Globalization and the Consumer: What the Marketer Needs to Know

Kathryn Dunn

Introduction

The background and culture of a person are significant influences on shopping and consumption behavior; cultural and national values have been recognized as an important force in shaping the consumer’s motivations, lifestyles and, ultimately, product choice. This research will focus on how globalization has complicated understanding of consumer behavior. Globalization brings cultures closer together but it would be unwise to presume homogeneity in planning marketing strategies because cultures maintain unique characteristics that must be recognized.

A person’s lifestyle choices are part of the explanation of a consumer’s behavior. By looking at lifestyle characteristics, you can segment people into groups based on opinions, attitudes and activities. This is a good resource in determining the way groups of consumers spend time and, more importantly, money.

Globalization has had an impact in changing people’s values and lifestyles. With globalization, the differences in culture have been lessened to a degree which leads researchers to believe that the behaviors of individuals from different cultures are becoming more compatible or homogeneous.

Along with globalization, consumer behavior is influenced by demographics, psychographics (lifestyle), personality, motivation, knowledge, attitudes, beliefs and feelings. The psychological factors
include an individual’s motivations, perceptions, attitudes, and beliefs; personal factors include income level, personality, age, occupation and lifestyle. Behavior can also be affected by external influences such as culture, sub-culture, locality, ethnicity, family and social class.

In marketing, it is important to understand why customers make the purchases they make, what factors influence consumer purchases, and the changing factors in our society. Globalization adds a layer of complexity in that- in some respects- consumers worldwide become more similar in response to the effects of globalization but this assimilation is hardly complete. This research focuses on the efforts necessary to marketers to find the line between the similarities between consumers worldwide, while respecting and recognizing their differences.

The Impacts of Globalization
Today, globalization has made the world a different place. This is important for today’s marketers to recognize because they face the necessity of designing an effective strategy that will promote their products and services in foreign markets, in addition to their home countries. It is important to understand consumer needs within target countries to create a global marketing mix where product, price, place and promotion are geared toward specific country’s needs.

Globalization has also increased market competition. A company cannot assume they are the only player in a domestic market, as there are new competitors appearing all the time- some of which may be international. One benefit of this globalization has been an increase in product variety for consumers. The internet has opened new opportunities for browsing from home, office or train, with products available worldwide. Today, consumers have more purchasing choices than ever before due to globalization.

Consumers play a critical role in the economy accounting for 70 percent of gross domestic product in the United States and 18 percent worldwide (Adams, 2014). These consumers and their purchasing decisions are different compared with their behaviors pre-globalization. Another impact on consumer spending has been the recent recession as
consumers are much more cautious in their spending now. They have downshifted from conspicuous consumption to considered purchases.

Today, the natural barriers of time have been reduced, and the cost of moving information, people, goods and capital across the globe has been dramatically reduced. Markets are now global in scope and encompass an expanding range of goods and services. Consumers use technology to reach out to the world on the Internet gathering and sending information, and purchasing goods and services. “Marketing globalization puts the power of the world’s markets in the palm of your hand,” according to Hosmer (2014) of Demand Media, reinforcing the idea that globalization is driven by the media and technology, and that globalization is shaping people’s lives and modifying their purchasing behaviors.

The Evolution of Globalization
The topic of globalization has received a noticeable amount of attention in recent years. Some argue that globalization started before the outbreak of World War I, while others feel that policy and technological advances over the past decades have triggered an increase, or that a new phase of globalization is now in place. In the past decades, many governments have adopted free-market systems increasing their nation’s opportunities for trade and investment. In conjunction with these structural changes, these same governments have seen a reduction in the barriers to commerce and have been able to negotiate international trade agreements that promote exchange of goods and services.

The result is a new international business structure. In looking at international market segmentation, Steenkamp and Wedel (1999) have concluded that expansion of world travel, declining trade barriers, advances in communication technology, the internet, and the emergence of global media are all factors contributing to the acceleration of a completely globalized market.

In marketing, globalization combines the promotion and selling of goods and services with an increasingly interdependent and integrated global economy. This has had the effect of altering consumer behavior in many ways. With countries taking advantage of the free-
market system and trade barriers breaking down, competition has spread worldwide. New markets have become open to consumers as the cost and complications of operating abroad have been reduced by globalization.

**Effects on Consumer Behavior: Culture**
Consumer behavior is affected by internal factors including local culture; it is also influenced by external factors resulting from globalization such as communication, information and interaction. The dynamics of consumer behavior make it difficult to analyze because the thinking, feelings, and actions of a consumer, whether individually or in a group, and those of a society at large are constantly changing.

The fact that consumers and their environments are constantly changing highlights the importance of ongoing consumer behavior research and analysis (Kolb, 2008). However, the multidimensional effects of globalization on consumer behavior and environments have dramatic consequences for markets and marketing strategies.

The increase in world trade, an increasing integration of the world’s major economies, and the progression of globalization, will mean that understanding marketing strategies will continue to be an important issue for academic research and marketing practice (Viswanathan & Dickson, 2007). Over the last decades, the influence of globalization on marketing strategies regarding standardization and adaptation or customization, has dominated this literature and remained a controversial topic for scholars and practitioners.

Regarding the effects of globalization on culture, Doku and Oppong Assante (2011) have reviewed how globalization has changed people’s lives. Although people remain in their villages or towns, they are exposed to a larger global market. The authors noted that, with globalization, today the world is a different place. The consequences of globalization may lead to issues with culture identity (Doku & Oppong Asante, 2011). Viswanathan and Dickson (2007) also found that consumer behavior is affected by an internal factor including local culture as well as being influenced by external factors resulted from globalization such as communication, information, and interaction.
Psychologists agree that self-concept plays a central role in behavior and psychological processes. Self-concept consists of whatever individuals consider to be theirs, including their bodies, families, possessions, moods, emotions, conscience, attitudes, values, traits and social positions (Diaz-Loving, 1998). On a larger scale, Solomon (2011) notes that culture (also referred to as the personality of a society) is defined as the total pattern of human behavior and its products embodied in speech, action, and artifacts. It is dependent on man’s capacity for learning and transmitting knowledge to succeeding generations.

Global communications are assumed, by some, to create a global, homogeneous consumer culture. Views on this homogenization process, however, are stronger in the United States than in other parts of the world. Researchers who have analyzed the representation of global consumer culture in advertising view global consumer culture as shared sets of consumption-related symbols (product categories, brands, and consumption activities) that are meaningful to segment members (Alden, Steenkamp, & Batra, 1999). Mass media programming, mostly from the United States, has played a major role in the creation, learning and sharing of such consumption symbols. While these symbols are shared, cultures maintain their own unique characteristics as well. The marketer has to recognize both the shared and the unique in creating their campaigns.

**Effects on Consumer Behavior: Lifestyle and Purchase Power**

Krishnan (2011) found that individual lifestyle is important conceptually in understanding segmented markets and targeting customers and that gaining such an understanding goes beyond the study of demographics alone. A lifestyle marketing perspective recognizes that people sort themselves into groups on the basis of the things they like to do, how they like to spend their leisure time, and how they choose to spend their disposable income. Many researchers have focused on identifying the lifestyle of the consumer in order to have better information about the consumer.

Lifestyle is described in terms of shared values or tastes as reflected in consumption patterns. Personal characteristics are viewed as
the raw ingredients to develop a unique lifestyle. In an economic sense, one’s lifestyle represents the way one allocates income, but lifestyle is more viewed as a mental construct that explains, but is not identical to, behavior. Lifestyle descriptions tend to include attitudes, values, and behavioral elements that often are a reflection of culture. Lifestyles transcend individual brands or products but can be specific to a product class. Thus, it makes sense to talk about a food-related lifestyle, or a housing-related lifestyle (Krishnan, 2011).

Although lifestyle studies are popular among advertising agencies, they are very general, which is their major weakness. To understand consumer behavior across cultures it is necessary to go beyond lifestyle and distinguish value variations by product category. Even when people from different cultures share ownership of particular products, the motives for buying these products vary so strongly that for developing advertising these lifestyle groups are not useful (Krishnan, 2011).

Globalization has brought multiple manufacturers competing for their own stake in the economy. This is a benefit to the consumer as the quality of goods and services should increase as a result. With more competitors in the mix looking to gain a part of the market share, companies have to be constantly improving their goods and create more value for the consumer. The level of U.S. imports is evidence of consumer’s satisfaction with foreign-made goods.

However, globalization has also led to the resurgence of local industry. Consumers are more aware of foreign-made goods and have concerns about loss of jobs in their own communities as well as the country. Although this has not had a major impact on the number of imports, the “Made in America” and “Buy American” campaigns have gained new awareness and support. Also, increasingly recognized is that imported foreign made products are not always subject to the same quality and safety standards as are American-made products.

Today, consumers are empowered and informed. With the recent downturn in the economy came the growth of the social consumer, who is smarter and more aware of product options than ever before. Marketers
now know that mere advertisements will not have the consumer immediately making a purchase. Whether they are buying a car, a service, or a meal, consumers throughout the world are more likely to consider user reviews through social media, online forums, comparison Web sites, and other Internet research as part of their decision.

In his seminal article, “The Globalization of Markets,” Levitt (1983) argued that new technology would lead to homogenization of consumer wants and needs because consumers would prefer standard products of high quality and low price to more customized high-priced products. Levitt’s argument was based on the assumption that consumer behavior is rational and that consumers always want to maximize their gain. To the contrary, however, as people around the globe become better educated and more affluent, their tastes can diverge.

Effects on Consumer Behavior: Branding

The concepts of self, personality, identity, and image are central to consumer behavior and are also used as metaphors in branding strategies. The rise of a global culture does not mean that consumers share the same tastes or value. People in different nations, often with conflicting viewpoints, participate in a shared conversation, drawing upon shared symbols. One of the key symbols in that conversation is the global brand (Holt et al., 2004).

Global companies are advised to associate global myths of individual independence, modernity, and self actualization with their brands. Global brands and global companies “wield extraordinary influence, both positive and negative, on society’s well being. Many consumers expect firms to address social problems linked to what they sell,” how they produce, and how they distribute their products and services (Holt et al., 2004). Thus, to improve their global image, firms are advised to invest in initiatives that clearly benefit stakeholder communities. Global brands also convey a myth of global cosmopolitanism to which many consumers world wide aspire (Strizhacova et al., 2008).

Previously, businesses have not given great thought to where its raw materials come from, nor to where its products go after they have
been purchased. Today, this is changing with the advent of sustainability concerns; consumer behavior is often-at least partially-based on environmental concerns, social concerns, and the efficiency and efficacy of firm operations.

This all amounts to globalization meaning that the marketplace is becoming increasingly complex for marketers to navigate. During this new century, globalization has brought dramatic changes to both the demand (consumers’ values and desires) and the supply (brands that are offered) sides of markets. A new generation of global brands from developed and emerging economies brings diverse cultures to a consumer population that is also growing culturally diverse.

Customers have a multitude of choices in many markets and this affects their behaviors: they want to acquire goods and services quickly and in a more efficient way than before. They also expect high quality and low prices. All these expectations need a response from companies; without some form of accommodation to the new realities, it can be expected that company sales will decrease, costing both profit and market share. A company must always be flexible regarding price, product, service and customer preferences because all of these are impacted by the global nature of markets.

**Effects on Technology**

Globalization is more comprehensive than in the past. This is imposed by new technologies, which speed up new ideas and demands. Before, the ideas and technologies needed generations to extend to the whole world. Today, this can be accomplished literally in just minutes. With the help of the new communications technologies, new ideas can get around the world in just a few moments (Soproni, 2011).

Researchers have noted this issue-that technology is both driven by and a driver of globalization, as both forces continually reinforce one another (Bradley et al., 1993). Further, globalization challenges firms to become more streamlined and efficient while simultaneously extending the geographic reach of their operations. Responding to these opportunities and challenges increasingly requires a fundamental
restructuring of organizational strategy and processes (Bradley et al., 1993). Many argue that these trends are closely associated, each driving the other forward, and both being driven by other common forces, such as trade liberalization, deregulation, migration, and the expansion of capitalism and democracy (Held et al., 1999).

A powerful, and sometimes politically controversial, current social and economic trend that accompanies these forces created by globalization, is the widespread adoption of information and communication technologies. Firms facing foreign competition are under greater pressure to adopt technologies such as e-commerce that enable them to protect or expand market share, while operating more efficiently. In addition, those doing business outside their own country may be more motivated to lower their transaction and coordination costs by using information technology to a greater extent (Malone et al., 1987).

It would be expected that this would be especially true in the specific case of Internet-based e-commerce. Using the Internet for more internal transactions and coordination can save time and money on delivery of goods by using rich information flows to simplify, streamline, or substitute for the flows of physical goods in the supply chain (Sturgeon, 2002). Thus, due to increased competitive pressure, companies are using new technologies to extend their products and operation into the international marketplace (Snow et al., 1996). They are also using technologies to achieve new innovative transnational organizational forms (Sturgeon, 2002).

The Internet does not change people’s habits or values. It confirms and enhances existing values, habits, and practices. Online sellers are not necessarily changing people’s preferences. They are selling things that people already buy. Online selling is mainly a new retail method. Technology has promoted efficiency in various sectors of the economy. It has led to new products and ideas across countries and cultures. Creating efficient and effective channels to exchange information, technology has been an incentive for global integration.
The Costs and Benefits of Globalization

As a result of advances in technology and greater international trade, globalization has become an important issue and one that is controversial. At the core of globalization is increased free trade between countries as well as increase in foreign investment. As a result, both small businesses and multinational companies have access to new markets around the world. Further, transportation and communication between countries has increased.

Globalization proponents will argue that poor countries have been able to bolster their economies and raise their standards of living. Whereas, opponents of globalization argue that multinational corporations in the West have benefited while local companies and their population have been hurt. Globalization has been met with varying degrees of resistance at the governmental level as well as the local level as the flow of goods, labor and capital are managed. In general, the benefits of globalization have been an increase of product variety and quality as well as lower prices. However, the harm has been a loss of jobs and manufacturing industries. In addition, there are concerns over worker safety and environmental conditions.

The fact is that all of us are affected by globalization in one way or the other. Globalization is responsible for the wide range of choices in most products that are available in the market today. Advancements in the fields of communication and transportation have made it possible for people to communicate with others across the globe in a matter of seconds. Today, people can travel from one end of the world to the other in just a few hours. This has made it possible for people to take advantage of varied opportunities in the fields of education and business. People can also migrate to other countries for a better future or to escape danger. All of this has been made possible due to globalization.

In addition to increased exchange of goods and services, globalization creates ideal conditions for outsourcing services and jobs. It has been seen that jobs in the information technology sector are especially outsourced. Many American companies set up branches in the Indian subcontinent because the labor is relatively cheaper
there as compared to this country. This results in a direct increase in the company’s net profits, and India gets an increase in available jobs, bolstering the Indian economy.

Further, globalization provides a platform for an exchange of information, ideas, goods and services. People have more access to in-depth knowledge about other countries and their cultures—learning more about foreign cultures, food, educational systems, and current events. An important effect of this is that it brings about a change in people— from their attitudes to their way of thinking. It can make people understand different world views and become more tolerant of different views and practices.

For all of these positive effects of globalization, there are negative effects as well. Some believe globalization promotes commercialism. This can be seen as you walk the halls in schools and universities with students in similar apparel, eating the same food, listening to the same music, and possessing the “needs” of the generation (i.e., iPhones, iPads, etc.) Being unique and expressing individualism has taken a back seat.

Another effect or concern is that people are looking at the “global” market too often and forgetting the “local” market. This goes beyond the mom-and-pop store thinking. This entails a people’s culture, ethnicity and traditions. Some are worried that the neighborhood, community, parish or group has gone global and its foundation set aside. This flows into another concern or effect about local markets and products. With new generations (i.e., millennials, hipsters, etc.) looking for foreign goods or out-of-market goods, it leaves local suppliers and business failing.

Local businesses, that do not have the resources to export their goods or depend on the locals to buy those goods, experience losses because their goods are not selling to the same extent.

Another major concern for businesses and communities are the social and economic divides that globalization can cause. While outsourcing may create jobs for one country, it does so at the expense of the country that outsources them. Businesses may ultimately look at the bottom line, but for communities the question arises of whether lower prices are worth the cost of job loss and reduced earnings domestically.
An emerging concern in globalization is health risks. When food items are transported from one country to the other, there needs to be proper precautions taken to preserve them. Usage of pesticides and preservatives therefore becomes necessary. These chemicals can be harmful for to one’s health. So while there is a wide range of food products that are made available, this availability comes at a cost to health. A number of businesses as well as health practitioners worry that foods brought into the country do not meet the same standards as those produced within the country and inspected prior to sale.

Another health risk is that of traveling viruses or diseases. With people traveling and migrating from one place to the other, they are exposed to various forms of viruses and diseases. The immunity that people develop against the diseases in their own country could be put at risk when introduced to another virus or other diseases and vice versa.

Conclusion
Economies, markets and people in different countries are becoming more interconnected every day. Globalization has the potential of raising the standard of living, but can also challenge long-held cultural values about the role of business in society. Cultural norms and values are exchanged- but they may also be undermined. The controversy created by economic exchange is cause of much debate, but the forces of globalization are unlikely to be stoppable.

More and more businesses are going global. They look to improve production efficiency, broaden markets, seek raw materials, new technologies, and increase the diversity of customers. It is necessary for companies to realize the importance of globalization.

Even if a company or business is considered “domestic”, it needs to be concerned about foreign competitors that may enter domestic markets. Companies need to be concerned about price competition from firms taking advantage of cheaper resources from abroad. Competitors may reap the benefits of increased efficiencies gained from larger scale operations and may use global communications to sell to greater number and variety of consumers.
As increased globalization changes markets and even whole economies, countries must seek a balance between the benefits and costs of these forces and companies must seek to understand this new world and adjust their marketing operations accordingly.
References


