

EFFECT OF CULTURE ON INTERNATIONAL TRADE: CASE STUDY OF SAFFRON EXPORT

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ABSTRACT

International commerce includes all transactions which are performed between two or more countries. To perform a transaction, companies should consider international practical structures to execute them in target market. Besides international strategies management knowledge, it is also important to analyze financial results of each one of these strategies. Difference between a local commerce and foreign commerce generally includes economic activities, goal of managerial decisions, type of legal system and limitations of different countries and cultural difference of countries is one of the subsets of economic activities. Therefore, proper understanding of culture is a necessary part of development of effective marketing strategies and performance of international transactions. Goal of this paper is to study culture and its effect on international commerce. To reach this goal, this paper first studies role of culture as one of the successful marketing factors in development of international commerce and then studies saffron product as an exported sample of the country in terms of effective cultural factors.

KEYWORDS: Culture, International Commerce, Marketing Strategy, Saffron

One of the factors which cause success of companies in the field of global commercial activity is cultural recognition as one of the key factors in target markets. For this purpose, pioneer companies in global marketing not only consider cultural factors from different dimensions in the field of design and attitude of consumption, naming, packaging, advertisement, attraction and distribution of product but also recognize traditions, customs, norms, behavior, conduct and thought, insight, language, religion, art, feeling and beauty, communication and negotiation and other factors in those markets (Karimian, 2007).

Sine time of Hall (1940), familiarity with culture was considered as a silent language in foreign commerce. In study of culture, national culture is widely defined which had attracted international marketing researchers and managers in foreign commerce for four decades. Role of the primary pioneers of culture study in marketing like Lee (1966) and Hall (1970) in environmental analysis in international commerce is valuable as a necessary element in understanding of foreign markets. But extensive study of culture in research and international commercial operations in 1980s and after pilot study of Hofstede (1980-1983) in classification of national culture was published (Nazarian, 2012) and was applied as a framework accepted in analysis of national cultures. Application of study and role of culture in international marketing were expanded in 1970s and 1980s but its real

expansion in this field occurred in 1990s (Ali Arab, 2009).

ROLE OF CULTURE IN INTERNATIONAL MARKETING

Culture has been defined in literature of international marketing has been defined through many concepts. Liong extensively defined culture in 2005: values, beliefs, norms and behavioral patterns of a national group. House also gave another definition in 2004: the embedded values (the method with which the cases should be done) and measures (the way which cases are performed) in a society. For example, concept of culture in national-social level can be attitude of Hofstede (Nazarian, 2012). Perhaps, definition of culture by Nakata and Hang in 2002 is the most suitable attitude in the field of culture in international marketing as follows: general combination of knowledge, belief, art, ethics, law, tradition and skills and other habits which are acquired by people as society members because it is an attitude which includes nature of culture as a personal and organizational holistic system and social interactions (Ali Arab, 2009).

Culture grows over time and is evolved permanently and slowly. For example, negative tendencies to material culture in some societies may disrupt commercial activities. Gandhi believed in negative effects of material culture and declared that western technology and industrialization removed human values

and converted human into machine. If his thought continued in India, it would prevent this country from industrialization. Therefore, familiarity with culture of foreign countries is of special importance for international commerce and whatever we move toward international markets from local environment and markets, role and sensitivity of cultural factors will increase (Karimian, 2007).

Specifications of international markets

Differences among the transacting parties and their international markets are characterized by difference in social, cultural, political, technical and economic environments. The differences such as time of the region and language in exchange of methods and management pattern models cause problems and create considerable effects on legal management of cross-border relations. In study of international distribution channels, concepts of mental distance and environmental uncertainty have attracted many attentions (Esmaeil Poor, 2011; Ali Arab, 2009).

Cultural factors affecting international markets

Attention to cultural factors in international commerce is very important because language, lifestyle and values change from a society to another society (Karimian, 2007). Cultures include two parts: local culture or manufacturer and foreign culture or target market. Some cases such as product packaging, label, quality, services, place and time of purchase, price and advertisement all are affected by culture of societies and people and relate to culture of target culture. Study and research in this regard lead to conformity of product or service in that market and success in the related commerce in international level. But necessity of adaptation to environmental culture of target market is one of the local cultural factors which require avoidance of cultural prejudices and attention to culture of the foreign countries from different viewpoints so that adaptation of product to taste and culture of customer is the priority of production. Then, a series of cultural factors affecting international commerce and brief description of each one of them are given.

Mental distance: a key factor in description of internationalization process is concept of mental distance. Mental distance is a class of elements which come from a special foreign market and control information flow. Based on work of Russ and Klein in 1990, mental

distance is suggested as different perception of the importer with operational environments of the exchange parties, lower degree of dissimilarity and lower level of mental distance in relations of importer and exporter. To improve quality of relations, a set of purchaser and seller relations who interacted with each other for long term is necessary. But mental distance stops communication flow and social interactions among exchange parties and parties cannot trust in each other. For example, people not only should travel long distance and face many difficulties but also lingual differences disrupt description and solution of complex technical problems and they will face problem in careful and detailed transfer of information. Mental distance may reduce tendency to establish relations which aim to guarantee maximum activity and effort and determine communication channels of members because the groups which interact with each other are far from each other and lack a common framework of references. In addition, there are the differences in operational environments of international exchange patterns which increase potential misunderstandings among groups and reduce satisfaction with relations (Ali Arab, 2009).

Language: language is the most important communication means between people and one of the most important factors which should be considered in international commerce. All large commercial companies have their own brands but they should consider some points at time of export such as meaning of trade name in target language, conveyance of meaning of form and symbol applied in product advertisement for the people of target market (Marek Kania, 2010).

For example, “Hevrolet Nova” was a known brand for automobile of General Motors Company in America while sale of this brand in Spain faced problem because “Nova” means “it doesn’t move” in Spanish language. It is clear that name of automobile will not be received by the customers as it means “it doesn’t move” in a country. In another case, IBM supplied its computer, series 44 to Japan under other numbers because number 4 is similar to Japanese word which means death (Karimian, 2007).

Color: colors in different cultures convey different symbolic concepts and a company which wants international commerce should be familiar to these cultural patterns in the field of colors to make desirable planning in the field of packaging and advertisement of

products. (Marek Kania, 2010). In a foreign market, selection of colors should be based on aesthetic sense of the purchaser's culture not seller's culture. For example, in Japan, green color is symbol of national color and should not be used in packaging of goods. An English bank was willing to expand its activity in Singapore and green color was used in brand of this bank but market research clarified that green represented death in this country and bank had to change its mark (Karimian, 2007).

Traditions, customs and culture of products consumption: any country has special tradition, norms and customs. A manufacturer should research on consumption of product before compiling marketing plan because habits, tastes, public culture and different preferences cause the product or brand which is received warmly in a market of a country may be less received in another market. The following examples include the above cases:

- The German and French people almost consume packaged and branded spaghetti compared with the Italian people.
- Sale of a type of shampoo in Latin America was not successful because it was found after market research that people of this region wash their head with soap and seldom use shampoo.
- American company decided to supply its goods which was a mixture of chocolate and peanut and was successful in Japan. As a result, marketing research found that the old women in Japan believe that concurrent eating of chocolate and peanut caused nosebleed.
- Polisher of floor of the manufacturing room of Johnson Company first failed in Japan because this floor polisher made room very slippery and this company didn't notice that Japanese people didn't wear shoes at their homes.
- In France, wholesalers don't want to take actions for promotion of sale for their products. They ask the retailers what they need to send the required products to them. In case a company wants to establish sale promotion strategy based on French wholesalers and will not succeed. In Middle Asian countries, retailing is more important than wholesale (Karimian, 2007).

Packaging pattern: differences in marketing environment require special conformity in terms of packaging type of the product. Submission of package to

countries sometimes requires adaptation to that market. A number, color and form which seem suitable in a country may reduce sale and even completely prevent sale of that goods in another country. For example, 1-kg package of tomato paste attracts most customers because this foodstuff is used in most foods but 250-g package is highly demanded among the European family. 4-liter milk packages which are highly used in America change to 0.5-liter packages in Iran due to low per capita of milk. In Australia, the number of cigars on a package should be printed in front of the package. In Canada, it is necessary to write the text into two languages. Packages depend on tradition and customs of consumer market in terms of size and form. For example, American people prefer to purchase goods in glass but the German people tend to purchase it in cans (Karimian, 2007).

Religion: a company with target of international commerce should know that religion has considerable effect on economy of a society and marketing activities. Religion creates attitudes and values among people which are effective on their consumption and purchase patterns. For example, holidays have considerable effect on purchase trend of some products and Sunday is a religious holiday for the Christians and Friday is a religious holiday for the Muslims. In Christian countries, Christian holidays are suitable time for sale of products such as clothes, shoes and types of pastry. In Iran, Norooz holidays play the same role. Failure to drink alcoholic drinks in Muslim countries increased sale of nonalcoholic drinks in these countries and created a good market for the companies such as Coca Cola and Pepsi (Karimian, 2007).

Negotiation: negotiation is a process which is made between two parties and attempt is made to make an agreement on the interesting subjects of the parties. When negotiation is made with between people of two countries with different cultural history, failure to pay attention to this difference can be effective on negotiation process and converted into a barrier to success (Shahdadnejad and Nakhaie, 2011). For example, Japanese managers in face to face commercial communication seldom answer no to their American commercial parties and this behavior confuses Americans who are used to make immediate and express conclusion and they don't know what position they should take up (Karimian, 2007).

Success factors during a commercial negotiation in four different cultures are summarized in Table 1.

Table 1: Hierarchy of success factors during a commercial negotiation in four different cultures (Danciu, 2011)

Brazilian negotiator	Taiwanese negotiator	Japanese negotiator	American negotiator
Capacity of preparation and planning	Insistence and determination	Working commitment	Capacity of preparation and planning
Capacity of preparation and planning	Winning respect and trust	Perception and capacity of taking advantage of power	Capacity of thinking under pressure
Capacity of thinking under pressure	Capacity of preparation and planning	Winning respect and trust	Judgment and understanding
Verbal expressiveness	Product knowledge	Integrity	Verbal expressiveness
Product knowledge	Interest	Ability of listening	Product knowledge
Perception and capacity of taking advantage of power	Judgment and understanding	Large perspective	Perception and capacity of taking advantage of power
Competitiveness	-	Verbal expressiveness	Integrity

STUDING CULTURAL FACTORS AFFECTING EXPORT OF SAFFRON

Saffron has had special position in civil history and culture of Iran as the most valuable crops and the most expensive spice of the world and is regarded as a part of exported traditional products. Saffron is one of the exceptional plants and perhaps, the only plant which has good economic return while requiring less water. At present, saffron is the fifth exported non-oil product (Ghods and Kamali, 2012). While it is one of the important exported products which has few competitors in the world and considering the previous trend of saffron production, Iran is able to be recognized as the best exporter. 80% of the saffron is produced in the world and monopolistically which can imply dominance of Iran on global market of saffron (Hosseini and Aho Ghalandari, 2008). But, Iran doesn't play role in determination of global [rice for this product. One of the major reasons for ineffectiveness of Iran in market is monopolistic purchase of saffron in global markets. Most of the Iranian saffron is exported to one or two countries in bulk such as UAE with 36%, Spain with 28% and China with 9% and Saudi Arabia and India each with 7 and 4.5% (Ghods and Kamali, 2012). In these countries, saffron enters global markets as main producer after packaging them without mentioning name of Iran. For this reason, name of Iran is

unknown for many saffron consumers. Of the major exporters of saffron in the world after Iran are Spain, India, Turkey and Greece (Hosseini and Aho Ghalandari, 2008). Recognition of factors affecting a successful marketing in international commerce can have direct effect on local production and creation of capital. Certainly, many factors interfere in pathology of saffron export and its problems and in this Section, we study cultural factors and their effect on export of these products.

Effective Cultural Factors

Packaging : weak packaging of saffron has been the most important harm to export of this product(now, only 15% of the saffron of Iran is exported to other countries in small, well-shaped and suitable form and 85% of saffron of Iran is exported in bulk and in large packages to other countries. In this regard, while considerable part of value added and wealth resulting from this product are easily transferred to the competitors, role of Iran as the most important and the most effective factor in global market of this product is gradually reduced (Hashem Poor, 2010). In North America, Europe and East Asia which are suitable purchase markets for saffron (Hashem Poor, 2010), people have more trust in packaged products and this subject is so important that one of the foreign food exporting companies has conducted a research for selling

its products indicating that people in America tend to purchase products in glass packages while people in Germany tend to purchase cans (Karimian, 2007). At the same time, saffron is exported again with another brand after suitable packaging in Spain and all the world regards Spain as the largest exporter of saffron which prevents direct communication of purchaser with local sellers and lack of effect of Iran as the largest producer on global price (Khademolmahdieh, 2013). On the other hand, the shorter the path of production to consumption, the less expensive the product will be and the more competitive the price of the product in global market (Ghorbani, 2008). The following points should be considered in saffron

- Since saffron is regarded as luxurious product in most countries due to its high price, having a modern and stylish package plays important role in its purchase (of course, these packages will not be so expensive).
- Due to high speed of life in most industrial and developed countries, characteristic of “easy consumption” is one of the factors of product selection by the consumers. Local producers should consider that packaging of the product should keep quality of product in addition to easy use (whether in terms of opening, closing or storage) during consumption term. In eastern countries, people put it in a closed container to prevent spread of its odor if the package is nylon but people in western countries expect the package to have such characteristic and don't want to use the accessory tools.

Product consumption culture: in this Section, some cases of traditions and culture governing consumption of the product are mentioned.

The first case, distribution method: distribution method is generally divided into two wholesale or retailing methods and one of two methods is used in any country based on type of economy and society. The exporting companies should be familiar with type of distribution in target country as one of the main steps of sale to found sale promotion strategies on its basis (Ghorbani, 2008). Saffron producers export it to other countries in bulk while if they want to transact with France or Middle East countries, they will face problem because distribution system of these countries will be based on retailing (Karimian, 2007).

The second case, collective taste: taste is one of the most important factors affecting use of food products by people and cultural factors are effective on its formation. Therefore, recognition of people's taste can be very determining in export of these products and production of byproducts according to taste of customer. For example, one of the common cultures in west particularly in North American countries and European countries is abundant use of chocolate and pastry by people. One of the byproducts of saffron is saffron powder and sugar powder mixture. In this regard, sale of this product particularly with very low price compared with saffron is expected to be received by people in these countries. In this case, if saffron powder which is usually discarded after processing stages is used and value added for production is created.

Advertisement: one of the most effective factors of services provision or sale of a product in today's world is advertisement so that extensive and suitable advertisement can guarantee success of a commercial product (Jakštien S et al, 2008). Unfortunately, most exported products of Iran such as saffron lack this factor and they don't have suitable advertisement in target countries to identify product among people (Amiri Aghdaie and Seidi, 2012).

Many factors interfere in advertisement but one of the infrastructures and basic factors which cause attraction and effectiveness of an advertisement is proper recognition of cultural issues and social norms of people of target society and planning of advertisement message based on it. For this reason, if advertisement is performed, it should be made for target society and based on cultural and intellectual space. For example, in most foreign countries, main message of an advertisement is transferred by a young person to addressee because the young will affect a message more in society. The young are always symbol of being pioneer, progress, energy and a prosperous future and since concept of “progress” has high value in these societies, the young are the best class for transferring message and persuading people to use services or purchase a product (Advertising and young people research, 2011). On the contrary in Iran, traditional culture has more efficiency in society with all changes in culture of society and movement of society from tradition to modernity and living in transient period. In this culture, there is higher trust in selection and view of the old people or worldly-wise people. For this reason, the old people play main role in transfer of message in

most advertisement notices. In this regard, exporting companies should consider this point that they should prepare their product advertisement based on culture of the target market.

Forgery: unfortunately, export of saffron through unspecialized and informal channels intensified issue of fraud and submission of forged saffron and it is very vital to study this issue considering high price of saffron.

The most common type of forgery is painting cream with the paint available in braid or chemical synthetic paints which is recognizable considering analysis method and quality control of such forgeries in the countries which receive saffron (Hashem Poor, 2010). Since forgery and deception are culturally improper in most countries particularly developed countries, this action will prevent the public from purchasing Iranian product. This subject is so important in western societies that it affects and neutralizes all efforts of the exporting companies to do successful national branding and stabilize name of Iranian saffron in foreign markets and it will be the largest negative advertisement for sale of this product in global markets.

Environment: in western and especially European countries, environmental protection is an important principle in public culture of these countries so that the products which have not observed this point are rejected by the people and will not have utility and good sale market. Therefore, for submission of product to these countries, it should be noted that packaging of product should be made from recyclable and nature-friendly materials and insertion of this point on package can be converted into one of the competitive factors of product in these countries.

Ease of communication: in today's advanced world, communication plays important role in commerce and ease of communication is regarded as the first step in this case (Hutchinson, 2002). Since the simplest communication way in today's world is internet (email, website etc.), local producers and exporting companies should move ahead in coordination with general culture of the world. Foreign purchasers tend to acquire a series of primary information relating to product and the best and the safest way is communication with the exporting company. Perhaps, giving such primary information leads to performance of a profitable exporting transaction and role of broker may be deleted and if purchaser concludes that establishing primary communication with local

company is hard and requires cost and time, he may stop continuing the next stages. Therefore, one of the key factors which cause coordination between companies and local producers and modern technology is use of internet and using personal portals which require increase of culture of increasing technology inside society.

Provision of information: one of the cultural problems of the country is prevention from provision of information about the product which indicates lack of enough awareness of the producers with difference between useful but not necessarily confidential information for sale and the information which leads to loss of sale market for the seller. In other words, it is regarded as secret information for seller and his work field. In today's world, general belief is that giving more information to purchaser causes him to purchase product more carefully and safely which is a type of respect for purchaser and his personality which has a high cultural value in advanced societies and leads to continuity of purchase (Gibson, 2009). This case is also subset of customer focus culture which is unfortunately less important in Iran and seller focus is the common culture of local commerce of Iran. In advanced countries, exchange of any information, though small, is regarded as social value because there is a belief that transfers of information and increase of knowledge lead to progress. Most producers and owners of local industries refuse to give information or reluctantly give less information to customer while this information is not harmful for their industry and its foreign samples give information to customers easily. Customers naturally tend to purchase from a company which gives enough information to them and do not like blindfold shopping.

DISCUSSION AND CONCLUSION

Considering the mentioned cases, it can be concluded that culture and social factors are important part of international commerce and any exporting company which tries to enter international market should plan and execute its activities based on culture of the country of target market. In this case, recognition of culture as one of the main factors of successful marketing promotes local production. Of course, as mentioned above, culture is divided into two major parts of local culture and culture of the desired country and extensive studies should be conducted on both cases to have a successful export. In this regard, large step can be taken for export of non-oil products of the country which can be converted into economic basis by promoting local culture

into global customer-focus culture and recognizing culture and community of the importing countries.

Considering the mentioned points, the following cases can be considered as strategies for more successful export of saffron product to foreign countries:

- Increasing customer-focus culture in the country and among owners of industries. People in Iran should be careful that adaptation of product to taste and culture of customer should be on top of production priorities.
- National branding as one of the main factors of commercial culture of the world
- Making different advertisement according to cultural taste of target market
- Including simple advertisement on the package and using packaging as a primary advertisement of product in target country. In this regard, packaging naturally can be applied for advertisement of the country and the desired product such as use of marquetry designs of Faradis Exporting Company or insertion of slogans and visual advertisement on the packaging.
- Use of national symbol of the target country beside symbol of exported product which attracts primary attention of the purchaser and indicates concept of cultural interaction and communication and cooperation of two countries.
- Packaging based on cultural and social factors
- Recruitment of specialists in target markets to investigate tastes and consumption patterns of countries
- Observance of quality of product and prevention from submission of any forged products
- Use of recyclable and nature-friendly packages particularly in European countries
- Establishing easy communication with purchasers
- Insuring gardens of farmers as mental factor affecting better and high quality production
- Training farmers and increasing their awareness with export of a high quality product in national and global level

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