 2017).

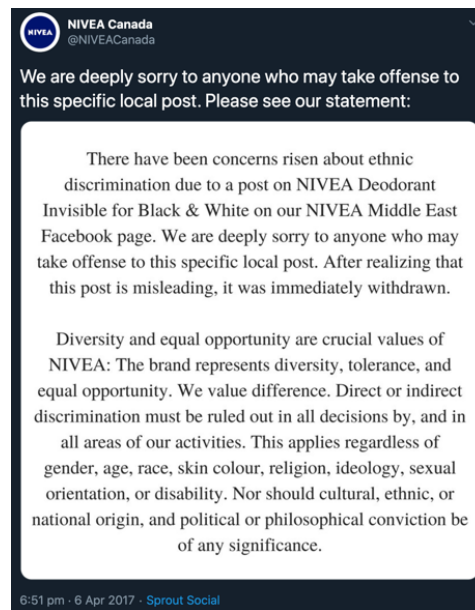
5.4 Company’s Response and Aftermath

5.4.1 The Apology

After the ad gained traction of social media, Nivea’s parent company Beiersdorf was quick to apologise and released a press statement through its spokesperson. In contrast to Gucci, the German skin-care giant instead opted not to apologize on social media and instead released a press statement in the news media outlets. Interestingly, the statement is only available through media reporting and is noticeably absent from nearly all of the company’s external communication tools. Annual reports, press statements and other documents on the company’s website, as well as the main official social media profiles show no trace of an apology or any kind of mention of the mistake. The only source of direct communication of the apology by the company can be found on “Nivea Canada” and “niveausa” Twitter pages.

Similar to the Gucci’s apology, Nivea Canada’s Twitter apology consists of a caption which summarises the overall message the company wishes to relay and a photograph of the full statement. Moreover, the statements by both companies are clearly divided into two paragraphs. The first one conveys the apology and addresses the removal of the controversial item or post. On the other hand, the second one serves as a tool to convey the company’s values, beliefs and practices in regards to diversity and inclusion.

Figure 14: Nivea's apology statement



Source: Nivea (2017).

As seen in Figure 14, the company's caption starts with an apology to the people who were offended by the "specific local post" and proceeds to encourage the reader to read the full statement conveyed through a photograph. In the full statement, the company directly addresses the "rising concerns" regarding their Nivea Invisible for Black and White deodorant ad targeted towards the Middle East. The brand acknowledges the post was misleading and that it was taken down immediately upon realising its perceived message.

In the second of the two paragraphs, the message turns towards the values and beliefs Nivea has as a company. The word "crucial" is used for describing the importance of tolerance, diversity and equal opportunity as their main values. With the latter two each being mentioned twice in the first two sentences making the reader grasp their importance to the company. Furthermore, they reinforce the notion of both direct and indirect discrimination being eliminated from all fields of their "activities". Nivea finishes the statement by citing several areas of discrimination, including race and skin colour.

The notion of values and beliefs was reiterated through multiple news outlets following the scandal. However, the majority of media cited a separate statement made by the Beiersdorf company representative. The New York Times article titled "Nivea Pulls 'White Is Purity' Ad After Online Uproar", citing the Beiersdorf representative, reports that the advertisement was one piece of a larger campaign to promote the deodorant in the Middle East region. The colour black was meant to represent strength, while the white represented purity. The spokesperson later reiterated, that their intention was "never to hurt anybody or raise any wrong interpretation" (Tsang, 2017).

5.4.2 The Aftermath

Beiersdorf's apology statement largely aligns with the CSR vision encapsulated on its website. When browsing the Beiersdorf's "diversity section", the title "Why we care about Diversity & Inclusion?" immediately captures the reader's attention. It suggests and delivers on a simple and digestible summary of the company's goals and values. Although often used interchangeably, diversity and inclusion both have their own specific meaning. For instance, McGrath, Berdahl, & Arrow (1995) argue the concept of diversity being a characteristic of groups that represents the demographic differences among its members. These differences could include gender, race, ethnicity, and age all being legally protected from discrimination (Roberson, 2006). On the other hand, workplace inclusion represents the extent to which an employee is able to access information and resources, as well as their inclusion in the workplace community and the possibility to affect decision-making processes (Mor Barak & Cherin, 1998). Beiersdorf divides its vision of diversity and inclusion into eight separate parts written under a subheading: "We care about your uniqueness". As of May 2020, the eight parts include: believing in an inclusive culture; diversity & inclusion management; internationality; gender balance; LGBTIQ+; generations; people with disabilities and women in leadership positions (Beiersdorf, n.d.). The paragraphs on the website, further expanding on the specific parts of diversity and inclusion, are accompanied by photographs of noticeably diverse groups of people smiling. The inclusion of such graphic codes presents the reader with a perception of a friendly and accepting workplace environment. However, upon further examination, there is a noticeable lack of specificity when it comes to racial diversity, with the company choosing to focus more on gender balance and LGBTQ+. The focus on the latter two could perhaps be explained by researching the company's scandals over the last decade (Beiersdorf, n.d.).

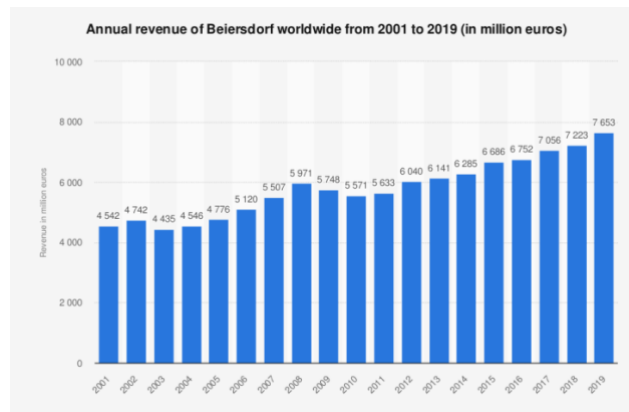
In 2011, the brand launched an ad campaign named "Look Like You Give a Damn" featured in the Esquire magazine. The campaign was criticized for its assumption of binary gender roles, as well as racial insensitivity. The latter brought forth by one of the ads featuring a clean-shaven and well-dressed African-American man holding a severed head of another African-American man with a beard and an afro (Ortiz, 2011). In addition to the discussed "White is Purity" scandal, Nivea caused another scandal in 2017. Often promoting their products as making the skin "visibly fairer" and producing "natural lightness", this choice of words unsurprisingly proved to be a cause for a major controversy when Nivea chose to advertise across Africa. Not only was the tagline "For Visibly Fairer Skin" used on billboards featuring a black woman, but the company also released a video commercial in which their product visibly lightens a black woman's skin. However, the series of scandals does not end here, as the company once again became a target of harsh criticism in 2019, when the reason for Nivea's parting with their ad agency was revealed. When the ad agency proposed a commercial featuring two men holding hands, the German brand responded with: "We don't do gay at Nivea" (Ortiz, 2019).

Such repetition of scandals and lack of a concrete plan for regaining customer loyalty definitely casts a shadow on Nivea’s values and beliefs perfectly worded on their website. While the majority of the news reporting in the aftermath of the Gucci scandal was focused on their plan of action, Nivea kept on making the news for the wrong reasons.

5.5 Effect on Sales

Nivea is part of Beiersdorf AG, a German multinational company famous for producing skin-care products. Beiersdorf’s is a parent company to well-known brands such as Eucerin, Labello and Hansaplast. Having such a successful selection of brands has allowed Beiersdorf to experience strong sales growth over the past two decades, as seen in Figure 15.

Figure 15: Beiersdorf’s annual revenue from 2001 to 2019



Source: Beiersdorf (2019).

The company’s position as one of the leaders in the skin-care, personal care and beauty industry, coincides with the skin-care industry’s exponential growth. The skin-care market size is expected to increase to almost \$190 billion in 2025, which represents an approximately \$40 billion increase from 2020 (Trefis.com, 2019). This projection of course means good news for Nivea, on which sales success Beiersdorf is extremely dependant. According to Beiersdorf’s 2019 report celebrating 100 years of Nivea, the brand was responsible for €4.244 billion in sales out of the group’s total €7.233 billion in 2018 (Beiersdorf, 2019).

Beiersdorf’s (2017a) Q1 2017 statement shows Nivea’s sales rose by 3.5%. The report, which accounts for the first three months of the year, shows an organic growth of 3.0% in terms of consumer sales for the Beiersdorf group. This is mainly due to strong sales performance in Europe and Americas. Europe alone accounted for €748 million in sales, which represents a €28 million increase from last year and a 2.4% increase in organic sales. Latin America soared to a 7.7% growth and in the region of Africa, Asia and Australia the sales grew by 6.7%.

The steady performance continued through the next three months with Beiersdorf (2017b) reporting an organic consumer sales growth of 2.3% in their half-year report. In the first six months of 2017 Nivea's sales rose by 2.2%. The performance was greatly influenced by low organic growth in Western Europe, with the region experiencing a 0.6% growth. Additionally, the lackluster 0,8% sales growth in the Americas contributed to the reported performance. Specifically, the region of North America experienced a 1.1% decrease in sales. Although the "White is Purity" blunder occurred in April of 2017, the group experienced a strong performance in the Africa, Asia and Australia region. Organic sales in the region rose by 5.3%, the best performance out of all regions. The group, although pleased with the performance, attributes the slowing growth to the geopolitical unrest, uncertainties regarding Brexit and the political environment in the United States (Beiersdorf, 2017b).

The group's consumer sales performance increased greatly in the three months following the half-year report. Beiersdorf (2017c) reported a 3.9% increase in sales accounting for the first nine months of 2017. Nivea achieved a 3.7% sales growth compared to last year, although all major Beiersdorf brands reported a strong sales performance. Growth was notably strong in the Asia/Africa/Australia region with a 7.7% increase in organic sales. Europe and Americas regions reported a solid 2.2% and 2.5% organic growth.

The final year results in the group's annual report show Beiersdorf's (2017d) organic consumer sales for the year 2017 rising by 4.7%, compared to 2016. Taking into account the exchange rate and structural effects, the total number of sales amounted to €5,799 million. This presented a 3.4% increase from the previous year when the group reported €5,606 million in sales. As noted in the previous reports, the solid performance was driven by a strong position of the group in saturated markets like Europe and Americas, as well as increased market share and strong sales growth in emerging markets of Asia, Africa and Australia. Compared to the previous year, Europe experienced a 2.2% increase in organic growth, Americas region grew by 4.0%, while Africa, Asia and Australia region achieved an impressive 9.2% sales increase. Beiersdorf cites "outstanding marketing concepts" and "innovation appeal" as two main factors for the strong performance. Nivea reported a strong 4.5% increase in sales, with the company naming Nivea Shower, Nivea Deo and Nivea Body products as integral parts of the brand's growing performance (Beiersdorf, 2017d).

6 DOLCE & GABBANA ADVERTISEMENT

Dolce & Gabbana is an Italian high fashion house founded in 1985 by fashion designers Domenico Dolce and Stefano Gabbana. Despite being a relatively young high fashion brand, Dolce & Gabbana quickly rose in popularity for their innovative designs and many prominent partnerships in popular culture in the 1990s. These included Madonna, Whitney Houston, Kylie Minogue, as well as designing costumes for a movie Romeo + Juliet. In 2018, the company had a turnover of over €888 million (Report Aziende, 2019) and was ranked 34th on the Brand Finance (2017) top 50 most valuable Italian brands in 2017.

6.1 Description of the “DG Loves China” Incident

Unfortunately, much like the Gucci and Nivea, the Italian fashion house is no stranger to controversy. In November of 2018 Dolce & Gabbana released a series of adverts depicting a Chinese woman attempting to eat typical Italian dishes such as pizza, spaghetti and cannoli with chopsticks. As the woman is visibly struggling to eat pizza with traditional Chinese eating utensils, a male voiceover is giving her directions and asking her questions. At one point, even the name of the brand, Dolce & Gabbana, is mispronounced, which can be perceived as mocking the Chinese pronunciation. The screenshot of the controversial advertisement can be seen in Figure 16.

Figure 16: The controversial Dolce & Gabbana ad



Source: DW News (2018).

The social media ad campaign received harsh criticism from both China as well as the rest of the world. It was deemed disrespectful and racist towards Chinese culture, as well as sexist towards women. As the video started spreading across the Chinese social media platforms, people started calling for a boycott of the Italian brand (Pan, 2018). The blunder even prompted the Chinese government to intervene and call out the brand for lack of respect. The situation was made worse when Stefano Gabbana’s private messages leaked online and revealed the co-founder’s disrespectful and culturally ignorant remarks towards Chinese. Consequently, the mistake forced Dolce & Gabbana to cancel its prominent fashion show in Shanghai (Cristoferi, 2019; DW News, 2018).

6.2 The Complexities of Doing Business in China

The people’s Republic of China is becoming a popular target country for many international businesses to expand to. With an estimated population of 1.4 billion, China is projected to become the largest global consumer market in the world by 2021, overtaking United States (Jie, 2019). The region presents a wide array of opportunities and is becoming increasingly lucrative to many due to its emerging middle class and soaring spending power of the Chinese consumers. The latter is especially apparent when looking at the luxury goods

segment. Luxury consumers from China account for nearly the third of the global luxury market with spending numbers reaching nearly €62 billion on a yearly basis (Bu, Durand-Servoingt, Kim & Yamakawa, 2017). The number is only expected to rise in the following decade.

Although Dolce & Gabbana does not publicly disclose its sales performance results, China and its customers definitely represent an integral part of the company’s annual sales performance. Therefore, their blunder signifies a difficult obstacle in terms of it weakening customer loyalty and potentially alienating an extremely important market. The most pressing problem with this blunder might be the stereotypical nature with which the ad conveyed its cultural insensitive message. In a country that values respect as strongly as China, this can be a grave mistake. As seen in Figure 17, Hofstede’s ratings in terms of individualism place China in a heavily collectivist society. Taiwan and West Africa are the only countries in Figure 17 that have a similarly low score. Similarly, Hall sees China as a high context culture. This means the focus of the target audience will often be on non-verbal communication and context. For example, gestures, setting and the underlying message of the advertisement. One such example is, that the woman is smiling throughout the entirety of the commercial. Albright et al. (1997) argue that although generally perceived positively, smiling in China can be considered as possessing a lack of calmness and self-control, depending on the context.

Figure 17: Hofstede’s ratings by countries

Country/Region	Power Distance	Individualism	Masculinity	Uncertainty Avoidance	Long-Term Orientation	Indulgence vs. Restraint
Africa West	77	20	46	54	9	78
Arab countries	80	38	53	68	23	34
Argentina	49	46	56	86	20	62
Australia	38	90	61	51	21	71
Brazil	69	38	49	76	44	59
Canada	39	80	52	48	36	68
China	80	20	66	30	87	24
France	68	71	43	86	63	48
Germany	35	67	66	65	83	40
India	77	48	56	40	51	26
Iran	58	41	43	59	14	40
Italy	50	76	70	75	61	30
Russia	93	39	36	95	81	20
Taiwan	58	17	45	69	93	49
Turkey	66	37	45	85	46	49
United States	40	91	62	46	26	68

Source: Hofstede, Hofstede, & Minkov (2010); Thomas & Peterson (2017).

In terms of context, it is hard to overlook the Italian fashion brand depicting the Chinese as clumsy, incapable, simple-minded. The irony is, that it shows a lack of cultural intelligence while displaying a perceived lack of it from Chinese toward Italian. Interestingly, this is not the first mishap caused by the company in China. In April 2017, the fashion brand’s marketing campaign on Weibo depicted Beijing as a largely underdeveloped city by showing models walking through its poorest neighbourhoods. The move was accused of trivializing China and portraying it as a third-world country. Such problems with stereotypes and

cultural ignorance have been plaguing international advertising for some time. Fiske & Taylor (1984) argue that we tend to have more depth, complexity and information about the stereotypes we are more familiar with, such as our own and cultures similar to us (Thomas & Peterson, 2017). The lack of cultural intelligence by Dolce & Gabbana could therefore perhaps be attributed to perceived national stereotypes. Even though China's GDP is experiencing a meteoric rise, with \$13.41 trillion evaluation in 2018, it is still struggling to change its perception of a third world country. This is perhaps best explained by Sidanius' (1993) and Smith, Fischer, Vignoles, & Bond's (2013) social dominance theory which suggests that some groups in a society are more dominant than others, whereas Thomas & Peterson (2017) suggest the same theory can be applied to nationalities. They argue that there is a status hierarchy and certain nationalities tend to enjoy a higher status than others because of a variety of factors. The main factor is often economic dominance, but other highly valued characteristics influence this perception. One such highly valued characteristic of Italy is, that it is world-renowned for quality produced apparel and high fashion brands with a long tradition. In contrast, China is a country often associated with fast and inexpensive production of frequently low-quality products. This disparity can potentially create mental pictures that can cloud one's judgement and lead people, especially marketers, down a path of false superiority conveyed in the controversial advertisement.

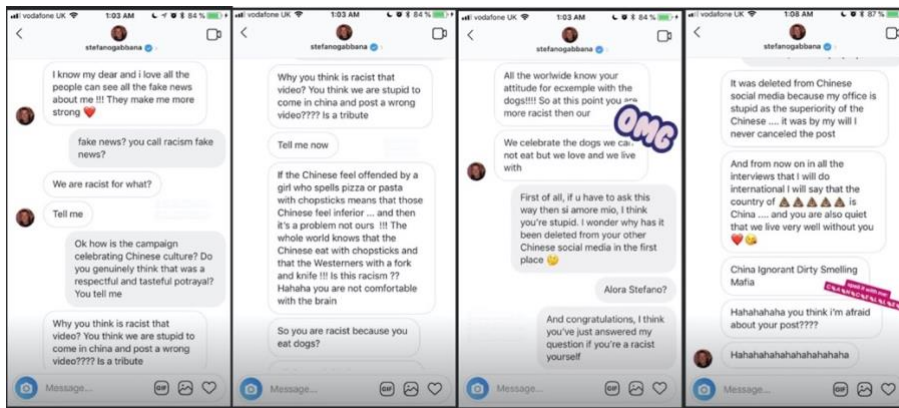
6.3 Media Reaction

6.3.1 Social Media

The controversial ad was posted on the Chinese social media platform Weibo. Often referred to as Chinese Twitter, Weibo is extremely popular among Chinese and serves as an important tool for the external communication of Dolce & Gabbana. According to China Internet Watch (2020), the social network reportedly has approx. 550 million active users as of Q1 of 2020. Similarly to Nivea and Gucci, Dolce & Gabbana was quick to remove the derogatory ad, but unfortunately the damage was already done. The video began gaining traction on the platform, with Weibo users reposting it and sharing it across the platform. Moreover, the hashtag #boycottdolce started trending among the Chinese users of Weibo (Ferrier, 2018).

The fuel was added to the fire when Stefano Gabbana's private Instagram messages leaked into the public shortly after the ad incident. In the Instagram conversation between the model Michele Tranovo and the co-founder, the former confronts Gabbana on the derogatory video.

Figure 18: Stefano Gabbana's derogatory messages



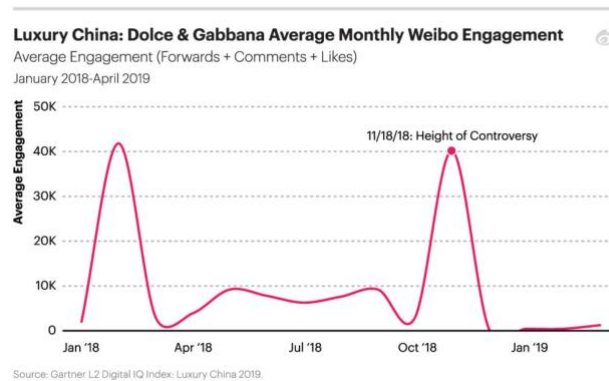
Source: Liao (2018).

As seen in Figure 18, the controversial exchange begins when Gabbana is confronted with Tranovo's implication that the posted ad was racist and is faced with questions on whether he thinks the video truly celebrated and portrayed Chinese culture in a tasteful manner. The co-founder then condemns the model's comments and seems to attempt to discredit her by suggesting she eats dogs and describes China as an "ignorant dirty smelling mafia". He also seems to suggest it was not his decision to remove the post from Chinese social media and if it were up to him, he would have never removed it.

The situation Dolce & Gabbana found itself in is what can only be described as a PR disaster. In an attempt to de-escalate, Gabbana posted a screenshot with a caption saying "NOT ME", implying he and his company's Instagram account was hacked. Moreover, the founders released a video statement that was poorly received by its Chinese audience. Although the consequences and the impact of the blunder could be felt immediately, with angry Chinese showing their disgust towards the company's actions on Instagram, YouTube and Weibo, these were proven to be much greater in the long-run.

Luxury advertising in China relies heavily on influencers and celebrities who serve as brand ambassadors by endorsing the brand on Weibo. According to the report by Gartner (2019), social media posts in China promoted by celebrities accounted for 94% of all engagement in categories of fashion, jewellery and watches (Bain, 2019). Flora (2019) points out that a luxury firm not being able to cooperate with the brand ambassadors almost does not exist on the Chinese market. Dolce & Gabbana faced such repercussion when most of its long time Chinese and global brand ambassadors stopped working with them following the incident. Although many of the Western celebrities have since returned to endorsing the brand, Chinese influencers are still reluctant to work with the brand in fear of being scrutinized and damaging their reputation (Bain, 2019).

Figure 19: Dolce & Gabbana monthly Weibo engagement



Source: Flora (2019).

As seen in Figure 19, the situation greatly impacted the company's Weibo engagement. According to Gartner (2019), the engagement fell by 98% in the Q1 of 2019, compared to the same quarter last year.

6.3.2 Online Newspaper Outlets

The New York Times: "In China, Dolce & Gabbana Draws Fire and Accusations of Racism on Social Media"

The article provides the reader with a descriptive headline mentioning the company, the affected country and the reason for the controversy. It implies the company was severely criticized and "accused" of racism on social media platforms, but fails to specify what the derogatory act is. The author used one large photograph and three embedded Instagram posts. However, only one out of three embedded Instagram posts is still available, with the removed content presumably showing the controversial ad. Subsequently, the reader is only presented with two large visual representations. One showing the Dolce & Gabbana store in Chongqing, China and the other one being a post on Dolce & Gabbana Instagram account implying the brand and the founder's Instagram account was hacked (Wee, 2018)

The news article starts with a strong focus on the cancelation of the brand's Shanghai fashion show and the racist allegations against Stefano Gabbana. After providing some details about the nature of the derogatory Instagram messages the subject shifts towards the company's response to the claims and providing context to the reader. The latter is achieved by addressing the past controversies of the co-founder and the complexities of doing business in China. The author uses examples of Mercedes-Benz, Tommy Hilfiger and China's troubling relationship with companies like Facebook and Google. Throughout the text, the author notably uses several citations to support her claims, giving the reader a sense of objectivity. This notion is especially apparent when discussing the company's claims of being hacked, where the reader is provided with both Dolce & Gabbana's statement as well

as a statement made by a fashion blogger Bryan Yambao. The popular blogger expressed doubt that both Dolce & Gabbana and Stefano Gabbana's Instagram accounts were hacked acts as a counterweight to the company's claims. In the second part, the article focuses mostly on describing the controversial advertisement and the co-founder's scandal following it. The author provides a glimpse into the outrage by citing two user comments expressing disgusts in regard to the company's actions. This notion of outrage is supported by mentioning how many likes the comments received and providing the information of trending hashtags on Weibo calling for cancellation of Dolce & Gabbana (Wee, 2018).

BBC News: “Dolce and Gabbana cancels Shanghai fashion show amid racism accusations “

In contrast to The New York Times, the BBC News headline is significantly more focused on the cancellation of the brand's fashion show. Moreover, it fails to mention the accusations coming from social media and the ad responsible for these accusations. Although the article is significantly shorter than the one from The New York Times, it uses a similar structure, breaking up the text in many paragraphs and using large photos and Instagram embedded posts. Unfortunately, only one of the embedded posts in the article is still available. On the other hand, the content of these graphic codes differs greatly. BBC News provides the reader with a screenshot of the original Instagram post of the controversial ad and the company's caption. The visual representation omitted from The New York Post article provides the reader with an important context for the reader to form his own opinion (BBC News, 2018).

In the text, the author addresses similar topics to The New York Times article. It mentions the controversial ad and derogatory messages made by Stefano Gabbana, the company's claims of being hacked, the cancellation of the fashion show, the social media outrage and the boycott. However, it does so in a significantly less detailed manner compared to The New York Times article. Perhaps more important than what the article contains, is what it omits. The reader is provided with little to none insight into the controversial past of the co-founder. “Slave sandals” controversy and the controversy surrounding an ad showing an impoverished part of Beijing are only briefly mentioned to support the author's claims of the company's troubling history with China (BBC News, 2018).

Financial Times: “Dolce & Gabbana hit by racism accusation over China ad campaign“

Similar to the previous two articles, Financial Times uses a largely descriptive title providing the reader with the name of the company, the nature of the accusations and the affected country. It does not specify where the accusations are coming from, but it is the only article that provides the reader with the cause of the controversy, ad campaign. In terms of graphic codes, the author provides the reader with two large photos. One shows, what seems to be a Dolce & Gabbana store in China, and the other one is a screenshot of the controversial post

containing the derogatory video. The structure is largely similar to the one provided by The New York Times and BBC News (Wildau, 2018).

As the title suggests, the main focus of the text content is on the nature of the accusations. The author briefly describes the controversial ad and the company's response to it. Similarly to The New York Times article, the reader is presented with a second opinion on the matter. Shaun Rein, the managing director of a Shanghai market research group, adds weight to potential consequences of the scandal, by describing the ad as "ill-conceived", "stupid" adding it has the potential to "harm or even destroy a brand". Furthermore, the reader is also presented with a Dolce & Gabbana's history of causing controversy in China, but is not informed of the transgressions of the founder. In addition, the ad does not mention the racist messages involving Stefano Gabbana that leaked shortly after the ad got criticized, despite being posted the same day as The New York Times and BBC News articles (Wildau, 2018).

6.4 Company's Response and Aftermath

6.4.1 Video Apology

Shortly after the CCM mistake was escalated by one of the founders, the company responded with a video apology featuring both Stefano Gabbana and Domenico Dolce. The video posted on the official Dolce & Gabbana YouTube channel is available with both English as well as Chinese subtitling variation. In both videos, the designers speak in Italian. As seen in Figure 20, the video apology features the founders dressed in all black sweaters and seated behind a large conference table. The setting behind them is a red and gold pattern wall, perhaps alluding to the Chinese colour red. Red carries a great significance to Chinese culture as it often represents happiness, beauty, vitality, good luck and success. It is used for several different events such as festivals, celebrations and weddings (Gehrmann, n.d.).

Figure 20: Dolce & Gabbana apology video



Source: Dolce & Gabbana (2018).

The apology starts with Domenico Dolce expressing deep regret for their and their company's disrespect of the Chinese culture. He says that they have taken the time to think about the situation and wish to apologize for their wrongdoing. Dolce then uses an example of their families raising them to always respect different cultures. China, a highly collectivist society, places great importance on family and its values. The apology is continued by Stefano Gabbana, who reiterates their common realization of the seriousness of the situation and expresses his love for China, its culture and its people. They vow to learn from this experience and for it to never happen again. The video apology concludes with both founders saying "sorry" in Chinese (Hong Kong Free Press, 2018).

6.4.2 The Aftermath

In contrast to its competitor Gucci, the aftermath of the Dolce & Gabbana scandal was not marked by the emerging news of new initiatives, hirings and reciprocal communication with the affected community. Instead, the focus remained on the scandal, its repercussions for the company following it and past controversies of the brand and the founders. Dolce & Gabbana is known to not shy away from being controversial, especially when it comes to their designs and advertisements. In 2007, the brand's advertisement featuring a male model holding the female down in the presence of three other men caused a massive outrage for referencing a "gang rape". Then, in 2012, the company made headlines by releasing a policy banning the residents of Hong Kong from taking photos in front of their flagship store. This move would hardly be controversial, if the tourists and residents of mainland China were not excluded from this ban. This trend of controversies continued over the years as Dolce & Gabbana released the controversial "Blackamoor" earrings and footwear named "slave sandals". Consequently, the two men behind the brand are no different. Both Dolce and Gabbana were on record in 2015 saying they oppose gay adoption and are against "synthetic children", referencing Vitro Fertilisation. This caused a boycott of the brand by prominent celebrities like Victoria Beckham, Elton John and Madonna. Furthermore, Stefano Gabbana is guilty of several mishaps himself. These include saying he does not want a Japanese designer working for the brand, calling the singer Selena Gomez ugly on Instagram and being photographed with a friend who wore blackface (Perspex, 2019).

By observing the history of controversies the brand faced, the recent video advertisement scandal comes a bit as less of a surprise. However, the consequences of it will present a difficult obstacle Dolce & Gabbana will have to overcome. In addition to the before-mentioned loss and shunning of its Chinese brand ambassadors, the Italian fashion brand was also dropped by several online retailers. These include Tmall, JD.com, VIP.com, Yoox and Net-a-Porter (Bain, 2019). Losing online retailers and having to cancel its multimillion-dollar Shanghai fashion show is bound to severely hurt Dolce & Gabbana's pockets. Moreover, it could damage its presence in the Asia-Pacific market, which amounted to more than 30% of the company's market share in 2016 (Bain, 2019).

6.5 Effect on Sales

In contrast to Nivea and Gucci, Dolce & Gabbana does not disclose its sales results and does not publish the annual report. This is not an uncommon occurrence in the Italian luxury industry. Often family-owned, these companies share little to no information about sustainability or disclose their finances (Aitken, 2018). However, several news sources still report on the sales numbers, given that even private Italian companies must disclose these to Italy's Chamber of Commerce. Reuters reports that the company reported a 4.9% increase in sales at the end of its fiscal year in March 2019. This amounted to €1.38 billion in revenue (Cristoferi, 2019). The strong performance can be mainly attributed to Americas region, which saw a 16% increase in sales, compared to a 13% increase previous year. Italy, the company's domestic market, amounted to 23% of total sales, Europe 28% and Japan 5% (Cristoferi, 2019). However, according to the same source, the Asia-Pacific market saw a 3% decrease in total sales, bringing the total to 22%. Although at the time of writing the financial numbers of the fiscal year ending on March 2020 are not yet known, the company is reportedly expecting a further decrease in sales in China (Cristoferi, 2019).

Like Nivea and Gucci, Dolce & Gabbana does not mention its CCM blunder in any of the company documents. When submitting the filing, the Italian fashion house listed international trade tensions, China's economic stagnation and Hong Kong protests as three primary causes for the slowdown in sales in the Asia-Pacific market (Cristoferi, 2019).

7 DISCUSSION AND IMPLICATIONS

7.1 Summary of Findings

The research of CCM mistakes presents a lot of benefits, but is a path of many obstacles and difficulties. CCM in its present form is a field in an environment that values speed and could thus be compared to a sprint, while its research requires its marketing managers to be more like marathon runners. The truth is, that there is not a single "one size fits all" blueprint when analysing the culture, its members and the foreign market. The analysed three cases support this argument. Despite the small sample size, the complexities of the issue and the consequences they have on the affected companies differ greatly from case to case. In order to avoid or minimize the probability of CCM mistakes from happening, an enormous amount of work and a great set of research skills is required. Furthermore, it demands a certain level of CQ from the marketing managers to be able to deduct and understand the complexities brought forth by the research. Such research takes time and in a fast-paced business environment this can present a dilemma. If you take your time and perform a deep-deep dive into the cultural research you might be overtaken by competition. On the other hand, if you perform shallow research, you open your company up to the vulnerability of making a CCM mistake.

The chosen cases were analysed in a specific order. First, the reader was provided with a general overview of the problem and the description of the controversial advertisement. Subsequently, the analysis of the affected culture in regard to the nature of the mistake was presented. For instance, Gucci's case provided an entry point into the discussion and the implications of blackface in the modern society. It brought forth a topic very relevant to the current socio-political environment in the United States, especially with Black Lives Matter movement at the forefront. Expanding on the complexities of blackface and symbolism, Nivea's "white is purity" campaign presented the often neglected, but important issues of colourism in the Middle East. Historical research is at the forefront of both Gucci and Nivea's context for the affected culture. On the other hand, Dolce & Gabbana's case serves as an example of cultural ignorance and cultural superiority being displayed by both the company and its founders. The latter being perhaps influenced by misguided perception disparity between China and Italy as mentioned in previous chapters.

The analysis of media reaction attempted to showcase the seriousness and the magnitude of each scandal. Social media uproar provided an insight into the discussion and public perception of the CCM mistake and the extent of it. It showcased the power of Chinese ambassadors or KOLs (key opinion leaders) in a highly collectivist and government influenced country. KOLs have the power to build a brand in China, but can also tear it down, as shown in the case of Dolce & Gabbana. As the initiative to boycott Dolce & Gabbana began circulating around both Chinese as well as global social media platforms the company's status was set in stone. The immediate consequence of this was of course the cancellation of the prominent Shanghai show. However, the long-term implications are arguably far more severe. To this day the brand remains shunned by Chinese KOLs and its Weibo engagement still has not recovered. Bain (2019) compares being shunned by Chinese influencers to a "kiss of death" and argues that the company without the support of KOLs does not exist on social media platforms in China. This is perhaps best explained by observing China's score on Individualism. China is a highly collectivist society acting highly in the interest of the group and every deviation is looked down on or frowned upon (Hofstede insights, n.d.). A good example is a Chinese actress Charmaine Sheh liking a Dolce & Gabbana's post on Instagram and being scrutinized for it (Bain, 2019). Following the controversies by Gucci and Dolce & Gabbana, the social media was full of videos of users burning their branded clothes. In Gucci's case, it was predominantly from brand ambassadors representing the African-American community in which the brand meticulously positioned itself in and benefited greatly from. Belk (1988) argues that consumers tend to attach identities to their material possessions which subsequently become part of their extended self. Therefore, videos of prominent members and key influencers in the African-American community burning clothes could signify the detachment of the brand that was part of their identity. Consumers do not want their identity to be associated with the actions and messages of the companies guilty of such mistakes. Another potential danger of social media is the co-sign of certain groups that agree with the misguided message the

company conveyed. For Nivea, the embrace of the alt-right elevated the seriousness of the situation and presented added trouble for the company.

On the other hand, the online newspaper articles were analysed for their influence on public opinion. The use of specific words, graphic codes and what the author includes or omits from the article, plays an important role in forming public opinion. Clemente & Gabbioneta (2017, p. 287) argue that media framing is crucial in „the social construction of wrongdoing “and that it influences “the perception of a transgression, its magnitude, and its consequences”. A common nominative was the articles’ use of citations to increase the perception of objectivity. However, they differed greatly in the amount of information, their use of graphic codes and overall article frequency throughout the duration of the scandal. A study by Gunther (1998) researching the influence of media coverage found out, that participants reading the perceived favourable media coverage were more likely to form a positive public opinion. On the other hand, perceived unfavourable media coverage were found to generally have a more negative public opinion. While Nivea and Dolce & Gabbana kept appearing in the newspaper articles for their transgression, Gucci started appearing in articles describing their steps towards increasing diversity and inclusion.

The company’s response and aftermath were analysed to provide the reader with different examples of strategies and apologies following the crisis. All three companies responded quickly by removing the controversial item or advertisement and issued an apology. However, Nivea’s preferred choice of external communication were news outlets, while Gucci and Dolce & Gabbana opted for an apology on social media. The outrage surrounding Nivea and its ad was short and got quickly forgotten, only to be discussed again when the company was guilty of another CCM mistake. Despite Nivea’s history of making CCM mistakes, the company suffered little to no tangible consequences. In contrast, the troubling history of controversies had a significant impact on the magnitude of Dolce & Gabbana’s scandal. Not only did the founder escalate the CCM mistake with his own racist remarks, but the video apology featuring Domenico Dolce and Stefano Gabbana provided the reader with an example of how an apology can backfire. In an attempt to mitigate the controversy, the founders completely missed the mark by clearly reading from a teleprompter. Therefore, the viewers deemed the ad insincere and accused the founders of only apologizing because of money. Unlike Nivea and Dolce & Gabbana, Gucci followed their apology statement by devising a plan to increase diversity and inclusion in the company as well as help the minority community by establishing a scholarship fund.

Lastly, the effect of the CCM mistake on the company’s sales was analysed. All three companies experienced slowing growth in sales despite still reporting a solid growth percentage at the end of their respective fiscal year. However, when comparing the sales in the region affected by the scandal, Gucci and Dolce & Gabbana reported a drop in sales. Both companies attributed several reasons for the slowdown, but the CCM mistake is not mentioned. In contrast, Nivea reported some of its best sales numbers for Asia/Africa/Australia region.

7.2 Limitations of the Research

Unfortunately, there are several limitations to my research. Most of them are applicable to any research of CCM mistakes, while others are unique to my selection of cases.

Perhaps one of the greatest limitations is this thesis's limited number of cases. A higher number of in-depth analysed and compared cases would provide a reader with a number of different perspectives and give him a better variety of CCM mistakes, consequences, cultural specifics, redemption strategies and communication methods. However, such analysis could quickly fall into the trap of being too broad and lacking depth; a case in many of the currently available sources. Additionally, each of the chosen CCM mistakes was made by a well-known multinational company. The reason for this being the availability of information. Therefore, some implications my thesis provides might not be directly applicable to the operations of marketing managers in small and medium enterprises (SME).

As previously discussed, the notion that the companies are reluctant to discuss their mistakes was proven to be correct. Therefore, the case analysis research was based largely on external sources, which are often less reliable than their counterpart. Although the availability of such sources regarding the analysed cases is vast, with every major news outlet in the world covering the selected CCM mistakes, the general research literature on the topic is scarce. With a limited amount of literature covering specifically CCM mistakes, one must rely on international marketing, cross-cultural communication and cross-cultural management literature. Furthermore, the literature covering the mentioned fields still relies heavily on arguably outdated models of conceptualizing differences between cultures.

Another limitation that is important to address is the lack of transparency from Dolce & Gabbana. The company is the only privately-owned enterprise among the three cases. This means that in contrast to Nivea and Gucci, Dolce & Gabbana does not release annual reports, quarterly reports or disclose sales information through its communication channels. Furthermore, its case proved to be difficult to analyse due to the language barrier. The social media impact and the reaction of the Chinese users of the platform was therefore extracted from the secondary sources.

7.3 Practical and Theoretical Implications

The analysed cases in this thesis, supported by theory, bring forth several practical and theoretical implications for current and future CCM managers who wish to increase their CQ and cross-cultural competence. The following five practical implications deduced from the comparative analysis of cases not only serve as guidelines for pre-emptive measures of a CCM mistake, but also as strategies to overcome it, should one occur. Furthermore, it is important to view these as being complementary to each other, rather than standalone suggestions.

Do Your Research

This is arguably the single most important advice one could give to marketing managers looking to increase their CQ before advertising to a foreign culture. When enormous amounts of money, resources and reputation are on the line, extensive research into the language, history, political system, social structure and other cultural specifics is necessary. White (2009) compares cross-cultural business to a rocket launch. He says that it is of utmost importance to build mission control and check if all systems are green before lift-off. This can significantly decrease the possibility of a mistake. If Gucci researched the troubling history of blackface, its designers or marketing department might have recognized the racist imagery. Furthermore, Nivea would perhaps change its choice of words when targeting the Middle East if more research on the problematic nature of colourism in the region was done. In contrast, one might argue the Gucci, Nivea and Dolce & Gabbana blunders would occur regardless of the research. However, in-depth research, CQ and cultural awareness can also serve as a valuable tool to navigate the troublesome situation caused by the CCM blunder. Furthermore, the knowledge gained through research can improve the efficiency of post-mortem analysis.

Be Transparent

We live in the information age, where consumers have gotten more sensitive and selective about the products they buy and the companies that are behind these products. With the data being accessible at almost any time and anywhere through mobile devices, companies can often be one “misstep” away from falling from grace with their customers. This environment opened the door to the rise of ethical consumerism, a practice of purchasing items from socially responsible companies, while steering clear of those who are not (Shaw, McMaster & Newholm, 2015). Shaw, McMaster & Newholm (2015) explain that ethical consumerism can also include practices such as anti-consumerism, positive buying, boycotts and relationship purchasing. A modern age consumer therefore demands transparency in exchange for his trust and loyalty. Such transparency is expected when it comes to the information about the company’s products, production, values and beliefs, treatment of employees, CSR and organizational culture. Moreover, such practice is expected when a company commits a CCM mistake. If a company is not transparent with its customers, the influence of its perception is limited and therefore often formed by less informed external factors. These often include newspaper articles, opinion blogs and social media posts. Social media, in particular, can be very dangerous, as it provides a global platform for consumers to highlight, discuss and criticise the company’s operations, communication and mistakes. In the case of Dolce & Gabbana, the lack of transparency regarding the scandal immensely impacted the intensity of repercussions following it. The company only released the apology, after Gabbana’s derogatory messages came to light, and by then the public perception was already set in stone. Moreover, the past controversies of the co-founder making their way back into the public light certainly did not help.

Actions Over Apology

The analysis of the three cases provided the reader with several different strategies of conveying the apology. Be it Gucci's Twitter post, Nivea's press statement or Dolce & Gabbana's video apology. Some of these strategies proved to be more effective, other less. Both Gucci and Nivea's Twitter statements provided the reader with the formulated PR versions of the apology, which seem to be almost identical in structure. This method proved to have little effect as it used formulaic wording. A study by Thomas & Millar (2008), indicates that a properly worded apology can be very effective if it conveys a deep understanding of the wrongdoing (Lewicki, Polin & Lount, 2016). On the other hand, Dolce & Gabbana opted for a video apology which featured both founders and added weight to the seriousness of the scandal. However, the video apology backfired and was deemed insincere and forced mainly due to teleprompter use and former transgressions of Stefano Gabbana. Although through this analysis it is very difficult to determine the effectiveness of any particular method, Farrell & Rabin (1996) argue the apology is worth little without a proper reparative action attached to it (Lewicki et al., 2016). Subsequently, as we observe the company's response to the scandal, Gucci's case stands out. In contrast to Nivea and Dolce & Gabbana, Gucci's reparative efforts were well thought out, highly publicized and implemented with the help of the affected community. In contrast, Dolce & Gabbana who made no such efforts was making headline news for all the wrong reasons, further damaging their brand perception.

Hire a Diverse and Multicultural Workforce

Hire a diverse workforce. Having diverse employees might be the easiest and sure proof way to increase the level of cultural awareness and cultural intelligence in the organization. In addition, diversity can have a positive effect on several other aspects of business. A 2017 study by McKinsey & Company observing racial and cultural diversity in six different nations and its correlation with profitability, found out that "companies with more ethnically diverse executive teams are 33% more likely to outperform their competitors" in terms of profitability. This result is in line with the same study conducted in 2014 when the score was 35% (Hunt et al., 2018). Moreover, when it comes to diversity, a recent study by Columbia Business School focusing on the expatriate creative directors in fashion found out that their cross-cultural exposure had a positive influence on their creative process (Dagoba Group, 2019). Although diverse hiring serves as a good pre-emptive action, Gucci's case highlights its effective and appropriate use as a way to improve and restore the public perception after the CCM mistake. The company's hiring of Kimberly Jenkins and Renee E. Tirado is a step in the right direction towards diversity and inclusion.

Learn from Your/Others Mistakes

Lastly, international businesses and their marketing managers should learn from their mistakes and/or use other CCM mistakes as case studies for the improvement of their

strategies. Gucci, Nivea, Dolce & Gabbana and countless other companies' past transgressions can each serve as a guideline for completely avoiding the mistakes, mitigating the existing ones or simply for building a culturally competent, diverse and culturally intelligent organizational culture within a company. The issue with this suggestion is the lack of availability of in-depth analysis of case studies due to the limited transparency, acknowledgement or the self-analysis of the mistake by the company. When observing the three cases presented in this thesis, the inherent notion of sweeping the problem under the rug becomes apparent. None of the analysed companies mention their controversy in any of their reports, press statements, publications and stakeholder information documents available on their respective websites.

CONCLUSION

Globalization, digitalization and global interconnectivity have opened the floodgates of businesses expanding and marketing abroad. Subsequently, the role and the responsibility of marketing managers to familiarize themselves with the foreign culture and its specific characteristics has increased as well. If marketing managers choose to conduct cultural research in a shallow manner, misinterpret the culture or simply to ignore the cultural specifics, the company's marketing efforts could result in a cross-cultural marketing mistake.

The purpose of my thesis was to provide the reader with a comprehensive comparative study of such cross-cultural mistakes, why they occur, the reasons behind them and the consequences they can have on the company's operations. I attempted to do this through the selection of the three relevant case studies made by some of the world's well-known brands; Gucci, Nivea and Dolce & Gabbana. Gucci's case allowed me to examine the importance of imagery and symbolism, as well as the role of history in a multicultural country like the U.S. The blackface imagery carries significant weight and represents a troublesome period in time for a country still scarred by racism. This is something that a company like Gucci needs to acknowledge, given the importance of the African-American community for their business, especially in a time of "cancel culture". On the other hand, Nivea's "white is purity" ad aimed at the Middle East allowed us to examine the often-overlooked issue of colourism in the region. The case highlights the importance of marketing messages conveyed in advertisements and their interpretation by the public. And Dolce & Gabbana's "DG loves China" series of videos revealed the cultural complexities of marketing to a country like China. Most notably it showcased the repercussions the companies face if they make a blunder in China. Moreover, the case served as a great example of how the company's or the founder's past transgressions can come to haunt them and how badly apologies can backfire.

The conducted research and analysis of the deeper issues behind the controversy provided the reader with a much-needed context for understanding the social media outrage and general public opinion of the affected culture. Furthermore, the company's internal and external sources of communication were critically analysed in order to compare the different

reparative or mitigative strategies and their effects or perceived effects. And lastly, annual reports, financial reports, company websites and external sources were analysed to determine the more tangible effects of the scandal on the company.

Although the cases have a significant number of differences to them, mainly because of a large number of unique circumstances and different target audiences, there are some important commonalities and lessons that can be deduced. My main findings include a need for companies to do a deep-dive into the cultural specifics, such as history, habits, beliefs and language of the target culture. Moreover, the companies need to acknowledge their mistakes and take steps towards improving the company's culture. Equally important is the incentive to change the perception of marketing blunders within a company. The common practice observed in the cases of Nivea and Dolce & Gabbana is to apologize and then attempt to sweep the cases under the rug, instead of supporting transparency and self-analysis of the cause of such mistakes. A good strategy in mitigating the mistake presents Gucci's example. The company apologized, acknowledged the mistake and took the necessary reparative steps. With it, Gucci not only showcased learning from its own mistakes, but also proved to be a valuable case study for future marketing managers.

Perhaps a bit discouraging commonality is the effect on sales these CCM mistakes had on the companies. All three cases revealed a minimal decrease in growth, of which the cause can hardly be attributed to the mistakes. This gives the companies leeway to move on from the mistake without any significant consequences, instead of taking the steps towards improvement in a form of structural changes, reparative incentives, employee education and increased transparency. However, it should be noted that the long-term effects on sales of Dolce & Gabbana being shunned on social media are yet to be determined.

Following the analysis and the discussion, I provided the reader with five practical implications deduced from the case studies. The implications serve as a guideline for building a culturally intelligent organization, that values diversity, inclusion, transparency and a growth mindset. As previously mentioned, the sure-proof recipe to avoid CCM mistakes does not exist, but these implications present a strong foundation on which marketing managers could build their companies on.

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APPENDICES

Appendix 1: Povzetek (Summary in Slovene)

V zadnjih nekaj desetletjih smo bili priča velikim spremembam v poslovnem svetu. To je v veliki meri posledica globaliziranega in medsebojno povezanega okolja v katerem živimo. Tehnološki napredek, hitrejši transport in gospodarski razvoj so samo nekateri izmed dejavnikov, ki brišejo navidezne meje med različnimi narodi, kulturami in jeziki. Tudi zato se veliko podjetij v današnjem času odloči za vstop na tuje trge, saj ti predstavljajo veliko priložnost za dodaten zaslužek in za večjo prepoznavnost znamke. Ta odprtost in dostopnost globalnega trga pa s seboj prinese tudi veliko pasti, v katere se podjetja lahko ujamejo, če ne razumejo kulture, ki ji tržijo ali pa te preprosto niso dovolj raziskali. Tovrstno nepoznavanje tarčne kulture lahko privede do napak v medkulturnem trženju, ki so velikokrat seksistične ali rasistične narave, versko nestrpne ter lahko imajo lahko velik negativen vpliv na uspešnost, podobo blagovne znamke, zaupanje kupcev in organizacijsko kulturo podjetja. Vzroki za nastanek tovrstnih napak so številni in velikokrat izjemno kompleksni.

V magistrski nalogi sem predstavil napake podjetij v medkulturnem trženju, zakaj pride do teh napak, kakšne so njihove posledice in kako se jim izogniti. Medkulturno trženje je izraz, ki se velikokrat uporablja kot nadomestek izrazom, kot sta mednarodno trženje ali globalno trženje, a se teh ne da enačiti. Glavni cilj te magistrske naloge je bil torej predstaviti bralcu pomembnost razumevanja kulture za uspešnost trženja v tujini skozi študijo treh medkulturnih napak ter ukrepe, ki lahko pripomorejo k preprečitvi in zmanjšanju le-teh.

Teoretično osnovo dela predstavlja literatura iz področja medkulturnega trženja, katero v veliki meri dopolnjuje tudi literatura sorodnih področij kulture, medkulturne komunikacije in medkulturnega managementa. Pomembno vlogo na področju raziskovanja kulturnih razlik med državami ima še vedno Hofstede s svojim modelom kulturnih dimenzij (ang. Hofstede's cultural dimensions), ki ga podrobno predstavim, omenim pa tudi nekaj alternativ. Vsa literatura je zanesljiva, saj sem svojo raziskavo opravljal s pomočjo spletnih podatkovnih baz, kot so ResearchGate, SAGE Journals, Google Scholar, Springer Link, Statista in PROQUEST.

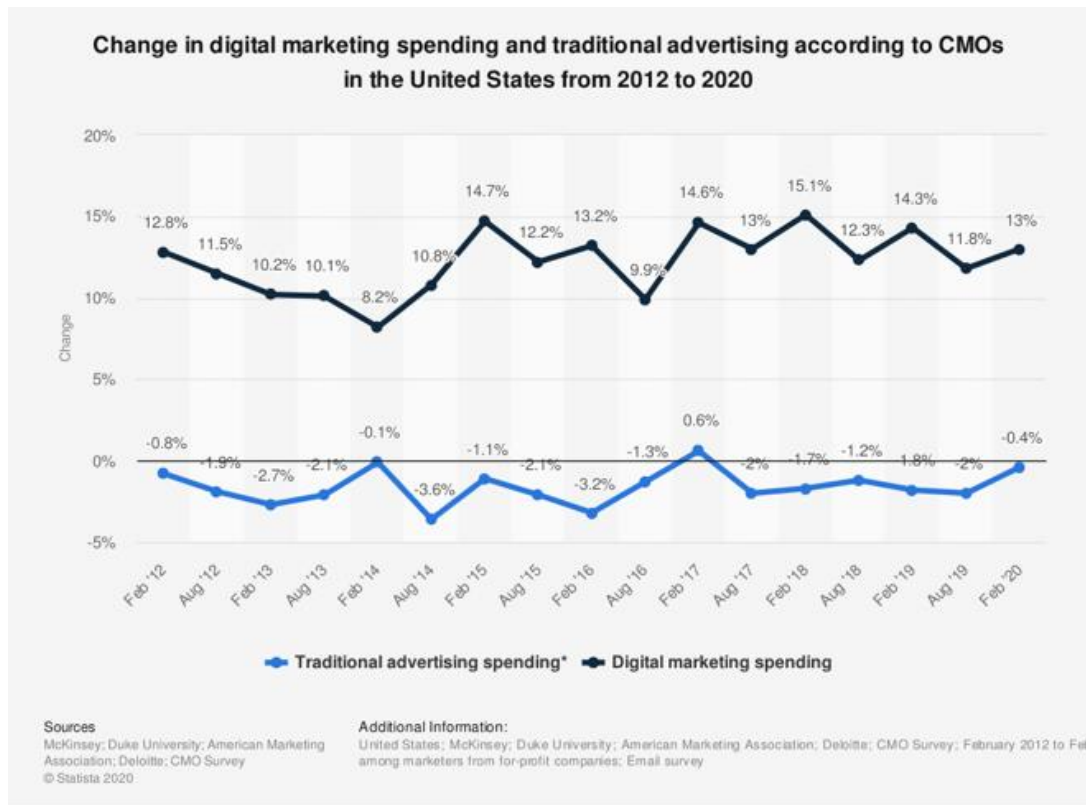
Za primerjalno analizo napak medkulturnega trženja sem izbral tri primere velikih mednarodnih podjetij, ki so postala žrtev napak mednarodnega trženja. Podjetja Gucci, Nivea in Dolce & Gabbana so bila izbrana zaradi relevantnosti primerov, obsežnega medijskega poročanja o napaki in same narave napake. Pri raziskavi in primerjavi primerov sem si pomagal z metodo kritične analize (ang. critical analysis). Za vsak primer sem analiziral vzrok napake in spremljajoč kontekst, odziv medijev in reakcijo javnosti na socialnih omrežjih, odziv podjetja in vpliv napake na prodajo ter poslovanje.

Rezultati študije kažejo pričakovano kompleksnost področja raziskovanja medkulturnih napak v trženju. Vsak analiziran primer ima svoje unikatne lastnosti, zato jih je med seboj težko neposredno primerjati, a lahko kljub temu služijo kot dragocena študija za podjetja, da te napake preprečijo ali pa preprosto zmanjšajo možnosti njihovega pojavljanja. V veliki

meri primerjalna študija poudari pomembnost raziskave kulture, kateri želimo tržiti, pomembnost simbolizma in oglaševalskih sporočil, moč socialnih omrežij in uspešnost oz. neuspešnost opravičil tovrstnih podjetij. Med drugim kaže tudi na zanemarljiv vpliv napak v medkulturnem trženju na samo prodajo podjetij. To omogoča podjetjem, kot sta Nivea in Dolce & Gabbana, da te napake, zaradi pomanjkanja večjih posledic, tudi ponovijo. Področje napak medkulturnega trženja ima namreč omejeno število relevantne literature, kar je v veliki meri posledica tega, da podjetja pogosto svojih napak ne analizirajo, niso transparentna v tem, kako je prišlo do njih, so redko kaznovana za napake in posledično redko sprejmejo ukrepe, da bi te popravile.

V zaključku naloge predstavim bralcu tudi nekaj ukrepov, ki jih lahko podjetja ali posamezniki v podjetjih izvedejo, da se napakam v medkulturnem trženju izognejo ali pa vsaj zmanjšajo možnost pojave le-teh. Poglobljena raziskava, transparentnost podjetja, zaposlovanje raznolike delovne sile in učenje iz svojih napak ter napak drugih so samo nekateri izmed predlogov, ki lahko podjetja naredijo bolj kulturno ozaveščena in posledično zmanjšajo število medkulturnih napak v trženju.

Appendix 2: Change in digital and traditional marketing in the U.S. from 2012 to 2020



Source: CMO Survey (2020)