

Principles of International Marketing

Case 1: K-Pop: Adapting Marketing Strategies to Cultural Differences.

Case 2: Adapting Marketing Strategies to Cultural Differences in K-Pop & Merchandise.

Number of pages: 12

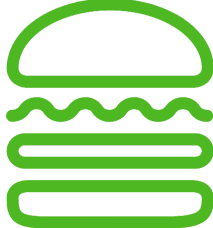
Number of characters: 22596

Course: Principles of International Marketing

School: Copenhagen Business School

Programme: BSc International Business

Exam: 72-Hour Individual Assignment

SHAKE  SHACK



Case 1: Adapting Marketing Strategies to Cultural Differences in K-Pop & Merchandise.

0. Introduction

K-pop, an abbreviation for Korean pop music, has become a global phenomenon, transcending cultural boundaries and amassing millions of fans across the world. In recent years, fans have become eager to acquire merchandise from their preferred k-pop groups. However, there are regional variations in the preferences and behaviors of fans regarding K-pop and its merchandise. Therefore, this report seeks to address the following research question: "What are the cultural differences in the appeal of K-pop and its merchandise across different regions, and how can marketing strategies be adapted to better cater to these differences?". The topic will be investigated by comparing the differing cultures and consumer behaviors across the world. Based on these comparisons, it will be evaluated how marketing strategies can be adjusted to accommodate cultural differences.

This research paper will provide insights into the cultural diversity and complexity of K-pop fans across the world. Understanding the cultural differences in the appeal of K-pop and its merchandise can help k-pop managers, marketers, distributors, and other stakeholders to develop more effective and efficient strategies to reach and satisfy their target audiences. Moreover, the findings of this investigation can also contribute to the academic literature on cross-cultural consumer behavior, international marketing, and cultural studies.

To examine the topic, Hofstede's cultural dimensions (Hofstede Insights, 2021) and the Uppsala model (Lecture 1, Slide 34) will be employed. These two theories provide a comprehensive understanding of how cultural differences influence consumer behavior and how companies can adapt their international marketing strategies accordingly. This enables a holistic approach to understanding the cultural diversity among K-pop fans. The used literature, such as academic articles and quantitative data, offer evidence and insights into the cultural diversity among K-pop fans.

1. Analysis of cultural dimensions

Hofstede's cultural dimensions will be used to provide a comprehensive framework for understanding and comparing the cultural differences across various countries. These dimensions help explain how cultural values and preferences influence the appeal of K-pop and its merchandise in different regions.

1.1 Power Distance

Power Distance reflects a society's willingness to embrace disparities in power distribution. South Korea, with high Power Distance, values hierarchy and authority in its culture, as seen in K-pop groups. This may appeal to fans in countries like India or Malaysia with similar scores but may not in low Power Distance countries like the US or Australia. Adapting marketing strategies based on Power Distance is advisable, conceivably emphasizing hierarchy in high Power Distance nations and egalitarianism in low Power Distance countries.

1.2 Individualism vs. Collectivism

Individualism vs. Collectivism refers to the degree to which individuals place their personal interests above the collective interests of the group. In South Korea, a collectivist culture, the well-being of the group is emphasized over the individual. This is evident in the strong fan culture surrounding K-pop, with fans often identifying strongly with the group as a whole and prioritizing the group's success over individual members (Laffan, 2021). Focusing on marketing strategies that highlight the interdependence of K-pop groups could attract fans in collectivist societies like Japan or China. However, in individualistic societies like the United States or Canada, the individual members of the groups may be more appealing.

1.3 Masculinity vs. Femininity

Masculinity vs. Femininity refers to the degree to which a society values traditionally masculine traits like assertiveness and ambition or traditionally feminine traits like cooperation and caregiving. South Korea has a somewhat masculine culture, where competition and achievement are valued, as seen in the intense competition within the K-pop industry. However, K-pop also incorporates feminine traits like fashion and aesthetics, which may appeal more to fans in more feminine cultures such as Thailand or the Philippines.

1.4 Uncertainty Avoidance

Uncertainty Avoidance refers to the degree to which a society tolerates ambiguity. In South Korea, a culture with a relatively high Uncertainty Avoidance score, stability and predictability are valued. This is evident in the highly choreographed and scripted nature of K-pop. However, in cultures with low Uncertainty Avoidance scores, fans may be more drawn to the spontaneity and unpredictability of live performances. For example, fans in Latin American countries such as Brazil or Mexico may be more drawn to the lively and unpredictable energy of K-pop concerts.

1.5 Long-term Orientation

Long-term Orientation refers to the degree to which a society values long-term planning and tradition. South Korea has a high Long-term Orientation score, indicating that the culture values tradition and stability. This is evident in the emphasis on cultural heritage in K-pop, with traditional Korean music and dance often incorporated into performances ("How Did K-Pop Conquer the World?," 2022). However, in cultures with low Long-term Orientation scores, fans may be more interested in the newest and most innovative aspects of K-pop. For example, fans in Western European countries such as Germany or France may be more drawn to the latest trends in K-pop.

In conclusion, the Hofstede analysis of cultural dimensions highlights the significant role of cultural differences in shaping the appeal of K-pop and its merchandise across various regions. Stakeholders should be aware of these cultural nuances. For instance, marketing managers should consider cultural differences when devising marketing strategies. By understanding the unique cultural values and preferences of different regions, K-pop companies can tailor their marketing efforts, merchandise, and performances to better resonate with diverse audiences.

2. Uppsala Model Analysis:

The Uppsala Internationalization Model will be used to provide a structured framework for examining the stages of internationalization, how K-pop companies have gradually expanded their operations and adapted their strategies to cater to diverse global audiences.

3.1 First Stage: No Regular Export Activities

In the initial stage, K-pop companies concentrated solely on the domestic market with little to no export activities (Topic: Music Industry in South Korea, 2022). The genre was relatively unknown outside South Korea, and companies had minimal understanding of the international market and cultural differences. The fan base during this stage was primarily composed of Korean nationals and Korean diaspora. However, social media platforms allowed K-pop music videos and songs to gain international attention. Despite these advancements, K-pop companies had limited involvement in international marketing and distribution, which affected the availability of K-pop merchandise outside South Korea.

3.2 Second Stage: Export via Independent Representatives

As K-pop began to gain more international recognition, the K-pop industry slowly started expanding to other Asian countries in the late 1990s (Topic: Music Industry in South Korea,

2022). The industry leveraged online platforms and niche stores to reach interested fans. During this stage, K-pop companies remained mainly focused on their domestic market and had limited understanding of cultural differences across different regions. The fan base was still relatively small but growing, and most of the non-Korean fans were from other Asian countries.

3.3 Third Stage: Establishment of Overseas Sales Subsidiaries

During this stage, K-pop companies established overseas sales subsidiaries and actively expanded operations into new markets ("How Did K-Pop Conquer the World?," 2022). K-pop groups began touring internationally, and participating in events that increased their global visibility. K-pop merchandise became more accessible outside South Korea through channels like online stores and pop-up shops in various countries. Companies began understanding the international market better and tailored their marketing strategies to appeal to different audiences, considering the cultural differences in different regions. The fan base during this stage continued to grow rapidly, and K-pop became more popular globally. Fans in different regions were drawn to different aspects of K-pop, and companies started to localize their merchandise, incorporating region-specific designs and features (Oh & Jang, 2020).

3.4 Fourth Stage: Establishment of Production Units Abroad

Although K-pop has not yet reached this stage, there are indications that K-pop companies are actively seeking to expand their operations globally. Some K-pop companies have established partnerships with major music companies in the United States. This stage could also see a diversification of K-pop merchandise, with products designed and manufactured in various countries to cater to local tastes and preferences. Collaborations with local artists and designers could also emerge, further enhancing the appeal of K-pop merchandise across the world (Bartholomew & Nadasdi, 2022).

The Uppsala model analysis highlights K-pop's internationalization stages and how companies have adapted their strategies for a diverse global fan base. Stakeholders, including marketing managers, policymakers, and consumers, should acknowledge the significance of cultural differences in shaping the appeal of K-pop and its merchandise. As the industry enters the fourth stage of the Uppsala model, acknowledging and catering to cultural differences is vital for continued success.

3. Conclusion:

In summary, this research paper has provided insights into the cultural differences in the appeal of K-pop and its merchandise across the world. By examining Hofstede's cultural dimensions and the Uppsala Internationalization Model, it is evident that cultural nuances play a significant role in shaping the preferences and behaviors of K-pop fans worldwide. Stakeholders, including marketing managers, distributors, and policymakers, should acknowledge the importance of understanding and catering to these cultural differences in their operations. By understanding the unique cultural values and preferences of different regions, stakeholders can develop more effective marketing strategies, distribute K-pop products more efficiently, and support the growth of the K-pop industry.

Bibliography:

- Hofstede Insights. (2021, June 22). Compare countries - Hofstede Insights.
<https://www.hofstede-insights.com/fi/product/compare-countries/>
- Laffan, D. A. (2021). Positive Psychosocial Outcomes and Fanship in K-Pop Fans: A Social Identity Theory Perspective. *Psychological Reports*, 124(5), 2272–2285.
<https://doi.org/10.1177/0033294120961524>
- How did K-Pop conquer the world? (2022, February 24). BBC Culture.
<https://www.bbc.com/culture/article/20190529-how-did-k-pop-conquer-the-world>
- Topic: Music industry in South Korea. (2022, November 22). Statista.
<https://www.statista.com/topics/5098/music-industry-in-south-korea/%23topicOverview&sa=D&source=docs&ust=1679525338929332&usg=AOvVaw0ElivNzQbYjDuLj-y90t8H>
- Oh, I., & Jang, W. (2020). From Globalization to Glocalization: Configuring Korean Pop Culture to Meet Glocal Demands. *Culture and Empathy* (Online), 3(12), 23–42.
<https://doi.org/10.32860/26356619/2020/3.12.0003>
- Bartholomew, S., & Nadasdi, J. (2022). Managing Global Expansion in the K-Pop Industry: Strategic Lessons from YG Entertainment. *Springer EBooks*, 239–257.
https://doi.org/10.1007/978-3-030-87621-0_9

Case 2: Utilizing Shake Shack's Competitive Position for International Market Expansion.

0. Introduction

Shake Shack, a popular American fast-food chain, has established a strong brand presence in its home country and has begun expanding internationally. As the company continues to pursue growth opportunities, understanding its competitive position and identifying potential markets for expansion is crucial. This research paper aims to address the question, "How can Shake Shack utilize their competitive position to expand to new markets?". The topic will be examined by conducting an assessment of Shake Shack's competitive position. Subsequent to this analysis, the investigation will examine how Shake Shack can leverage its competitive position to facilitate expansion into new markets and determine the most suitable markets for entry.

This research paper will provide insights relevant to internal and external stakeholders of Shake Shack. Management and employees can utilize the findings to optimize strategic planning and allocate resources effectively. Investors and suppliers can leverage the insights to make informed investment decisions and align their operations accordingly. Additionally, industry analysts may benefit from the research as it contributes to a deeper understanding of the fast-food industry's competitive landscape and global trends.

This research will utilize three models to provide a cohesive investigation of Shake Shack's international expansion opportunities. The SWOT analysis offers an understanding of Shake Shack's competitive position, while the international market selection process and MACS model allow for a systematic evaluation of potential markets. By employing these interconnected models, the research ensures a structured approach, enhancing the likelihood of successful market entry and providing valuable insights for strategic decision-making. The used literature, such as academic articles and quantitative data, offer evidence and insights into the fast food industry.

1. Analysis of Shake Shack's Market Position:

The SWOT model provides a comprehensive understanding of Shake Shack's strengths, weaknesses, opportunities, and threats. By analyzing these factors, the SWOT model examines Shake Shack's competitive position (Albaum et al., 2016).

1.1 Strengths:

Shake Shack has established a strong brand image by consistently providing high-quality, sustainably sourced ingredients in its food products (Stand for Something Good, 2021). The company's commitment to quality has helped it to differentiate itself from competitors, and this has contributed to its growing popularity among customers. The unique dining experience and engaging social media presence, has also helped to attract a loyal following of customers. In addition, Shake Shack's menu is diversified, offering not only burgers but also other popular items such as chicken sandwiches and hot dogs. This diversified menu appeals to a wide range of customers and has helped to drive revenue growth for the company. Shake Shack's financial position is strong, with a healthy balance sheet and

positive cash flow. The company has consistently been profitable, with revenues increasing by 41.5% from the previous year to \$739.9 million in 2021 (Shake Shack 2021 Annual Report, 2021).

1.2 Weaknesses:

One of Shake Shack's weaknesses is its high prices, which may deter some price-sensitive customers from visiting its restaurants (Menu | Shake Shack, 2023). Another weakness is the company's limited menu options. Despite having a diversified menu, Shake Shack's offerings are still somewhat limited compared to other fast-food chains. Some customers may prefer more extensive menu options. Additionally, while Shake Shack has expanded globally, its presence is still limited compared to other fast-food chains. This limited global presence may limit the company's growth potential in the future. Moreover, Shake Shack's revenue is heavily concentrated in the United States, leaving it vulnerable to economic and regulatory changes in the US market (Shake Shack 2021 Annual Report, 2021).

1.3 Opportunities:

Shake Shack has the opportunity to expand into new markets and capitalize on the growing popularity of fast-casual dining around the world. The company can also continue to develop new products that appeal to a wider range of customers, such as vegetarian or vegan options, to capture additional market share. Additionally, Shake Shack can leverage technology to streamline operations, improve customer service, and better engage with customers. The company can also pursue strategic partnerships with other companies to create unique products or experiences, such as collaborations with local chefs or food bloggers.

1.4 Threats:

Shake Shack faces intense competition from other fast-food chains that offer similar products at lower prices, which may affect its ability to attract customers. Moreover, consumer preferences can change quickly, and Shake Shack needs to keep up with evolving trends in the fast-food industry to stay relevant. The company is also vulnerable to economic and regulatory risks, such as changes in labor laws, food safety regulations, or trade policies, which can affect its operations and profitability. Finally, the ongoing COVID-19 pandemic has had a significant impact on the food service industry, and Shake Shack has not been immune to the effects of the pandemic. Shutdowns, reduced capacity, and supply chain disruptions have all had an impact on the company's operations (Lalley, 2020).

3. International Market Selection Process:

The international market selection process and MACS (Market Attractiveness-Competitive Strength) model provide a structured and systematic approach to evaluating potential markets for Shake Shack's international expansion. Upon conducting an initial screening, predicated on demographic and economic factors, the analysis will henceforth be centered on the Netherlands, Australia, Taiwan, Germany, and Canada.

3.1 Market Attractiveness:

Market Attractiveness	Weight	Netherlands	Australia	Taiwan	Germany	Canada
GDP Per Capita, PPP (2021)	20%	75	70	70	65	60
Population (2022)	15%	20	25	25	85	40
Est. Population Growth (2020-2025)	15%	50	90	5	40	80
Fastfood Market Size (2019, 2020)	25%	5	35	15	90	50
Psychic Distance	10%	50	90	5	40	80
Total:		32	49	23	58	51

(Sources: See appendix 1 on page 12.)

The Market Attractiveness analysis was based on five key criteria, each assigned a weight corresponding to its relative importance. These criteria were GDP per capita PPP, population size, population growth rate, fast-food market size, and psychic distance.

GDP per capita PPP is an essential metric that reflects the purchasing power of individuals in a country, and thus the potential for spending on non-essential items such as fast food. The Netherlands scored highest, with Australia and Taiwan following closely behind.

Population size is a crucial indicator of the market size, with Germany having the highest population size among the five countries. Population growth rate provides insight into predicting the future demand. Australia and Canada score highest, indicating expanding market demand.

The fast-food market size is a direct measure of the demand for Shake Shack's products and services within a country. Germany had the highest market size among the five countries, suggesting a strong existing demand for fast food.

Lastly, psychic distance was utilized to account for cultural differences between the selected countries. Australia and Canada scored highest, indicating a more favorable environment for market entry and adaptation of Shake Shack's offerings.

The findings of the Market Attractiveness analysis suggest that Germany has the highest market attractiveness score among the selected countries, indicating a favorable environment for Shake Shack's expansion plans. Canada and Australia were found to have relatively high market attractiveness scores as well, also indicating favorable market attractiveness.

3.2 Competitive Strength:

Competitive Strength	Weight	Netherlands	Australia	Taiwan	Germany	Canada
Competition Intensity	25%	25	20	25	20	25
Psychic Distance	10%	50	90	5	40	80
Price Fit	20%	75	70	70	65	60
Market Demand	25%	15	85	60	80	95
Consumer Loyalty	15%	36	54	65	79	72
Total:		35	57	46	54	61

(Sources: See appendix 2 on page 12.)

The Competitive Strength analysis was based on five key criteria, each assigned a weight corresponding to its relative importance. These criteria were competition intensity, psychic distance, price fit, market demand, and consumer loyalty.

Competition intensity is essential to consider when analyzing the competitive strength of a new market. The level of competition in the fast-food market can influence the ability of a new entrant, such as Shake Shack, to gain market share and achieve profitability. In the case of the five countries evaluated, the analysis found that the competition intensity was moderately equal among all countries.

Psychic distance can impact the ease of market entry and product adaptation. The cultural differences between countries could affect the receptiveness of consumers to new offerings. Australia and Canada were found to have the lowest psychic distance, indicating that Shake Shack may have a more straightforward market entry process in Australia and Canada.

Price fit relates to how well Shake Shack's pricing strategy aligns with the purchasing power and preferences of consumers in each market. A favorable pricing environment is crucial for Shake Shack to gain market share and achieve profitability in a new market. The analysis indicates that the pricing environment is more favorable in the Netherlands, closely followed by Australia and Taiwan.

Market demand measures the existing and potential demand for Shake Shack's products within a country. A high market demand score indicates significant opportunities for growth and revenue generation. Canada and Australia were found to have the highest market demand scores, while the Netherlands scored the lowest.

Consumer loyalty measures the degree to which consumers in a market are loyal to existing fast-food brands. A high degree of consumer loyalty can pose challenges for Shake Shack in attracting and retaining customers in a new market. In the analysis, Germany was found to have the most favorable conditions in terms of consumer loyalty.

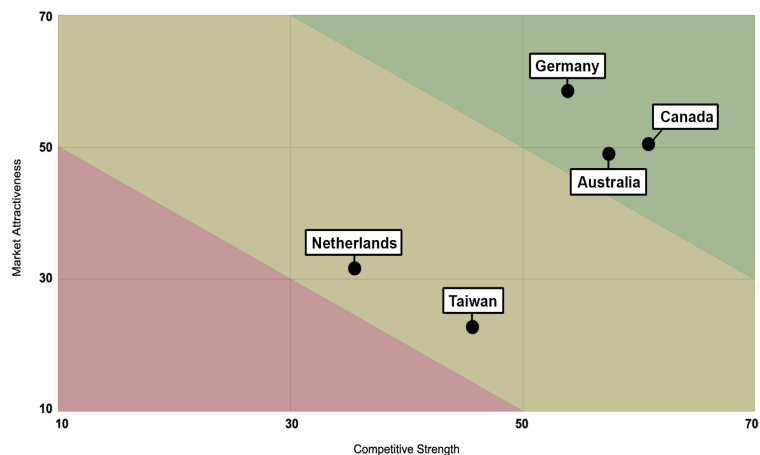
The findings of the Competitive Strength analysis suggest that Shake Shack would have the highest competitive strength in Canada among the selected countries for Shake Shack's expansion plans. Additionally, Australia and Germany were found to have relatively high competitive strength scores, suggesting that these countries may also be favorable markets for Shake Shack.

3.3 Market Recommendation:

MACS	Netherlands	Australia	Taiwan	Germany	Canada
Market Attractiveness	32	49	23	58	51
Competitive Strength	35	57	46	54	61
Total:	67	106	68	112	111

Based on the results of the Market Attractiveness and Competitive Strength analyses, a comprehensive evaluation of each country's overall favorability can be conducted. In terms of points, Germany emerges as the most promising market with the highest total points, followed closely by Canada and Australia. Germany appears to offer the most attractive market environment, driven by a substantial population with a high consumption of fast food.

The competitive landscape appears most favorable in Canada. The Netherlands and Taiwan exhibit lower total points, suggesting comparatively less favorable conditions. Based on this analysis, it is recommended that Shake Shack prioritize its international expansion efforts towards Germany, Canada, and Australia.



4. Conclusion

In conclusion, this research paper has examined Shake Shack's competitive position and identified potential markets for expansion through a systematic analysis using the SWOT model, international market selection process, and the MACS model. The findings suggest that Germany, Canada, and Australia are the most promising markets for Shake Shack's international expansion, considering their market attractiveness and competitive landscape. By leveraging its competitive strengths, such as a strong brand image, high-quality products, and a diversified menu, Shake Shack can capitalize on the opportunities presented by these markets to further expand its global presence. This research offers valuable insights to both internal and external stakeholders of Shake Shack, supporting informed decision-making and strategic planning for the company's future growth. Moreover, it contributes to the broader understanding of the fast-food industry's competitive dynamics and global trends.

Bibliography:

- Stand For Something Good. (2021). Shake Shack. <https://shakeshack.com/stand-for-something-good#/>
- Shake Shack 2021 Annual Report. (2021). https://s27.q4cdn.com/357966323/files/doc_financials/2021/annual/2021-Annual-Report-to-Shareholders_vF.pdf
- Menu | Shake Shack. (2023). Shake Shack. <https://shakeshack.com/taxonomy/term/736#/>
- Lalley, H. (2020, April 2). Shake Shack reports dire impacts of COVID-19 on its business. Restaurant Business. <https://www.restaurantbusinessonline.com/operations/shake-shack-reports-dire-impacts-covid-19-its-business>
- IMF Report. (2021). IMF. <https://www.imf.org/en/Publications/WEO/weo-database/2021/October/weo-report>
- United Nations World Population Prospects 2022. (2022). United Nations. <https://population.un.org/wpp/>
- Consumer Foodservice. (2019). Euromonitor. <https://www.euromonitor.com/consumer-foodservice>
- Hofstede Insights. (2023, January 27). Country Comparison - Hofstede Insights. <https://www.hofstede-insights.com/country-comparison/>
- Fast Food Market Size, Share, Trends & Growth [2021-2028]. (2010). <https://www.fortunebusinessinsights.com/fast-food-market-106482>
- Albaum, G., Duerr, E., & Josiassen, A. (2016). International Marketing and Export Management.

Appendices:

Appendix 1: Market Attractiveness in absolute values.

Market Attractiveness	Netherlands	Australia	Taiwan	Germany	Canada
GDP Per Capita, PPP (2021)*	\$60.410	\$57.975	\$57.948	\$54.555	\$51.194
Population (2022)**	17.741.231	25.905.108	23.664.370	83.779.231	38.633.667
Est. Population Growth (2020-2025)***	0,31%	1,18%	-0,30%	0,10%	0,89%
Fastfood Market Size (2019, 2020)****	\$3.100.000.000	\$21.600.000.000	\$7.600.000.000	\$60.300.000.000	\$28.800.000.000
Psychic Distance*****	109	17	218	137	34

*(IMF Report, 2021)

** (United Nations World Population Prospects 2022, 2022)

*** (Ibid.)

**** (Consumer Foodservice, 2019)

***** (Hofstede Insights, 2023)

Appendix 2: Competitive Strength in absolute values.

Competitive Strength	Netherlands	Australia	Taiwan	Germany	Canada
Competition Intensity*	25	20	25	20	25
Psychic Distance**	109	17	218	137	34
Price Fit***	\$60.410	\$57.975	\$57.948	\$54.555	\$51.194
Market Demand****	0,29%	1,50%	1,10%	1,42%	1,80%
Consumer Loyalty*****	36	54	65	79	72

*(Fast Food Market Size, Share, Trends & Growth [2021-2028], 2010)

** (Hofstede Insights, 2023)

***Based on GDP per capita PPP. (IMF Report, 2021)

****% of GDP spent on fastfood. (IMF Report, 2021) & (Fast Food Market Size, Share, Trends & Growth [2021-2028], 2010)

*****Based on Uncertainty Avoidance. (Hofstede Insights, 2023)