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**Consumer reaction to a new  
product's development: comparison  
between Italian and Asian response  
to Marketing test**

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## 引言

许多因素能够影响新产品投放市场的成败。因此，营销人员主要关注的问题之一就是如何限制那些会导致新产品发布产生负面影响的因素。新产品发布失败的原因可能由于以下几个原因：定价错误，目标错误，执行不力。但主要的失败之一是对消费者需求的误解。那不是因为预测试不够精确，而是因为消费者以某种方式“撒谎”。并非偶然，BASES模型的前提是“消费者通常不会按照自己的意愿去做”。BASES模型是当前市场研究行业中领先的模拟测试市场，并在发布之前提供新产品的销售估算。因此，如果企业想成功在市场上推出新产品，则可能会使用BASES模型。该模型由Lynn Y.S Lin教授（林英祥）于1977年开发，后来于1998年被Nielsen收购，后者是全球最大的市场研究公司之一。

感谢Lin教授提供的数据，我决定加深探索使消费者主张一件事的文化因素，但后来又背叛了他所创造的期望。如果您要在市场上推出消费者声称“一定会购买”的新产品，但是他后来不尊重他所肯定的，那将是一个很大的问题。实际上，研究已经经历了在消费者意愿和消费者实际行为之间出现差距。这种差异源于文化。

实际上，论文的第一部分将概述语言、历史、地理和宗教等不同因素如何影响文化以及被文化影响。

第一章还将概述文化的形态和水平，可将它分为：行为，价值观和基本假设。

如果一个人想在商业环境中取得成功，他就需要深刻了解文化，因为这两个要素是紧密地交织在一起的。然后，重点将转移到新产品开发和发布领域，特别是在 BASES 模型所属的模拟试销（STM）阶段。

第二章主要介绍关于 BASES 模型的工作原理，以便为读者提供所有能够辅助读本调查所需的工具。

在研究这种现象时，我将特别提到两个采取完全不同行为的人群：意大利人和亚洲人（中国人和台湾人）。收集数据将有两个不同的时间范围：概念测试和产品测试。在发布前的概念测试期间，将要求潜在的目标消费者回答有关新产品的几个问题。这些答案将有助于营销人员了解“这种产品是否足以吸引消费者购买？”。在收集了有关概念测试的数据之后，将会要求潜在的消费者在确定的使用期限内试用新产品。紧随其后的是另一份问卷，类似于概念测试中的问卷，但是这次由消费者提供的答案将帮助营销人员了解“使用该产品的体验是否足以使消费者再次购买产品，以及再次？”

研究已经发现，在概念测试期间收集的数据与产品测试期间收集的数据之间存在很大差距。意志和实际行为之间存在很大差距。

在概念测试期间，当意大利人被问到“您是否愿意购买此产品”时，他们似乎夸大了，而中国人和台湾人则从不夸大答案。但是相反，在短期使用了该产品之后，说中文的人会比意大利人更倾向于购买该产品。

公司必须意识到这种差异，以便能够及时调整新产品的发布。

第三章提出了一个解释关于上述两个人口行为的相关文化原因。当被问是否会购买该产品时，意大利人往往夸大其词。意大利语的独特性被人们以说话时有激情和有节奏的强烈情感所表现。意大利人被认为是“富有表现力”的民族，他们以灵活运用或情境真实性著称。他们被认为是情感冲动的人，并在他们的言行中表达出极大的同情心和热情。这些行为还受到地理和历史的很大影响。相反，说中文的人不倾向于夸大其词。在中国文化群里，很少人使用“必须”或“不得”为了表达他们的个人意愿。他们宁愿用“可能”和“可能不会”为了表达自己的愿望。这种行为源于儒家思想和“中庸之道”的探索，这种行为源于儒家思想，导致典型的中国人在两个极端之间找到“中间路线”。



## INTRODUCTION

Many variables influence the success or failure of a new product's launch to the market. Therefore, one of the main concerns of marketers is to limit the factors that can negatively influence the introduction of a new product on the market. The failure of a new product may be due to several factors: incorrect pricing, wrong target, poor quality. One of the main reasons of a potential failure is misunderstanding consumer needs. This may not necessarily be caused by imprecise market researches, but because consumers, in some way, "lie". In this regard, the premise of the *BASES Model* is "Consumers do not usually do what they claim to do". The *BASES Model* is currently the leading Simulated Test Market in the market research industry and provides sales estimates of new products before launch. So, if a company wants to succeed in launching a new product on the market, they will probably use the *BASES Model*. This model was developed by *Lynn Y.S Lin* in 1977 and later acquired by *Nielsen* in 1998, one of the leading global companies for market research.

Thanks to the data provided by Professor *Lynn*, I decided to explore the cultural factors that make the consumers claim certain intentions, but later betray the expectations created. Launching a new product based on a consumer's feedback which stated they "will buy" the product during the pre-launch survey, but then results in the customer not effectively purchasing it once on the market, could be extremely damaging for a company. Professor *Lynn* and his team noticed that a gap occurs between the consumer will and the actual consumer behaviour. This difference is found to have its roots in culture.

The first part of this thesis will present an overview of how culture influences, and at the same time is influenced, by many variables such as language, history, geography and religion. The first chapter will also outline the shapes and levels of culture, which lay on behaviour, values and underlying assumptions.

A deep understanding of culture is a necessary precondition for a company to be successful in the business environment. The focus will then shift towards the area of

New Product Development and Launch, more specifically in the Simulated Test Market phase, which *BASES Model* belongs.

The second chapter contains a brief presentation of how the BASES Model works, to provide the reader with all the necessary tools to understand how the survey works in praxis.

While studying this phenomenon, I will focus on two cultural groups in particular, which I have noticed to belong to two different customer behaviour groups: Italians and Asians (in particular Chinese and Taiwanese). There will be two different timeframes of data collection: concept test and product test. During the pre-launch concept test, potential targeted consumers will be asked to answer a few questions regarding the new product. These answers will help marketers answer the following question: “is this product appealing enough for consumers to buy?”. After having collected the data concerning the concept test, potential consumers will be asked to try the new product during a preset period of time. Another questionnaire, similar to the one of the concept-test, is then administered. However, this time the answers provided by the consumers will help the marketers answer the question: “is using the product a good enough experience for the consumer to come back and repurchase it?”

A wide gap between will and actual behaviour was found between the data collected during the concept test and the one collected during the product test.

During the concept test, Italians appear to overstate the answer when they are asked whether they will buy the product, while Chinese and Taiwanese tend to never put too much emphasis on their answers. On the contrary, after a short-term usage of the product at hand, Chinese-speakers will be more inclined to make the purchase than Italian-speakers. Companies must be aware of this discrepancy, to be able to adjust the launch of the new product and prevent loss.

In the third chapter, an interpretation of the cultural reasons that affect the two populations buying patterns is presented. Italians tend to overstate their answers when asked whether or not they would buy the product. A peculiarity of the Italian language is the great focus on the emotion. Italians are considered as “expressive” people, and they are renowned for their usage of flexible or situational truth. They are considered to be

emotional and impulsive, and convey great passion in their words and actions. These behaviours are also considerably influenced by geography and history.

On the contrary, the Chinese-speaking people tend to never put too much emphasis on their statements. In Chinese culture, for example, it is hard to even find individuals who would use the words “must” or “must not”. They would instead express their wishes with “may” and “may not”. This behaviour finds its roots in Confucianism, which has resulted in the typically Chinese attitude of finding the “middle way” between two extremes.

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# CHAPTER I

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## WHY CULTURE IS IMPORTANT IN BUSINESS

## 1.1 Overview of the factors that influence culture

*“Markets are people, and people are not the same everywhere.”<sup>1</sup>*

This strong statement by Marieke De Mooji (2019), answers many of the questions raised by market globalisation. Companies too often undervalue the importance of culture in an international context and fail in their strategy. This may result in financial loss, reputation damage, if not both. When firms try to launch their products on foreign market, they often assume that if a marketing strategy is effective in their home country, it will be equally effective elsewhere. But problems can especially arise when a change of cultural context occurs.

For example, Dolce & Gabbana in 2018 did not create a culturally appropriate material for Chinese consumers. Also, Pepsi’s debut of their “Come alive with the Pepsi Generation” which translated into the Chinese language as “Pepsi brings your ancestors back from the grave” could be an example of underestimated cultural gap.<sup>2</sup> These dialect miscues could have been avoided if only language, culture, visuals and trends had been further investigated before the campaign launch.

If a company wants to be successful internationally, it must study the culture and the way people communicate daily, to adapt to the target market. They must educate themselves on the country of destination of the brand to ensure the success of the business.

Those examples emphasize the necessity of cultural anthropology’s studies. These studies aim to understand the reasons for the differences and similarities between

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<sup>1</sup> De Mooji M., *Consumer Behavior and Culture. Consequences for Global Marketing and Advertising*, United Kingdom, SAGE, 2019, 3d edition, 360 pg.

<sup>2</sup> Marketing To China, (April 5, 2019), *Why do western brands fail in China?*, retrieved on September 1, 2019, from <https://www.marketingtochina.com/why-western-brands-fail-in-china/>

cultures and populations and explain the causes of their differences in their customer behaviours.

The focus is on the individual, which is a product of culture and social grouping: people are conditioned by the environment in which they grow to act in specific manners.

Culture and individuals are strictly correlated: individual's behaviour shapes culture and at the same time, culture shapes behaviour.

This process naturally requires time to consolidate. Time, indeed, is a fundamental component of this bilateral process, and that is why culture is strictly correlated to historical context. In this respect, Marieke De Mooji also said:

“Culture is to society what memory is to individuals. It includes the things that have “worked” in the past. It includes shared beliefs, attitude, norms, roles, and value found among speakers of a particular language who live during the same historical period in a specific geographic region. These shared elements of subjective culture are usually transferred from generation to generation. Civilisation is slowly formed by people interacting and by repeating behaviours that lead to success as defined by the organisation.”<sup>3</sup>

Language, time, geography and religion help define culture.

**Language** can be considered the highest expression of culture: it is hard to understand one's culture if you don't have a straight way to communicate. And at the same time, when you learn a new language, you do not only memorise words and basic grammar rules, but you also have to stick with a cultural background to communicate efficiently with natives. Language, as Gary Ferraro suggests, establishes the categories on which our perceptions of the world are organised. According to this assumption, language is not only a system that enables people to communicate; language also sets our minds in

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<sup>3</sup> De Mooji M., *Consumer Behavior and Culture. Consequences for Global Marketing and Advertising*, cit. p. 13

categories and separate the things we consider similar to those things we find different. And since every word is unique, the linguistic groups set by our minds will never be the same as the ones set by any other. Therefore, people speaking different languages will never perceive reality in the same way.<sup>4</sup>

Besides the function of communication, language also reveals a culture's value structure and favour the grammar construction that highlights these conditions. Language, for example, can reflect the condition under which a country act in an individualistic rather than a collectivistic way, can reflect the importance of tradition rather than pragmatism, or again, the sense of belonging to a feminine rather than a masculine cultural dimension.<sup>5</sup>

In China, there is a saying that goes “民以食为天” (mín yǐ shí wéi tiān) which means “people regard food as their heaven”, and express the significant role that food has among the Chinese population. Food is seen as a primary need, and that's why many Chinese people like to ask each other “你吃了吗？” (nǐ chī le ma?), have you eaten yet? The first reaction of a non-Chinese people may be “yes, I've already eaten. What about you?”, but the Chinese speaker does not care whether the non-Chinese had his lunch or not. Instead, the phrase is a traditional way of greetings and can be compared to the English “How are you?”.

In China also, it is not that easy to get in the elevator and press the button to reach the 4th floor. The 4th floor does not exist at all. This peculiarity is because in Chinese the pronunciation of number 4 “sì” is similar to the pronunciation of the word death “sǐ”. These are just a few examples of how language reflects value and beliefs and underline how the two dimensions are strongly intertwined. You can't have a culture without language and vice versa. But this close interdependence between the two makes relationships with people coming from the different cultural background even more

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<sup>4</sup> Ferraro G.P., *The cultural dimension of international business*, New Jersey, Prentice-Hall, 2002, 4th edition, 224 pg.

<sup>5</sup> Hopper E., (January 30, 2015), *Individualist or Collectivist? How culture influences Behavior*, Retrieved on September 3, 2019, from: <https://healthypsych.com/individualist-or-collectivist-how-culture-influences-behavior/>

complicated. Proficiency in the style of another country is only one first step on the ladder to provide someone with the tools of cultural competence.

**Time** is another element that significantly defines culture. Traditions, values and beliefs held by our ancestors have a massive effect in determining who we are today, how we act, and how we interact with others. History delineates culture through a process that is mutual and continuous, and the result of this correspondence is the establishment of the individual.

Let's take a Chinese individual as an example. Have you ever noticed that a Chinese person regularly brings a thermos of hot water with him? It is also a common habit to go to a Chinese restaurant and be served with a glass of hot water. And what about the recommendation of a Chinese doctor? No matter the seriousness of the illness, the doctor's advice will be "drink hot water".

Drinking hot water is a peculiarity of the Chinese population, and the root of this habit lies in history. According to traditional Chinese medicine, a human body is made up by the coexistence of *yin* and *yang* elements which must be balanced to maintain the individual healthy. If *yin* and *yang* are not balanced, the temperature of the individual will change, and he will be more susceptible to illness. Hot water is a *yin* tool used to restore this equilibrium between the two elements; it lowers the body's internal temperature and helps the individual to get rid of the extra *yang*. This belief was already broadly accepted in ancient China, where the living standards were reduced, the fuel was expensive, and the hot water was considered a luxury item reserved for society's most vulnerable people. However, it was only in 1862 that this conviction became a golden rule. That year, a cholera epidemic broke out in Shanghai and spread north, reaching Beijing. The South remained untouched by the disease and people believed that this occurred because at that time southerners drank more water than northerners. In 1952, the Communist government in the occasion of their Patriotic Health Campaign

papered schools with a slogan saying that “Children should cultivate the habit of drinking water three times a day”.<sup>6</sup>

Once again, the impact of time on culture and on an individual’s daily life is massive. History interacts with society, society is a product of historical events, and therefore, society cannot escape from its past.

**Geography** also substantially influences culture. By the time human beings appear on planet earth, they struggled to adapt to the conditions they encountered. Deserts, glacial cold, infinite oceans, high mountains are only a few examples of what humans had to cope with. Humans, being spread out a different part of the world, had to face different landforms, different climate and different natural vegetation. Therefore, they had to develop different behaviours and habits that better matched the environment they were surrounded by.

The geography of Ancient China shaped the evolution of culture and civilisation of Chinese people. The vast region was surrounded by desert on North and West, by the Pacific Ocean on the East and by high mountains on the South. From this point of view, China could be considered like an island and this enabled Chinese citizens to develop independently from other population of the world. Furthermore, Chinese morphology can benefit from two critical geographical features, which are the Yellow River and the Yangtze River. These two represent a great source of water, fertile soil and transportation, which are all necessary elements for civilisation and consequently culture. Chinese climate is complex and various. Since the country is so vast, a great variety of temperature belts, dry and moist zones characterises it.

Vast water sources, rainy weather and warm climate, happen to be the ideal factors for the cultivation of rice. China indeed is the major rice manufacturer, and the major consumer as well.

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<sup>6</sup> Deason, R. (2018), *Why do Chinese people drink hot water*, retrieved August 28, 2019, from <https://theculturetrip.com/asia/china/articles/why-do-chinese-people-drink-hot-water/>

Another central feature of culture is **religion**. Both religion and culture are mutually influenced by each other; they are characterised by a two-sided relationship. The Food and Agriculture Organization of the United Nations (FAO) suggests that “religion provides the best insight into a society’s behaviour and helps answer the question why people behave rather than how they behave”.<sup>7</sup> Religion can be seen as a social tool that gives people a common aim which unifies the different social element in it. But at the same time, religion is also influenced by tradition and social changes that distinguish people’s behaviour through the years. Religious ideas are part of cultural inheritance, yet two people can share culture but practice a different religion.

For example, filial piety is a fundamental value to Chinese people and is shared by the significant Chinese ethics: Confucianism, Buddhism and Taoism. Chinese culture is steeped in filial piety, and it is easy to find this value in everyday activity. The concept embodied in the principle of filial piety is simple: parents give birth to a child, and they struggle to provide the baby with the best food, the safest shelter and the best education they can. This practice is considered a debt that must be repaid by the children once they grew up and the parents get older. It is a huge debt to repay, and the least that a grownup child can do is to take care of the aged parent, obeying and serving them unconditionally. What Western people conceive like a pure feeling, a natural relationship called maternal love, Chinese people perceive a different emotion and display it through material care. This principle then applies to all kind of familiar boundaries; for example, if a husband is poor, he automatically cannot show love because he cannot afford the material prerequisite to do so. In the same way, Chinese people also invest large sums of money in funerals, assuming that this is the appropriate manner of showing filial piety towards ancestors.

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<sup>7</sup> Carter, S. *Global Agricultural Marketing Management*, Rome, published by Food and Agriculture Organization of the United Nations (FAO), 1997

This value, that so strongly influences Chinese people, can partially explain their materialistic behaviour, which is a duty towards family rather than the desire of acquiring material goods, money and power.<sup>8</sup>

And once again, culture is the cause and the consequence of behaviour that characterises our daily actions. The elements mentioned above (language, time, geography and religion) are only a few of the many features that characterise and are characterised by culture.

Given that the cultural dimension is so broad and influenced by so many variables, is there a way to foreshadow it?

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<sup>8</sup> Teon, A. (March 14, 2016) *Filial Piety (孝) in Chinese Culture*, Retrieved September 3, 2019, from <https://china-journal.org/2016/03/14/filial-piety-in-chinese-culture/>

## 1.2 Shapes of culture

Fons Trompenaars and Charles Hampden-Turner tried to imagine and identify culture with an onion model which comes in layers.

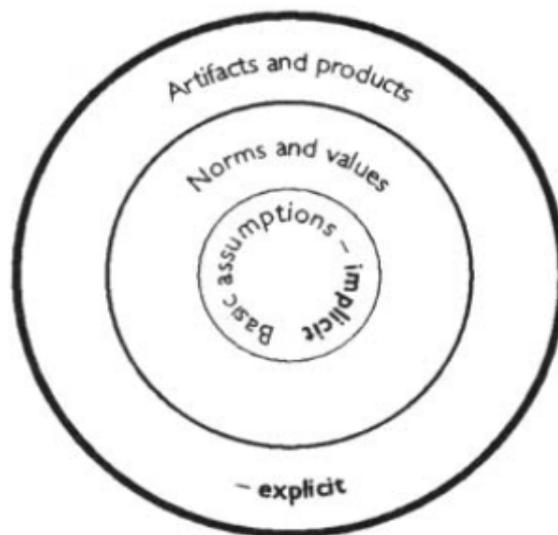


Figure 1 - Fons Trompenaars' model of culture.

Source: Trompenaars F., Hampden-Turner C., *Riding the waves of culture*, London, published by Nicholas Brealey, 1997

On the outer layer, it is possible to identify the artefacts and the visible products of culture. Looking at the business environment, for example, this layer reminds to the tall skyscrapers of Manhattan, men in a suit busy with their I-phone taking a cab on a crowded street. These are explicit signs that express deeper values and norms that are not directly visible, such as upward mobility, “time is money” status and material success. These concepts are implicit and can belong to the inner layer of the “onion”. Values and norms are more challenging to identify since they sink into semi awareness and unexamined beliefs.

When a problem is regularly solved, it disappears from consciousness and becomes an underlying assumption: you realize how much vital oxygen is when you try to hold your breath for as long as you possibly can. Culture can be compared to oxygen since we all live and breathe through it, but we are not able to see it. We are blind to our own culture since we are used to seeing the world from our organizational perspective.

This is the core of the onion: reactions that are taken for granted, unquestioned reality, fundamental assumptions that are implicit and help define the meaning that a group share. Everyone makes assumptions in their daily life, and many of these assumptions are made without even thinking about it.<sup>9</sup>

Basic assumptions are questions that have never been asked before, so to test if something is a basic assumption or not, it should be noticed if the issue provokes hesitation or scepticism.

Usually, assumptions are based on elements that we have learned in the past and never questioned. We acquire a great majority of conscious behaviour through learning and through the interaction with other members of our culture. Even the reactions to our biological needs (eating, breathing, clothing) are influenced by culture. Food, for instance, is a biological need that all people share, but what we eat, how often, and how much we eat is affected by the inherent values and norms of culture.

Assumptions are part of our belief system and help us give opinions, form meanings, make plans and think through everyday situations.

Trompenaars is not the only one that attempted to describe the content of culture. Other researchers figured the three layers of culture as an iceberg, but the contents are almost unchanged.

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<sup>9</sup> Trompenaars F., Hampden-Turner C., *Riding the waves of culture*, London, published by Nicholas Brealey, 1997

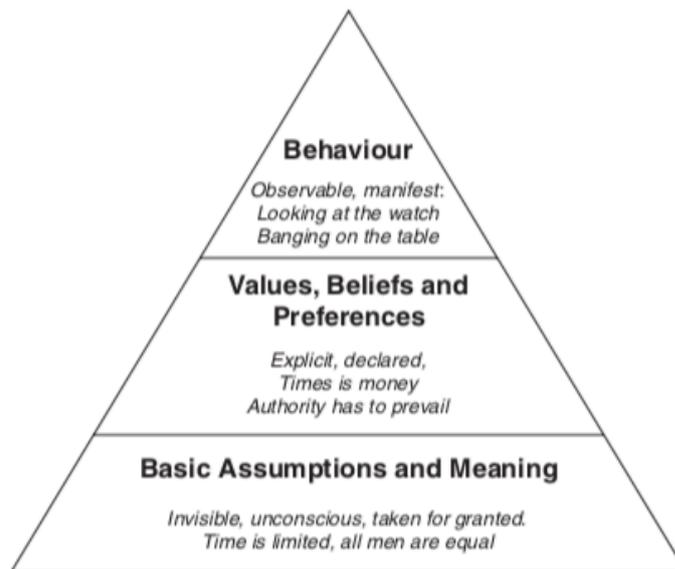


Figure 2 – The Three layers of culture

Source: André Laurent (1986) Lasserre P., *Global Strategic Management*, (2003)

In ascending order, basic assumptions are the deepest and the most hidden elements, since they reflect models of relationship, communication and behaviours that have been shaped by history and handed down from generation to generation. Values, beliefs and preferences fill the middle layer and are the explicit expression of assumptions organized into codes and norms that provide a sort of control mechanism for social groups. Thirdly, behaviour occupies the most visible part of the iceberg, and it is manifested in daily actions. Behaviour is the factor that is exposed the most to change. However, behavioural change does not imply a modification of the previous layer of beliefs and assumptions.

Moreover, the American psychologist Edgar A. Schein defines culture as follows:

“A pattern of shared basic assumptions that was learned by a group as it solved its problems of external adaptation and internal integration, that has worked well enough to be considered valid and, therefore, to be

taught to new members as the correct way to perceive, think, and feel in relation to those problems.”<sup>10</sup>

Edgar A. Schein, along with the other researchers, also provided a scheme about the *Levels of culture*. It reports the same principles as the previous schemes, but with a different template.

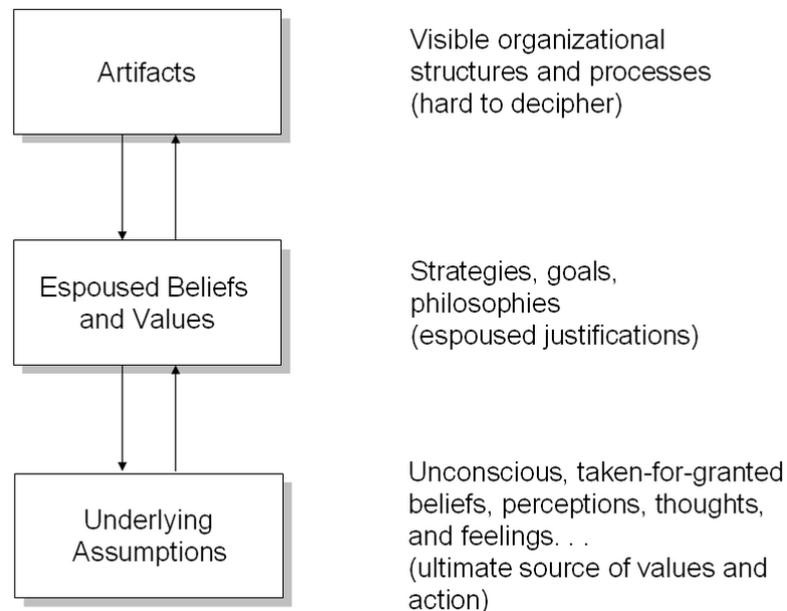


Figure 3 Levels of organizational culture.

Source: Schein E.H., *Organizational Culture and Leadership*, (2004)

In conclusion, any society is built upon shared basic assumptions, and they represent a powerful aspect of an organization’s culture. It is necessary to reach the core of the onion, the deepest level of assumptions to understand the very culture of an

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<sup>10</sup> Schein E.H., *Organizational Culture and Leadership*, San Francisco, CA, Jossey- Bass Publishers, 2004, third edition

organization. It is, therefore, only logical that different parts of the world present different values and norms. The answer to this leading question could be etymologically found in the word “*culture*” which comes from the same root as the verb *cultivate*, meaning “to till the soil”: the way people act on nature.

### 1.3 How Culture influences Business

People have matured over the years different ways to solve the problems and challenges presented to them because they grew up in a separate geographic area.

For example, Siberians, Africans and Asians grew with different problems of daily life, and each group of people organized themselves to find the best solutions to get along with the environment. From this natural connection with the environment, individuals start creating the roots of actions and habits which will become culture.

*“Culture is the way in which a group of people solves problems and reconciles dilemmas”* continue saying Trompenaars and Charles Hampden-Turner.

But if reconciling dilemmas among the same culture has become mechanical, doing the same between different culture is not that easy.

Negotiation is a fundamental part of human communication: in everyday life, we negotiate all the time with our parents, co-workers, friends etc. And since negotiation has become such an essential component of our daily life, we do not even have to think of how we do it anymore. Yes, even negotiation is affected by our cultural assumptions, but when in contact with other contexts, the scenario changes completely.

The values, goals, attitudes, norms and practices are no longer shared and the process that at first seemed so rudimentary, it becomes extremely complex when two different cultural background comes in contact. By definition, negotiation is “a discussion aimed at reaching an agreement”<sup>11</sup>, so it takes place when two parts compromise or agree on

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<sup>11</sup> Lexico, powered by Oxford, *Definition of negotiation*, retrieved on September 17, 2019, from <https://www.lexico.com/en/definition/negotiation>

a specific subject in order to reach a mutually profitable arrangement. When dealing with issues coming from a different cultural milieu, then, it is fundamental to appreciate the cultural elements of the other side. In this way, it is possible to avoid any barrier to mutual understanding, beneficial agreement and intercultural communication.

This process is a two-way street since both sides share the responsibility of cultural acquaintance. Intercultural communication is a process full of obstacles, and it requires patience and careful study to find a way to better communicate with people of a different culture. Nowadays dealing with people that don't share our cultural roots is becoming more and more frequent. Sometimes this approach goes well, and the cultural differences enrich the individuals, but sometimes this encounter can go wrong, and intentions can be misunderstood.

## 1.4 App "Culture"

Many researchers have developed theories that can help people from a different culture to get along with each other. Hofstede, Trompenaars, Denison, Kluckhohn and Strodbeck are only a few examples of researchers that theorized models to better understand the peculiarity of each culture and to facilitate the cross-cultural communication. Every one of them tried to give a personal solution to how people from different culture act, communicate and perceive the world among them.<sup>12</sup> They all agree that uncovering basic human values would facilitate the understanding of similarities and dissimilarities between people coming from different cultural backgrounds.

Some of these researchers even created Apps to be consulted on mobile devices that help the users to analyze the differences that appear when people from different

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<sup>12</sup> Wikipedia, *Intercultural communication*, retrieved on September 18, 2019,

from [https://en.wikipedia.org/wiki/Intercultural\\_communication](https://en.wikipedia.org/wiki/Intercultural_communication)

nationalities meet and work together. It also gives suggestions on how to behave when in contact with a specific culture.

For instance, Trompenaars' App "Culture" after a brief questionnaire, pictures the profile of the user precisely and compare it with one of the countries of interest. It then make suggestions on how to reconcile dilemmas between the two parts.

Let's compare Italy and China. The two countries present a significant difference on what concerns the area of emotions. On the one hand, Chinese people have a tendency to hide their feelings; Italians, on the other hand, have a high tendency to express their emotions. The App then suggest a few tips that the user, in this case, the Italian, must consider when dealing with a Chinese. One of the tips suggests: never lose temper in public or never discuss politics at first meeting.

Moreover, the two countries have almost the same score on what concerns the area of relationship; they both have a strong orientation towards it. In these societies, sentimental bonds are more important than any rules.

Furthermore, a significant discrepancy is found when talking about control. People from China tend to have a high orientation to go with the flow, while the Italian profile suggests to always have the situation under control. The App explains that Italians have a mechanistic view of nature and usually see themselves as the starting point for determining the right action. Consequently, they seek to take control of their lives. On the other hand, the Chinese have an organic view of nature and orient their actions towards others. They focus on the environment rather than on themselves.

The App then suggests that when these two cultures collide, it is important to have a mutual understanding of how people behave and how to manage organizations. When Italian and Chinese have a business together, it is recommended to maintain good relationships, do not show aggression, have patience and do not make decisions quickly. Harmony is achievable with win-win solutions; the important thing is to maintain a relationship. Another tip suggested by Trompenaars for the Italians that deal with Chinese is to be aware of the gifts they make. Chinese tend to be externally oriented, and symbols can have a strong influence on one's business relationship. Therefore, when making a gift to Chinese people, Italians must be careful of the symbolic meaning

of it. For example, clocks and watches are considered bad gifts because their pronunciation “Zhong” is similar to the one of Chinese death. Colours white and black are associated with death and are used for funerals.

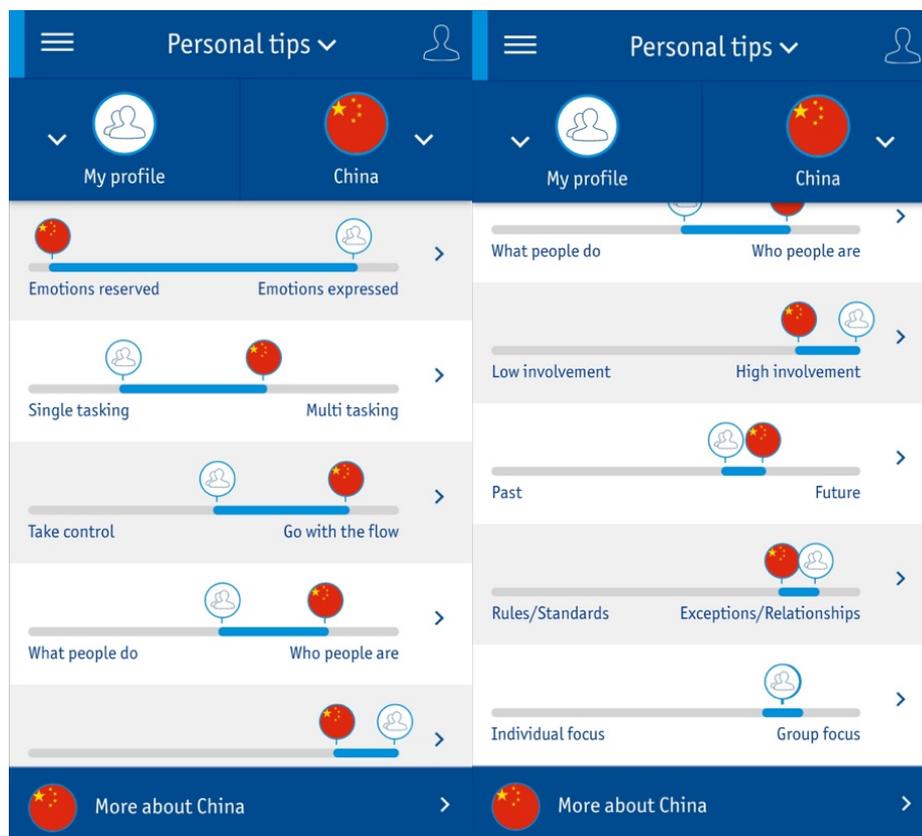


Figure 4 - App "Culture" by Fons Trompenaars

This is only an example of how researchers contributed to intercultural communication, distinguishing culture by the specific solution they choose to solve problems and trying to underline similarities or differences with other culture.

These studies will prove to be extremely helpful in international business; by definition, intercultural business refers to business relationships of people from different cultures.

This kind of connection has become almost necessary with the increasing phenomenon of globalization and the considerable number of companies that conduct business internationally. Saying that the world has become a global village is a cliché by now, and geographically distant population are getting incredibly closer thanks to technological and communication development. We live in a world permeated by cultural diversity and the necessity to appreciate and learn diverse cultural values, norms and beliefs must follow the flow of globalization.

As Tung, Black, Gregersen and Mendenhall affirm:

“Research has shown that failures in the overseas business setting most frequently result from an inability to understand and adapt to foreign ways of thinking and acting rather than from technical or professional incompetence.”<sup>13</sup>

All aspects of the International business are affected by intercultural performance. Failing in considering the cultural context many time has led to misunderstandings, miscommunications, even to lawsuits, but in general, has always compromised the organizational goals of a company. That’s why working in a different cultural environment is always a challenge.

In the business environment, the main character of this cultural transaction is a properly trained manager who has to face many cultural challenges. The more the manager knows about the habits, the values, the language of the other societies, the higher is his/her performance. A fundamental step in the training of an expatriate manager is the cultural and logistical preparation for the employee and the family. Many companies provide cultural training, pre-assignment trip or short-term assignments for the expatriate and their family to give a hint of the living condition of the host country.<sup>14</sup>

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<sup>13</sup> Ferraro G.P., *The cultural dimension of international business*, cit. p. 15

<sup>14</sup> Lasserre P., *Global Strategic Management*, New York, Palgrave Macmillan, (2003), p. 477

Black and Gregersen conclude that “successful companies assign overseas posts to people whose technical skills are matched or exceeded by their cross-cultural abilities”. The following image present percentage of what the expatriate manager in Asia considers the three most important factors for success. Expatriate’s skills are primarily socio-cultural.

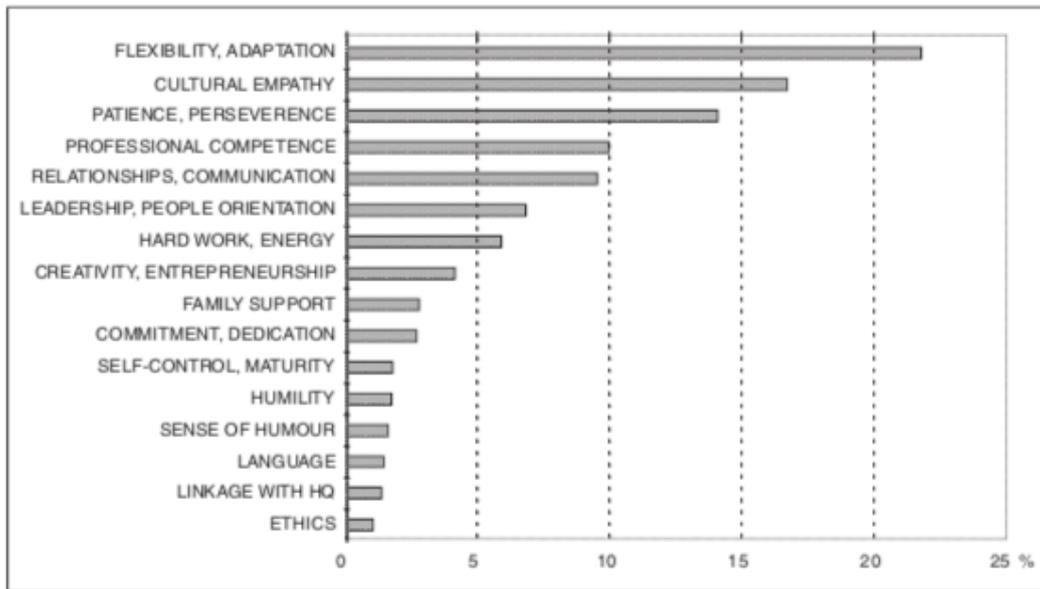


Figure 5 - Important skills in an overseas assignment

Source: Lasserre P., Global Strategic Management, (2003)

An expert manager is well aware of the peculiarity of a particular culture, and he is in the position to predict the success or failure of a product in that specific environment. So, once again, culture plays a fundamental role in the process of international business.

### 1.5 Italian “Fabbri” example

An eloquent example of the interconnection between products and culture is furnished by *Fabbri*, an Italian company well known for their syrup and products for Gelatieri, pastry chefs, barman and consumers. If you mention the company *Fabbri* to Italians people, their first thought is probably the image of the iconic vase that contains black

cherries. The vase became representative of the company, and it played a role in enhancing the myth of the historical Bolognese firm at the point that almost every Italian woman in the '60 would have bought it. But would have anyone predicted that Chinese people could appreciate black cherries? Actually, black cherry is not a flavour that can please the taste buds of Chinese people; they are not used to that kind of sweetness. But Italian marketers tried to enter the Chinese market anyway, and *Fabbri's* first step towards Chinese customer was the improvement of the classical black cherries' vase with blue decoration inspired by early 20<sup>th</sup> century's Chinese ornament.



Figure 6 - "Fabbri" black cherries vase

Unfortunately, the Italian effort did not lead to the expected results. At first Chinese people were reluctant about the way black cherries were introduced in the market in 2011. The vase so dear to Italian people were a reminder of a funeral urn to Chinese people. This misjudgment is undoubtedly due to a lack of previous cultural studies from the Bolognese company and yet evidence of the unpredictable response of a different culture to new products. But the Italian company did not give up and played a marketing strategy that turned out to be successful. According to Chinese culture and flavour, the company gently approached the new customer and proposed many ways in which Chinese could have used cherries in their daily life. They adapted the product to the market and used customized digital WeChat bilingual content to establish brand recognition and reach the Chinese costumers. This inclusive, respectful and sensitive strategy happened to be effective.

*Fabbri* was one of the first Italian companies established in Shanghai and nowadays claims two important awards. One is the “Panda d’Oro 2017” award assigned by the *Italian Chamber of Commerce in China* to the Italian and Chinese companies with outstanding performance and which have contributed to foster the economic relations between the two countries.<sup>15</sup>

The other is the “China award” assigned every year from *Fondazione Italia-Cina* to the companies that distinguished themselves in the Chinese market. *Fabbri’s* company proved to have used the most efficient strategy in promoting the quality of Italian food and beverage in China. The decision of entering the Asian market, affirms *Nicola Fabbri*,

“is dictated by our firm’s will of promoting the culture of quality cocktails and premium mixology along with the traditional artisan gelato and Italian dessert. Distribution requires great attention and every decision is taken to maintain a strong connection with the territory, to breathe culture, energy and inputs for the future.”

*Fabbri’s* company is called the “egg-company”: yellow inside and white on the outer layer. A western company outside, but with a Chinese hearth, since great attention goes to the Asian market. Here, this iconic-product has reached a target of over 300 million people.

The strategy used by *Fabbri* to penetrate the Chinese market is an admirable example of how a company should behave when dealing with a different market: appreciate the cultural elements of the other side but in the meantime maintain one’s cultural tradition.

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<sup>15</sup> Camera di Commercio Italiana in Cina, 中国意大利商会, June 2017, *Italian Grand Gala- Panda d’Oro Award 2017 Edition Post Event*, retrieved on September 30, 2019, from: <https://www.cameraitacina.com/en/news/italian-grand-gala-panda-doro-award-2017-edition-post-event>

## 1.6 Dolce&Gabbana example

The well-known Italian brand *Dolce & Gabbana* had quite a different experience with the Chinese market.

A company that, for years, have pleased the luxurious taste of Chinese consumer and that have enlarged its empire thanks to them. According to a recent study by *Bain consultancy*, Chinese consumers are responsible for a third of all luxury spending around the globe, and also *D&G* have ridden that wave.<sup>16</sup> But Internationalizing a business is not a one-step process; even if at first the Italian brand has been very effective in accustom the Chinese client, a single fall has caused its shut down in the Asian market. On November 2018, *Dolce & Gabbana* posted on social media three videos in light of its “*DG 爱中国*” – “*DG Loves China*” campaign, which promotes its upcoming fashion show in Shanghai. The video shoots a Chinese model dressed in *D&G* clothes who was struggling to eat traditional Italian dishes with chopsticks. A Chinese male voice-over worsen the situation and makes jokes about the inability of the Chinese model to eat Italian cannoli, pizza and spaghetti. Needless to say, the video wasn’t appreciated; it has been even declared racist by some Chinese on Weibo. The *D&G* Chinese decline started in this way, but was later dramatized by a comment of *Stefano Gabbana* on his Instagram account where he insulted China and Chinese people.

*D&G* didn’t respect the Chinese culture, and there cannot be any relation, least of all economic relation, if first there is not appreciation and mutual understanding among people from different cultures. When dealing with a country so complex and distant - not only geographically - like China, it is fundamental to pay great attention to the cultural roots of the target.

The delicate bridge that the Italian brand built to reach the Chinese consumer successfully worked for many years, but with only one big cultural mistake, connections fell apart. The consequences that *Dolce & Gabbana* have suffered from this social storm

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<sup>16</sup> Lannes, B., Bain & Company, (march 18, 2019) *What’s powering China’s market for luxury goods?* , retrieved on October 2, 2019, from: <https://www.bain.com/insights/whats-powering-chinas-market-for-luxury-goods/>

was tremendous: Chinese Government cancelled their upcoming fashion show, they had to close D&G e-commerce store, and a new hashtag *#boycottDolce&Gabbana* born on social media. This was just the first reaction of Chinese consumers but in the long run, this could be the end of the Italian brand's growth in China. According to a report in the *Los Angeles Times*, London-based *Brand Finance consultancy* estimates that this scandal could wipe up to 20% off the *Dolce & Gabbana* brand's value and eventually sign the brand's financial death.<sup>17</sup>

However, *Dolce & Gabbana's* failure can give a great lesson to companies that are approaching the Chinese market. During a podcast organized by *Wharton School of the University of Pennsylvania*, *Carlos Torelli*, Professor of Business Administration at the *University of Illinois at Urbana-Champaign* suggests:

“The more you can get a deep understanding of your cultural market, the better. Change your management practices to hire people who bring that diversity – that really deep understanding of the culture that you cannot gain through a briefing. With the right talent in the company and the right mindset to be open-minded, to understand the markets where you operate, managers can acquire this deep understanding that can help avoid these types of mistakes.”

Moreover, *Thomai Serdari*, Brand strategist and Professor of Luxury Business Marketing at *New York University Leonard N. Stern School of Business* continue saying that:

“It's very hard to truly understand a culture from [the outside]. It's not only knowing historical facts and understanding what is going on in everyday life, but you need to understand the subtleties of language, the subtleties of visual culture that had existed before you entered that market. And for that, you need a person who is not necessarily a business

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<sup>17</sup> <https://www.latimes.com/fashion/la-ig-ap-dolce-gabbana-fiasco-china-market-20181126-story.html>

person, [but someone] who has a very deep cultural education and training and who can help you translate these things into correct and campaigns and business strategies.”<sup>18</sup>

The two examples above are a practical experience of the weight of culture in the business environment. It is really difficult to be effective in international business if first marketers do not fully understand the many cultural aspects of future clients. That may be the mistake made by *Dolce & Gabbana* that, confident of its brand awareness, tempted the Chinese market with a campaign unsuitable for the target. There is no way of knowing whether the firm was ignoring or challenging the Chinese cultural roots, but what remains is that this strategy has demonstrated to not being effective among this target.

The approach of the other Italian company took as an example, *Fabbri*, is admirable. *Fabbri* has respectfully considered the habits, the values, the language, the arts and all the aspects of the Chinese culture before trying to launch a new product in the market. Previous cultural studies are a fundamental part of the industrial process, but there are many ways in which the weight of culture can influence the market system.

In this thesis, the cultural focus is on the process of New Product Development.

New Product Development consists of a series of steps such as conceptualization, design, development and marketing of a new product or service. But not every product can appeal to every customer or client, so, first of all, it is crucial to define the target market. It is no less essential to conduct quantitative market research at every step of the design process, including the step of the product's conceiving, the product's designing, and after the product's launch. The results of this market researches have a significant impact on the overall system but, in order to be useful, the data must be read correctly.

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<sup>18</sup> Wharton's Marshall Meyer, NYU's Thomai Serdari and Carlos Torelli from the University of Illinois at Urbana-Champaign discuss the *Dolce & Gabbana* boycott in China. Knowledge@Wharton, University of Pennsylvania, host by Dan Loney, Dec 11<sup>th</sup> 2018, Podcast

It is not uncommon that what is claimed by the consumer during the concept test won't be respected in the after-use test. And that is not only due to the actual degree of satisfaction of the potential consumer but is somewhat influenced by the culture of the interviewed, which means that when asking, for example, the same question to Chinese and Italians, two different responses occur. This fact may be considered anything new but has strong relevance when related to economic issues. In fact, if an Italian is asked "will you buy this product?" he/she probably answers warmly, he may even overstate, assuring the interviewer that there is a high probability that he/she will buy that product. On the contrary, a Chinese subject may answer more timidly and formally, claiming that he is not sure whether to buy or not the product. Why then will the final sales data show that the Chinese would have bought more than the Italian? Why if the purchase intention of Asian people is lower than Italian ones, then the purchase behaviour will be higher?"

Cultural differences result in different answers to the same survey question. Consequently, understanding the meaning of Asians or Italians expressions is essential for the proper interpretations of the consumers inputs.

In light of this, forecast the reactions of customers is much more complicated than what we may believe. Attitudes and behaviours have to be measured very carefully, and many other elements such as context, tradition and human relationship have to be considered before any attempt of prediction could be claimed.

## CHAPTER II

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### INTRODUCTION TO NEW PRODUCT DEVELOPMENT AND CONSUMER'S SURVEY ANALYSIS

## 2.1 New Product Development

New Product Development (from now on NPD) is the process of bringing a new product to the marketplace. The concept is simple: the need of the customer is the leading actor of the process, and from a mere intangible idea, it is converted into a tangible product or service.

The first and most important reason for proposing a new product to the customer is that it must bring new value. An excellent new product is one with some differentiation, some uniqueness, and that fulfil consumers' needs.<sup>19</sup> That is the only reason why a company should invest its money in the development of new products or services.

The new products could be a tangible physical product such as a household commodity, personal care items, food and drink products, or, on the other hand, it could also be an intangible service, experience or belief.

Therefore, it is of crucial importance to understand consumers, market and competitors so to develop products that deliver superior value to customers.

The leading players in the process of New Product Development for B2C (Business To Customer) are Manufacturers/Marketers, Distributors and Costumers. These differ from the leading players of Product Development for B2B (Business To Business) since the focus won't be on the customer but on the enterprise.

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<sup>19</sup> Lynn Y.S. Lin, Practical New Product Development and Marketing, Department of Applied Economics National Chung-Hsing University Taichung, Taiwan, 2018

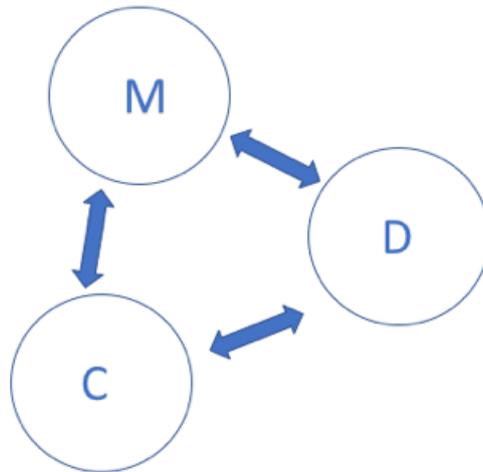


Figure 7 - Main players in New Product Development ( Marketers, Distributors and Customers)

Source: Lynn Y.S. Lin, Practical New Product Development and Marketing,

M stands for Marketers/ Manufacturers, D stands for Distributors/ Retailers, and C stands for Customers/ Consumers of the product or service.

In the modern competitive environment, the most crucial feature of this scheme is C, the Customer/Consumer, which is the real driver of the process.<sup>20</sup>

In B2C Product Development, innovation starts from the customers and the supporters of this view is the majority of very successful innovators. One of the pioneers of this scene is *Jeff Bezos*, founder, CEO and president of *Amazon.com*, which is “obsess over customer (the empty chair)”. In *Amazon.com* meetings, there are ten chairs placed around the table and nine board director talks business; the empty one is symbolically reserved for the consumer, “the most important person in the room”. Moreover, during a *Forbes*’ interview on the 23<sup>rd</sup> April 2012, he also states that:

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<sup>20</sup> Lynn Y.S. Lin, Practical New Product Development and Marketing, cit. p 37

“It is not enough to only listen to your customers, but you also need to invent on your customer’s behalf. It’s not the customer’s job to invent on his or her behalf.”<sup>21</sup>

*Phil Knight*, Co-Founder and Chairman of *Nike*, also believe that innovations start from the consumer.

“We used to think that everything started in the lab.” He affirms in the book of *John A. Byrne*. “Now, we realize that everything spins off the consumer. And while technology is still important, the consumer has to lead innovation. We have to innovate for a specific reason, and that reason comes from the market. Otherwise, we’ll end up making museum pieces.”<sup>22</sup>

*Alan G. Lafley*, CEO of *Procter and Gamble* from 2000 to 2010 and again from 2013 to 2015, also firmly believe in the importance of the consumer:

“We put the consumer at the centre of everything we do. Three billion times a day, Procter & Gamble brands touch the lives of people around the world. In our company, the consumer – not the CEO – is boss. Regardless of the original source of innovation – an idea, a technology, a social trend – the consumer must be at the center of the innovation process from beginning to end. [...] P&G’s core strengths include a deep understanding of consumers and placing them at the centre of all decision making; creating and building brands that endure. [...] We

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<sup>21</sup> Anders G., (Apr 4 2012 ), *Jeff Bezos Reveals His No.1 Leadership secret*, Forbes, Retrieved on October 20, 2019, from: <https://www.forbes.com/forbes/2012/0423/ceo-compensation-12-amazon-technology-jeff-bezos-gets-it.html#148452535227>

<sup>22</sup> Byrne J.A., *World Changers Twenty-Five Entrepreneurs Who Changed Business as We Knew It*, Portfolio, 2012, Page 240.

invested serious money, resources, time, and management intensity to make our core strengths stronger. For example, we've reinvented our highly valued market research organization and focused it on deep consumer's understanding.<sup>23</sup>

This kind of approach is agreed 99% of the time and can be considered as *Incremental Innovation*. Alan G. Lafley, in collaboration with Ram Charan, defined *Incremental Innovation* as "those [innovation] that add new value to the customer (e.g. new benefits, new versions, new sizes)".

On the contrary, *Disruptive Innovation* is defined as "the innovation that changes the game by creating entirely new consumption, making obsolete and/or transforming current markets."

This type of innovation sees Marketers or Manufacturers as the only key to the NPD process. This approach does not take in consideration the opinion of the consumer, and consequently, it does not involve the use of any market research. This school of innovators is ably represented by ex-Apple CEO Steve Jobs which states "Consumers cannot tell me what new product they need" and again, "We just want to make great products at whatever the cost".<sup>24</sup> No consumer inputs were taken into consideration in the creation of a new product when Apple was under Steve Jobs, and all the new products and services launched by Apple came from Apple R&D Teams only.

Even if careless of the opinion of the consumer, Apple had an incredible success, but this boom is more to be considered as an exception to the rule due to the brilliant mind of its creator.

Since the process of bringing a new product to the marketplace is full of pitfalls, it is essential to know all the main points that have the power to influence the procedure. Before even thinking of launching a new product on the market then, it is fundamental to deeply understand the customer needs and wants, the competitive environment, and

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<sup>23</sup> Lafley A.G., Charan R., *The Game-Changer: How You Can Drive Revenue and Profit Growth with Innovation*, United States, New York, Crown Publishing Group, 2008, pg 4 di 336.

<sup>24</sup> Lynn Y.S. Lin, *Practical New Product Development and Marketing*, cit. p 37

the nature of the market. Many steps have to be taken before bringing new value on the market.

Therefore, many approaches to NPD exist; there is not a standardized and systematic way through NPD that guarantee the success of the product. Instead, many economists developed their NPD process and established their steps through the evolution of the product. So, NPD stages are not universally endorsed; on the contrary, few believe that it is most appropriate to articulate the process in 5 steps, while others developed 7 or 8 steps.

C. Merle Crawford and C. Anthony Di Benedetto, for example, theorized a five-step process to go through which starts from *Opportunity identification and selection*, *Concept generation*, *Concept/ Project evaluation*, *Development (technical & marketing)* until the last step which is *Launch*.<sup>25</sup>

However, usually, there are few significant steps to be followed for a successful launch on the market:

- Idea generation

Idea generation is the first step to overcome in the NPD process. No good products can come from bad ideas and generally, companies generate hundreds of options before choosing a valid one. There are many ways in which companies can get to new ideas: conducting marketing research, listening to employee or consumer's suggestion or studying competitors. As A.G. Lafley states "The more connections, the more ideas; the more ideas, the more solutions. And because what gets measured gets managed, I established a goal that half of new product and technology innovations come from outside P&G. Innovation is all about connections, so we get everyone we can involve: P&Gers past and present;

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<sup>25</sup> Crawford C. M., Di Benedetto C.A., *New Products Management*, NY, Mc Graw Hill Education, 2014, 11<sup>th</sup> edition

consumers and costumers; suppliers; a wide range of “connect-and-develop” partners; even competitors.”<sup>26</sup>

- Idea screening

This step consists in studying the ideas that have been proposed and selecting the good ones in order to let them continue the process. Ideas are analyzed with specific criteria, and the bad ones are rejected. While the purpose of the previous step was to come up with large numbers of options, in this stage, the numbers must be reduced. Next phases imply a more considerable amount of costs, so the company must concentrate on the potentially profitable ideas.<sup>27</sup>

- Concept development and Testing

Now, attractive ideas must be developed into a product concept. The product concept is the description or synthesis of a product idea which reflects the core element of the future product. At this stage, running some concept test in a real marketing contest is pretty common, and help companies to stitch appropriate product ideas on the needs of the buyers. Concept testing, on the one hand, helps companies to find out how attractive each concept is to customers, and on the other hand, help to avoid investment in bad ideas. During the concept test, it is crucial first to identify groups of target consumers and then present them the product concept, either symbolically or physically. Then, they are asked to answer a few questions in order to find out the consumer appeal and the customer value of each concept. The more the concept is detailed, the more the reactions of the potential buyers will be accurate. The results of the concept test will presumably lead the company to choose the best product idea.

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<sup>26</sup> Lafley A.G., Charan R., *The Game-Changer: How You Can Drive Revenue and Profit Growth with Innovation*, cit. p. 40

<sup>27</sup> Harvard Business Review, *Test Marketing in New Product Development*, retrieved on October 23, 2019, from: <https://hbr.org/1976/05/test-marketing-in-new-product-development>

The three steps just analyzed are part of *Phase I: Generating and Screening Ideas*<sup>28</sup>, and almost all NPD processes share them. For what concerns the next ones, *Phase II: Developing New Products*, not all theories agree on the order in which to execute the step. However, *Phase II* is composed of *Business analysis* and *Marketing strategy development*. They both are a crucial part of the NPD procedure, but the order in which they occur changes.

- Business analysis

Companies must be sure that the investment in the production of a new product brings enough return. So, during the business analysis stage, the ideas of the most promising products are subjected to careful investigation to determine their potential.<sup>29</sup> This step then consists of the review of the sales, costs and profit projections for the new product to find out whether these factors satisfy the company's objectives.<sup>30</sup> To estimate these aspects, the company can either look at the sales history of similar products or conduct market surveys. Successful product ideas graduate to the next stage.

- Technical and Marketing strategy development

After having developed and tested a promising concept, it is time to design the product and define an initial marketing strategy to have the new product concept efficiently introduced to the market.

Technical development processes vary according to the type of product. A product with a complex manufacturing process needs a more considerable effort to develop the fabrication phase; on the other hand, for a new service

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<sup>28</sup> Lumen Learning, Principles of Marketing , Overview of the New-Product Development process, retrieved on October 29, 2019, from: <https://courses.lumenlearning.com/wm-introductiontobusiness/chapter/the-new-product-development-process/>

<sup>29</sup> Fortenberry J.L. Jr., *Nonprofit Marketing*, Chapter 2 Booz, Allen and Hamilton's New Product Process, Jones & Bartlett Learning, 2013

<sup>30</sup> Marketing-Insider, Principles of Marketing explained, *The new product development process (NPD)-Obtain new products*, Retrieved on October 29, 2019, from: <https://marketing-insider.eu/new-product-development-process/>

offered, there may be need of new employee skills or the delivery of new equipment. While the Research and Development engineers figure out which is the best practical realization of the product, the marketing department develops the best marketing mix. They eventually use product prototypes or early production models to understand customers reaction better and define which is the best way to display it to the market

In any case, the company must carefully define either the product and its distribution.<sup>31</sup> At this phase, the development of the product, require an incremental raise of the investment.

*Phase III: Commercializing New Products consists of Test Marketing and Launch.*

- Test marketing

Test marketing is the final stage before commercialization. During this phase, the product and its marketing plan are proposed and tested in realistic market settings. It allows the company to introduce the product to the market partially and, if the results of the test are satisfying, then it is possible to proceed with the full investment. In this respect, the tools often used for pre-launch validation are Simulated test markets (STM). STM help the companies to forecast the sales estimate and are used by management to make the “go/no go” decision before the launch of the new product. Therefore, this kind of test gives companies the possibility to experience the product’s success or failure before going on with the full introduction. STM is later further analyzed in this thesis.

The amount of marketing tests is not defined, but it can vary according to the company’s decision. Understandably, if significant investment is occurring and the risks are high, a lot of test marketing can be carried out.<sup>32</sup>

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<sup>31</sup> Lumen Learning, Principles of Marketing , Overview of the New-Product Development process, cit p.43

<sup>32</sup> Lumen Learning, Principles of Marketing , Overview of the New-Product Development process, cit p.43

An eloquent example of the importance of test marketing is described by Lynn Y.S. Lin, president of Lynn Y.S. Lin Consulting, Inc. in Cincinnati and Chair Professor at National Chung-Hsing University, Taiwan. He once told that the most catastrophic marketing test is the one that regards a dog food flavour enhancer. The optimistic manufacturer tested this concept not once, not twice, but nine times with the same dismal results each time. Consumer rejection was clearly shown in the purchase intent scores of test marketing since less than half of the dog owners feel any need for this product. There simply was no need for or little interest in a dog food flavour enhancer of this kind, so the product died because of a low trial (first purchase) rate in the test market.<sup>33</sup> No manufacturer should risk launching a new product that doesn't get a satisfying result in the test market.

- Commercialization

Commercialization is the final stage of the new product development process, but at the same time, represent the beginning of the product life cycle.

As new product penetrates the market, consumer feedback should actively be sought to ensure that the product meets the need of the consumer and, eventually, exceed it.<sup>34</sup> This is a very active phase for the company's marketers, which should monitor the market and elaborate the data of the product performance. Finally, marketers can rely on real market data, and through them, they should quickly detect any product's flaw and promptly fix them. These data start a new cycle of idea generation about improvements and adjustments to be made to the new product.

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<sup>33</sup> Lynn Y.S. Lin, Practical New Product Development and Marketing, cit. p. 37

<sup>34</sup> Fortenberry J.L. Jr., *Nonprofit Marketing*, Chapter 2 Booz, Allen and Hamilton's New Product Process, Jones & Bartlett Learning, 2013

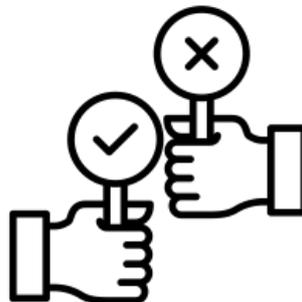
Researches should be conducted at almost every stage of the process. That is to adapt every step of the process to the current needs of the market. The test results, even if unpleasant, must be accepted, in order to eventually make adjustments to adapt the product to the market. Testing early in the process reduce the expenditure of money, time, and effort.

However, in all of these steps of the new product development process, the focus always must be on the creation of superior customer value. As A.G. Lafley states:

“The most important part of the system is the one in the middle: the consumer. Everything begins and end with the consumer. We have figured out how to keep the consumer at the centre of all our decision, actions, and behaviours. As a result, we don’t go far wrong. In fact, P&G is getting it right more often. [...] The numbers tell the story.”<sup>35</sup>

## 2.2 STM (Simulated Test Market)

Simulated Test Markets are potent tools that are frequently used to aid marketing managers in making a go/no-go decision when bringing a new product to test market. The results of Simulated Test Market help companies to do market analysis and to forecast the new product’s demand.



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<sup>35</sup> Lafley A.G., Charan R., *The Game-Changer: How You Can Drive Revenue and Profit Growth with Innovation*, cit. p. 40

The field of Simulated Test Market, previously known as Pre-Testing Market, was pioneered in the 1970s. Over the following decade, the method has evolved and, compared to the traditional test market, it was considerably cheaper and faster. Today this industry is vastly established and have a good reputation for being highly accurate in suggesting a go/no go evaluation to companies that want to launch a new product.<sup>36</sup> All commercially available Simulated Test Markets are based on some version of an “Awareness-Trial-Repeat” model of consumer behaviour.

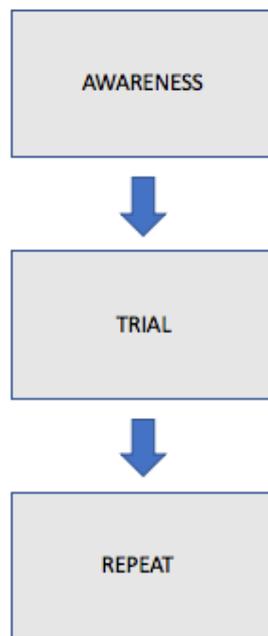


Figure 8 - “Awareness-Trial-Repeat” model of consumer behaviour

Source: Lynn Y.S. Lin, *Practical New Product Development and Marketing*, 2018

*Awareness* refers to the process by which the consumer becomes conscious of the product. Therefore, it can be pursued by showing commercials, defining a concept protocol and creating a product prototype.

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<sup>36</sup> Charan A., *Simulated Test Markets*, NUS Business school, retrieved on November 9, 2019, from: <https://www.ashokcharan.com/Marketing-Analytics/~pv-STM.php>

*Trial* refers to the phase in which consumer reactions are quantified and evaluated. The opportunity to purchase is given to consumer, along with free samples.

*Repeat* refers to the evaluation of after-use reactions and allows the consumer to re-purchase.

There are several suppliers of STM techniques claiming an average accuracy within +/- 10% of the actual forecast up to 90% of the time. The STM systems are divided into two different categories: purchase intent and preference share.<sup>37</sup>

The model that is later discussed in this thesis, the *BASES Model*, currently marketed by *Nielsen*, was developed by *Lynn Y.S. Lin* at *Burke Marketing Research* in 1977. The *BASES Model* is currently the major players of the STM, and it refers to purchase intent.<sup>38</sup>

Purchase intent is a crucial figure that reflects the probability that a consumer buys a product or service and measure consumers intention of purchase on a 5-point rating scale. These claims are then adjusted for overstatement. To evaluate this data, the STM models use a set of variables that includes factors like demography, website engagement and past purchases.<sup>39</sup>

Simulated test markets are not only used for pre-launch planning and forecasting demand, but they can also be used to improve the marketing plan post-launch and eventually adjust it. In this regard, a discrepancy between the forecasted and the actual purchase behaviour can occur, and this is usually due to factors such as culture, product category, price and demography.

These notions are supposed to give the basis to understand how and why culture influence in such a decisive way the penetration of a new product in the market. That may seem obvious if thinking that a product that can easily find a marketplace in China

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<sup>37</sup> Wherry J.S., *Simulated Test Marketing: Its Evolution and Current State in the Industry*, MIT Sloan School of Management, 2006

<sup>38</sup> Charan A., *Simulated Test Markets*, cit. p. 47

<sup>39</sup> Rouse, M., (January 2017), *Definition of purchase intent*, retrieved on November 17, 2019, from: <https://whatistechtarget.com/definition/purchase-intent#commenting>

may not be successful in Italy. The most logical reason for that failure can be attributed to culture. Culture, in fact, influence this process in many ways, in obvious ways but also in more subtle ways. The important thing is to identify the phenomenon and adequately interpret it so to adjust any marketing plan to it.

A very subtle example of cultural influence in the new product development process will be later analyzed, with significant reference to the BASES Model and the phenomenon of “overstatement”.

## 2.3 BASES Model

BASES Model (*Booz-Allen Sales Estimated System*) is a *Simulated Test Market (STM)* which combines Consumer Response Data with Marketing Plan Information in order to determine the Sales Forecast of concepts and products prior to launch.



Figure 9 – BASES Model

Source: *BASES Metric Completes MMAP Audit*, Marketing Accountability Standards Board of the Marketing. <https://themasb.org/basesmetric-completes-mmmap-audit/>

Lynn Y.S. Lin developed the system at *Burke Marketing Research* in 1977. *Nielsen* later acquired BASES Model in 1998. President of *Nielsen’s Global Innovation*, *Randall Beard* comments as follows:

“Innovation requires substantial capital investments for production and for marketing, and you need very precise forecasts to make sure you will

inevitably get the payback you expect. Nielsen's forecasts help companies establish an objective, independent way for all stakeholders to align and agree on the opportunity at hand, while giving marketers some early indication data to build a successful sell-in story for the trade".<sup>40</sup>

BASES Model's principle is "*consumers do not usually do what they claim to do*". It is pretty common that consumers overstate their intended purchase behaviour during the pre-launch market test. A significant difference appears between consumers' claimed behaviour and what results in the marketplace. This difference must be correctly interpreted in order to help marketers in making an accurate forecast. Companies must be aware of this inconvenient truth since market research can considerably be affected by this reality. It has been observed that the level of overstatement varies by culture. The BASES Model is then able to estimate the adjustment factors required to deflate the respondents' claim so that they reflect their behaviour in a more accurate way. The BASES Model boasts a database of about 200,000 concept tests (as of 2014).<sup>41</sup>

"BASES Model is not easy because it is not meant to be easy". Sometimes it is even considered a "nightmare" by marketers because "it sets a high bar for excellence so that the final results are meaningful to the companies that rely on it"<sup>42</sup>. Therefore, BASES Model will be only briefly discussed as premises of the core of this thesis.

*Figure 9* shows an overview of how BASES Model works. It refers to Consumer Response Data (what consumers say they will do) and shows the necessity of adjusting them for

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<sup>40</sup>Nielsen, News center, (June 13, 2016) *Nielsen's innovation forecasting achieves industry first*, retrieved on November 22 from:<http://sites.nielsen.com/newscenter/niensens-innovation-forecasting-achieves-industry-first/>

<sup>41</sup> Charan A., NUS Business school , *BASES*, retrieved on December 2, 2019, from:<https://www.ashokcharan.com/Marketing-Analytics/~pv-BASES.php>

<sup>42</sup> Haskins C., *How to succeed in BASES*, retrieved on December 2, 2019, from:<https://www.ideastogo.com/articles-on-innovation/how-to-succeed-in-bases>

the “overstatement” factor. The result of this operation, along with the marketers’ adjustments, will be a pretty accurate forecast of what consumers will do.

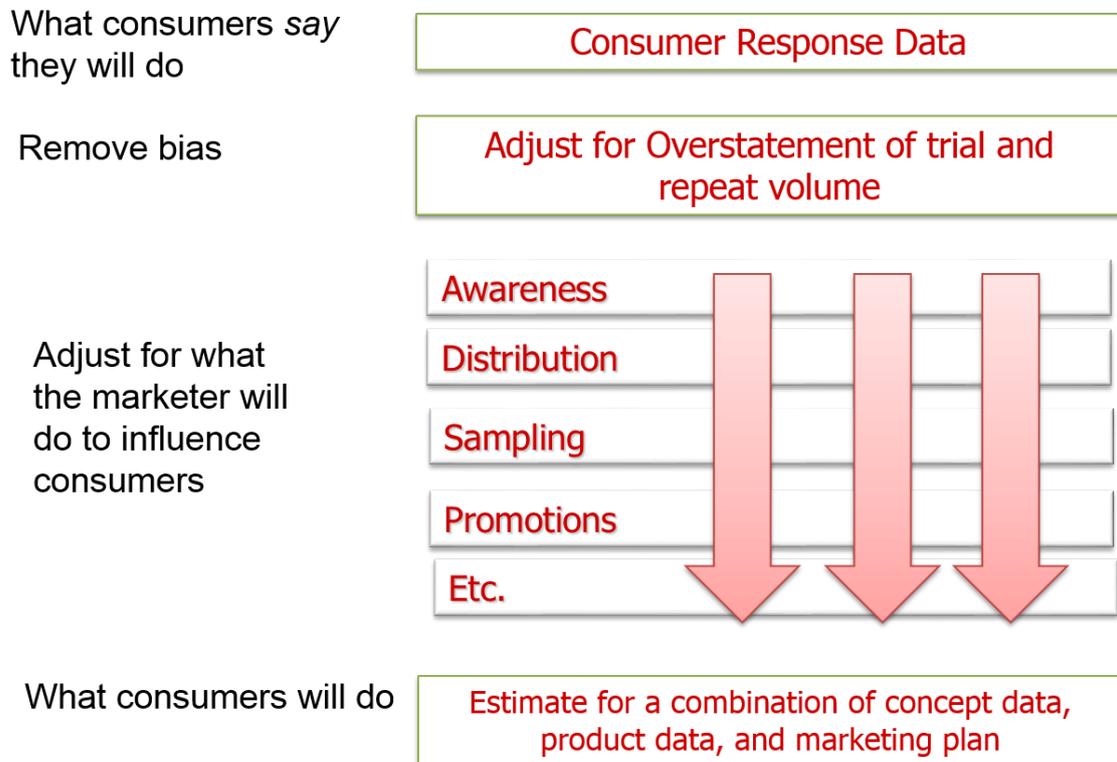


Figure 10 - How BASES Model works. Retrieved from Charan A., BASES, NUS Business school

Source: <https://www.ashokcharan.com/Marketing-Analytics/~pv-BASES.php>

Data are collected in two moments: *Concept Test* and *Product Test*.

- Concept test is the process of using surveys to evaluate consumer acceptance of a new product idea prior to the introduction of a product to the market. The concept test must answer the question “is the product appealing enough for consumers to buy?”. In fact, concept test defines the *trial purchase potential*. The preferred and primary mode of data collection is online since it is both time

and costs saving. The questionnaire used during the survey must have high quality; otherwise, results may be biased by measurement error. During the concept test, either a concept board or a commercial is used to present the product concept and the brand's positioning to the interviewed. This presentation should contain the information that will be useful to the consumer to evaluate the product, such as price, size and variety.

- Product test is the process of measuring the properties or performance of products. When dealing with a product test, marketers should answer the question "is using the product an experience good enough for the consumer to come back again, and again?". Product test defines the repeat potential or, in other words, brand loyalty. *Nielsen*, in this regard, launched in 2018 *BASES Product Quick Use*, a new in-home use product testing solution which helps marketers quickly simulate consumer's true product experience prior to launch. This process allows companies to measure the properties or performance of products prior to launch, but the added value of *BASES Product Quick Use* is that it is faster than the previous ways of collecting data. According to BASES, 84% of fast-moving consumer goods (FMCG) professionals strive to bring the new product to the market quickly; this must happen in a faster way than what was five or ten years ago. This latest addition to BASES is both budget and time-efficient, providing results in as little as three weeks. These data will help companies to understand whether consumers will purchase their product long term, adapt products to better meet expectations, and make adjustments and improvements according to consumer feedback and BASES' validated framework for success.<sup>43</sup>

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<sup>43</sup>Nielsen, New York, (August 22, 2018), *Nielsen BASES debuts faster in-home product testing solution for fast-moving consumer goods*, , retrieved on December 13 from :<https://www.nielsen.com/us/en/press-releases/2018/nielsen-bases-debuts-faster-in-home-product-testing-solution-for-fmcg/>

According to Professor *Lynn Y.S. Lin*, the creator of *BASES Model*, there are few expedients to keep in mind when planning the consumer survey design and questionnaire. First of all, target consumers must be defined, and a random sample of them should be chosen for the test. Then he suggests to test a consistent and standardized concept and to use branded analysis (and monadic test design). In fact, consumer response to the same product under different brand names can vary significantly. Furthermore, if the interviewer over-stimulates the respondent by showing, for example, a five minutes long infomercial, that may inflate scores. The interviewer also should ask individual attribute questions after general questions on the product idea or product and limit the number of open-ended questions when possible. Confidentially agreement must be signed by every survey respondent. Professor *Lynn* also advises against testing the purchase intent without indicating the price of the concept/product. He suggests never to test the price using a sequential monadic test, but instead, to evaluate the concept or product price in isolation. The interview shouldn't last more than 20/30 minutes.<sup>44</sup>

The data obtained from the concept and after-use test provide information for the purpose of volume forecasting. Which includes purchase intent, purchase units, purchase frequency, the intensity of liking, price value, uniqueness, intention to recommend and others. Purchase intent is measured on a 5-point rating scale, which fluctuates from “definitely would buy” to “definitely would not buy”. The information must be correctly interpreted, and to do so, fixed benchmarks are needed. *BASES* database, which boasts about 200.000 tests, is the primary device used for interpretation. It is used as a source for parameters both for concept and after-use test.<sup>45</sup>

*BASES* fix a target to determine if the consumer response data are good enough for the product to be launched on the market. It then companies help to calibrate the exact

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<sup>44</sup> Lynn Y.S. Lin, *Practical New Product Development and Marketing*, cit. p. 37

<sup>45</sup> Charan A., *BASES*, cit. p. 50

probability of behavioural conversion from attitudinal responses for each of the five points on the purchase intent scale. If a new product scores higher than the *BASES* target, it will have a very good chance to be successful on the market. If the rating of the new product doesn't get the target, it will have very few or none possibility for success; therefore, the recommendation will be to revisit the phases of the development process and adjust them with the indications obtained from the test.

The following picture shows an overview of how *BASES* and *LIN model* can estimate five key factors that will help to calculate the sales volume of new product launches. These five factors constitute the adjusted "*sales element*", which are estimated through the analysis of concept test and product test. Expressing the data obtained in a formula, the total sales volume of new products is the result of the sum of the "*first purchase volume*" and the "*repurchase volume*". Or, more simply, it will be answered the question "how many new products can be sold after the launch?" With enough advertising and marketing activities, many consumers buy the first time, and some of them become repurchases, and continue to buy the second, third time and so on. The sum of the number of purchases and repurchases is the new product total sales.

Concept test helps the NPD team define two of the five key factors which are "*trial rate*" (or first purchase rate) and "*quantity purchased in the trial rate*".

Product test, on the other hand, help the NPD team to define the other three sales elements essential for calculating the total volume. These elements are "*repurchase rate*", "*number of repeat repurchase*" and "*quantity repurchased*".<sup>46</sup>

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<sup>46</sup> Lin Y.S.L., 林英祥, 從創新到暢銷- 新產品上市成功的秘密 ( Cong chuangxin dao chengxiao, xin chanpin shangshi chenggong de mimi), *From Innovation to Blockbusters: The Secrets of Successful New Product Launch* , Taipei, Taiwan, Global View – Commonwealth Publishing Corp.,2013

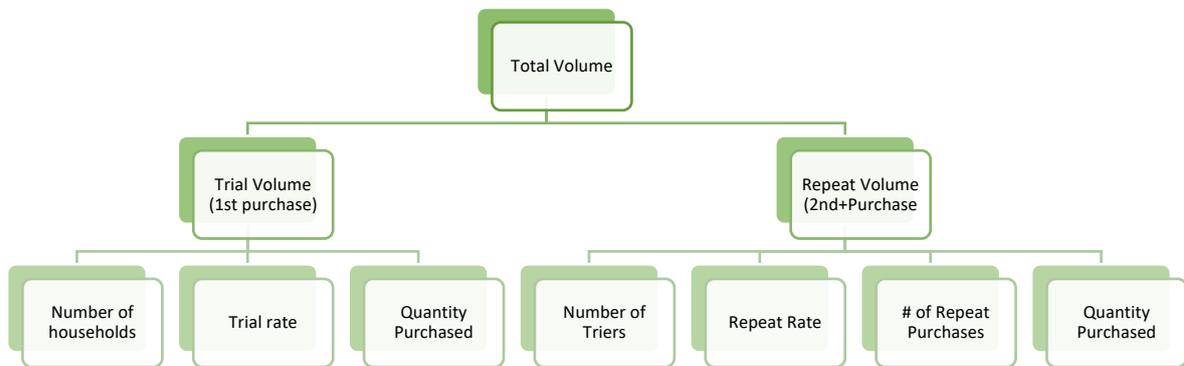


Figure 11 - Overview of how BASES and Lin model estimate the key factor needed for calculating the sales volume of new product launches

Source: Lynn Y.S. Lin, Practical New Product Development and Marketing, 2018

Trial rate is “the speed and extent to which consumers in a market make a first time purchase of a new product or new brand.” In contrast, the repeat rate is “the number of times a product is purchased by an individual consumer within a period of time.”<sup>47</sup> Therefore if, for example, happens to be a high trial rate with a low repeat rate, that means that there is the actual need of that product in the market, but the brand doesn’t meet the expectations of the consumer.

However, when estimating the trial rate and repeat rate, a significant adjustment should be made. These two factors, in fact, should be adjusted for overstatement. Which means

<sup>47</sup> Dictionary of Marketing Terms, allBusiness, *Definition of Trial rate*, Retrieved on December 20 from: [https://www.allbusiness.com/barrons\\_dictionary/dictionary-trial-rate-4961550-1.html](https://www.allbusiness.com/barrons_dictionary/dictionary-trial-rate-4961550-1.html)

that when reading and evaluating consumer responses, the culture of the interviewer should be taken into account.

This chapter aims to provide an insight into the steps to overcome when dealing with a new product. It is a quite complex discipline and it would be very difficult to cover exhaustively all the aspects of the development in just one thesis. Therefore, I will provide a brief introduction of the subject, and the focus of the next chapters will be centred on the phase in which the trial rate and repeat rate is adjusted for consumer overstatement.

## 2.4 Survey's instructions

In this paragraph a practical example of the impact that consumer overstatement can potentially have on the sales forecast is presented. Consumer overstatement and the factors affecting the magnitude of overvaluation are not to be ignored if the forecast of sales is meant to be extremely precise. Furthermore, it is very interesting to observe how and in which measure culture can affect a process that at first may seem mechanical and permeated by rules. Culture represents the unpredictable and subjective element that can vary the mathematical results of consumer response data. In this regard, it has been observed that people of different cultures answer in various ways to the same stimulus. So if, for example, an Italian is asked "would you buy this product?" he, by culture, will probably answer in a positive and sometimes even exaggerate way. That's because cultural overstatement in Mediterranean countries reaches very high levels. But would the Italian buy the product when he will stand a chance? That is highly unlikely. And that is not because he is a liar or an impostor, but that is simply because he, by nature, is more likely to be an emotional, loquacious and impulsive person.

On the contrary, if a Chinese person is asked “would you buy this product?” he, by culture, will probably answer in a more timid and elusive way. Indeed, cultural overstatement in East Asia stands at very low levels. Chinese people are unlikely to voice any strong opinion since that is considered a form of disrespect to the remarks of the speaker. However, the Chinese will run counter the selling expectations and will prove to be a better buyer than what the Italian claimed.

And in this circumstance born the question “why if the purchase intention of Asian people is lower than the one of Italian people, then the purchase behaviour will be higher?”

The answer to this question is to be sought among the gap found between Concept Data and After Use Data, which illustrate the purchase will and the actual purchase behaviour emerging from test sales. Consumers must be satisfied at two key moments: the first is the moment when they buy the new product, and the second is when they use it. However, in the process of developing new products, how does the new product team know about consumption? Will people buy it? Will they be satisfied with it? Will the new product launch be successful? How can the NPD team find out how many consumers might buy new products through market surveys? Results can be predicted by concept test and product test. Concept test can find out whether the concept of a new product can get a sufficient first purchase. Product test tells how many consumers will buy again. There is one essential and straightforward rule about consumer behaviour: the first time the consumer buys the concept, the second purchase is about quality and value.

This phenomenon will be analyzed through the results of a survey conducted by *Lynn Y.S. Lin*. In more than forty years of activity, he has been in 67 countries working for companies such as *Nielsen*, *P&G*, *Booz Allen Hamilton*, *Unilever* and more. He worked in the launching of more than 100,000 new products and the models he developed, *BASES Model* and *Lin model*, have the highest market share in the world. He also has been invited to give lectures at many well-known universities such as *Wharton Business*

*School, Cornell University, California Berkeley University, ZTE University, Peking University, Shanghai Jiaotong University and many more.*<sup>48</sup>

Thanks to *Lynn Y.S. Lin* experience in conducting consumer surveys for the same product or product category all over the world, a vast database has been accumulated (over 100,000 new products or line extensions). This database has been built and maintained through a standardized survey consumer methodology, using the same procedures and the same questionnaires for all consumers. The study conducted by *Lynn Y.S. Lin* includes the consumer response of Japan, Taiwan, China, the U.S, Germany, France, Italy, Spain and the United Kingdom. However, according to the purpose of this thesis, only the responses of Chinese, Taiwanese and Italian will be discussed. The test methodology of this survey consists of using research methods such as Concept test and Product test (after-use).

The first step of the process is to define the target universe of the potential consumer. This number refers to all the consumers that will potentially buy the new product. In the proposed method, it is used a very broad definition of a potential consumer to represent the target universe. All potential buyers of the tested product are included in this sample, regardless of whether they are current users of the product category or not. Once the target universe is defined, the NPD team can present to the potential consumer the product concept or the idea of the new product. The content and presentation of the product concept should provide the new (or tested) product's unique benefits, its usage and problem-solving facts, together with the product sizes or varieties and unit prices and a color photo showing the product packaging. Manufacturer's name and brand name should also be prominently presented when available. A commercial film can also be used together with a fact card showing the sizes, varieties and unit prices of the test product. Basically, the concept board or the advertisement presented to the interviewed should contain visual and/or verbal representation of the idea of the product or service, outlining its attributes and benefits. This process aims to present this

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<sup>48</sup> Lynn Y.S. Lin, *From Innovation to Blockbusters – The Secret of Successful New Product Launch*, cit. p. 54

idea to the participants of the survey accurately. The following picture is an example of a new product's concept board, where Jasmine ambrosia is a fictional beverage category.



Figure 12 - Example of a concept board

Sourced from a student of NUS Business school project, where ambrosia is a fictional beverage category)

## 2.5 Questionnaire

After being exposed to the new product concept board or film, all respondents should answer to a series of standardized questions. Among them, the purchase intent for the range of new products presented at the stated price and units, size or variety that they would buy at their first trial purchase occasion. Consumer surveys can help companies to understand what consumers think and find the best pricing for their products.

The accuracy of *Lin* and *BASES Model* is mainly due to the completeness of two fundamental stages. The first is the correct implementation of the questionnaire and the second is the accurate interpretation of it. The comprehensiveness of the questionnaire determines the accuracy of the evaluation of the total sale volume, and the key points that guarantee the precision of the process are reliability and validity. So, in this stage, there are two protagonists: the interviewee and the questionnaire itself. To ensure the correctness of the results, it is important that the interviewee is appropriately selected and that every step of the questionnaire is carefully proposed. First of all, to find potential consumer groups for new products, it is crucial to select the right respondents. If the interviewee's selection is not accurate, the statistics of subsequent surveys suffer a high probability to be wrong. So, the target group for each new product is different. At the beginning of every consumer survey, companies must first select the respondents who are the most representative of the target group, to get the most accurate test results.

Furthermore, NPD department should carefully select which questions should be included in the design of the questionnaire and in what order. This step is essential to understand what consumers honestly think. If the questionnaire is too long and not well-designed, the interviewee may lose patience and give inaccurate answers. *Lynn Y.S. Lin* and his team worked to minimize the differences that could be variable in the questionnaire. The order in which the questions are presented is of fundamental importance. Why can't the order of the questions be moved randomly? Because once the order of the questions is moved, the answers are different, even though the same questions are asked. Therefore, if the order of the issues in each questionnaire is different, it cannot be accumulated. It cannot be used as reference material for the next survey, nor it can be used to adjust the reference question order for interpretation of the future survey data.

Besides, to make the questionnaire consistent, the font and format used in the questionnaire have been fixed to minimize all possible deviation factors.

Another factor that may cause deviation is price information: it is of fundamental importance to indicate the price of the product on the concept board. Otherwise the

degree of exaggeration that may occur is much higher than that after the sale price is notified.<sup>49</sup>

So, in summary, companies should meticulously plan which questions ask, in which order of importance and how long should the questionnaire last. Strict standards are used on the survey to maintain consistency, which is necessary if the data are supposed to be valuable and accessible worldwide. The aim of this process is the collection of survey data, in order to find the benchmark above which the product's launch on the market will be successful.

A complete questionnaire consists of four parts:

1. The first part is about the key information obtained by the survey which are purchase intention, consumption frequency/ when to make the first purchase, degree of preference, debt value, novelty, brand credibility, etc.
2. The second part concerns the degree of consumers use of product items and brands; it is necessary to understand which brands consumers typically use, so to learn something about the consumer's experience.
3. The third part consists of a diagnosis of the consumer's preferences. What are consumers' expectations for the product? Does the new product meet consumer expectations? According to the experience of Professor *Lynn Y.S Lin*, an eloquent example of the importance of this questionnaire's stage could be found in a ready-to-drink coffee launch's campaign. The flavour initially developed by the company did not appeal to consumers, but after testing for sweetness, taste and coffee strength, the new character was adjusted according to consumers opinions. This ready-to-drink coffee became a sales champion in the market.
4. The last part of the questionnaire is about the characteristic of the consumers. The word "consumer" can identify every human being on the earth, so the

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<sup>49</sup> Lynn Y.S. Lin, *From Innovation to Blockbusters – The Secret of Successful New Product Launch*, cit. p. 54

company must define it and distinguish consumer's age, gender, income, education etc.

The following questionnaire is a facsimile of the one usually used in BASES and Lin model. The questionnaire must contain the following information: purchase intention and reasons, number of product purchased, frequency, preferences, value, novelty, comparison with competing products, recommendation and sales source.

**Main Questionnaire**

Study # xxxxxx

Concept Potion

**(CONFIDENTIALLY):**

What you are about to do is evaluate some potential new products and services that Company X may soon be offering. This information is confidential and proprietary to Company X. As such, we ask that you not disclose this information to any unauthorized parties.

Thank you!

**INSERT CONCEPT.**

1) How interested would you be in buying the new product you just read about?

Select one answer.

- Definitely would buy ..... 5
- Probably would buy ..... 4
- Might or might not buy ..... 3
- Probably would not buy ..... 2
- Definitely would not buy ..... 1

2) How many unit of their product would you purchase for the first time?

Select one answer.

- 1 ..... 1
- 2 ..... 2
- 3 ..... 3
- More than 3 ..... 4
- Don't know ..... 5

3) Which statement below best describes how often, if ever, do you think you would buy [HATCH PRODUCT] in the future?

Select one answer.

- ONCE A DAY OR MORE OFTEN ..... 1
- TWO OR THREE TIMES PER WEEK ..... 2
- ONCE A WEEK OR MORE OFTEN ..... 3
- ONCE EVERY 2 – 3 WEEKS ..... 4
- ONCE A MONTH/EVERY 4 WEEKS ..... 5
- ONCE EVERY 2 OR 3 MONTHS ..... 6
- ONCE EVERY 4 – 6 MONTHS ..... 7
- ONCE OR TWICE A YEAR ..... 8
- LESS OFTEN THAN ONCE A YEAR ..... 9
- NEVER ..... 10

App 4.1

4) Which statement describes how much you like or dislike the product?

Select one answer.

- Like extremely ..... 6
- Like very well ..... 5
- Like quite well ..... 4
- Like somewhat well ..... 3
- Like slightly ..... 2
- Do not like at all ..... 1

5) In general, how do you feel about the value for the money of this product?

Select one answer.

- Very good value ..... 5
- Fairly good value ..... 4
- Average value ..... 3
- Somewhat poor value ..... 2
- Very poor value ..... 1

6) How new and different, in general, do you think this product is compared to others now on the market?

Select one answer.

- Extremely different ..... 5
- Very different ..... 4
- Somewhat different ..... 3
- Slightly different ..... 2
- Not at all different ..... 1

7) Does this product solve problems or fulfill needs you now have?

Select one answer.

- Yes ..... 1
- No ..... 2

App 4.2

Figure 13 - Concept Test questionnaire

Source: Lynn Y.S. Lin, Practical New Product Development and Marketing, 2018

## 2.6 Data interpretation

Usually, a concept test is the last consumer test before making the launching decision. Thanks to the responses obtained from the concept test, it is possible to estimate the volume of “trial rate” and “first purchase quantity”. So, the algorithm for the first purchase will be:

$$\#of\ triers \times trial\ rate \times first\ purchase\ quantity$$

After an appropriate length of home usage time, second interviews are conducted either by Internet, phone or via a second door-to door interview. In *Lynn Y.S Lin*’s working experience at *AC Neilson*, a food and beverage company based in Pittsburgh, Pennsylvania, a new method to collect after-use data have been tested. In each regional market, Professor *Lin* and his team selected some households as samples, and then provide them with a small laser pen. The function of this laser pen was the same as the scanner used in every supermarket’s counter for checkout. The housewives were asked to scan the product barcode with this laser pen, and the scanned records would return to AC Neilson’s server. So, through this mechanism, the company would have known what a family buy in a week, how much they buy and when. Through the practical analysis of that data, they could better understand the consumer behaviour of that market.

However, if using the more traditional after-use test questionnaire, the questions are identical to that of the concept stage, except for two additional questions:

- How did this new product’s performance compare to your expectations? (better, same or worse than expected). Followed by the open-ended question “Why?”
- What product improvements would you like to advise the manufacturer of this product to improve upon?

From the consumer's answer, it is possible to estimate the "repurchase rate", "number of repurchased times" and "repurchase quantity". So, it will be identified how many of the consumers who bought the new product the first time will continue to purchase the product. Thanks to this number, it is possible to estimate the total repurchased volume of the product. So, the algorithm for repurchasing is:

$$\#of\ triers \times \text{repurchase rate} \times \#of\ repurchase \times \text{repurchase quantity}$$

Data are furnished; but here born the necessity of interpreting them correctly and find a winning strategy for new product launches.

Through *BASES* and *Lin model* consumer surveys, it is possible to analyze what data suggest and optimize the development strategy of new products. Of the hundreds of new products surveyed through *BASES* and *Lin model*, 90% of the new products proved afterwards that their sales volume was within 20% of *BASES* and *Lin* forecast; more than half of the new product sales were within the estimated gap of 10%.

So, for example, if data shows that first-time purchase rate is low, managers can deduct that the consumer has not been impressed by the product concept. Likewise, if consumers have conceptually accepted the product with a high first-time purchase rate, but the number of repurchased products is relatively low, it means that the quality and value of the product is not good enough to meet the consumer expectation. Consumers do not think that the product can achieve the claimed power of the product concept. Consequently, if during test analysis, the first repurchase rate or repurchase rate is not high enough, companies should adjust and correct the elements that didn't please the consumers. An experienced team should adjust the new product concept and quality to the best level, and the five factors of the sales element can help them make the correct decision. So, the first step is to understand the meaning behind the numbers.<sup>50</sup>

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<sup>50</sup> Lynn Y.S. Lin, *From Innovation to Blockbusters – The Secret of Successful New Product Launch*, cit. p.54

How do the data collected through the questionnaire translate into accurate estimates of product sales? The most important thing is to remove the exaggerated part in order to accurately estimate the sales volume of new products. Therefore, professional consumer research should not only elaborate data but should also be able to interpret the meaning behind the data and remove the exaggerated proportions of different degrees in different markets to calculate the most accurate sales forecast.

By comparing the results of *concept test* and *after use test*, it is clear that there is a gap between the two. There is a gap between the will and behaviour between the “willingness” of purchase and the purchase “behaviour”. There is a proper term in consumer’s research, which is “overstatement”. And because of different cultures, the degree of exaggeration is not the same everywhere. The same survey’s data that results in Europe may represent different meanings than the same score obtained in Asia.

## 2.7 Results and comments

In the following graphs are represented the data collected during *Lynn Y.S. Lin* 40 years of activity, concerning responses of about 10,000 new products. The table reports the results of concept test and after-use test of three countries: Italy, China and Taiwan. Three different categories of products are proposed: food and drinks, household and personal care products.

Table 1 and Table 2 shows the results of the trial concerning Food and Drinks products. Respectively, Table 1 illustrates concept test responses, while Table 2 illustrate after-use test responses.

## A. Food and Drinks Products

### CONCEPT TEST RESPONSES

PURCHASE INTENT	ITALY	CHINA	TAIWAN
<b>Definitely would buy</b>	41%	8%	4%
<b>Probably would buy</b>	42%	34%	51%
<b>Might or might not buy</b>	6%	39%	30%
<b>Probably would not buy</b>	2%	15%	10%
<b>Definitely would not buy</b>	9%	4%	5%
<b>Hedonic (6-point)</b>	3.8	3.8	2.7
<b>Price/Value (5 point)</b>	3.0	3.0	2.9
<b>Eventual Trial* (%)</b>	47	19	27

Table 1 - Food and Drinks product - Concept test responses

Source: Lynn Y.S. Lin, *Practical New Product Development and Marketing*, 2018

*\*Eventual trial:* eventual trial rate is the **observed** maximum theoretical trial purchase percentage among the target universe when the test brand has 100% distribution and 100% brand awareness. Basically, it is the numerical representation of the maximum purchase probability.

The concept test responses table shows a high will of Italian people to buy food and drinks. 41% of the Italian interviewed states that they “will definitely buy” the product

proposed on the concept board. Chinese and Taiwanese people react in a different way to the same stimulus. In fact, only 8% of Chinese people and 4% of Taiwanese answer that they will surely buy the product. The responses are more equilibrated when is asked whether the product will probably be purchased, with a spike of 51% of Taiwanese people that answer positively. The scenario changes dramatically when potential consumers are asked whether they will “might or might not buy” the product. Only 6% of the Italian consumers choose to select this answer, while the percentage of Chinese and Taiwanese people that exposed themselves grow respectively to 39% and 30%. Almost no one among Italian consumer feel about telling the interviewer that they “probably would not buy” the product, while few Chinese and Taiwanese consumer choose to answer so. Very few of the interviewed potential consumer answer “definitely would not buy” the product, with a small majority of Italian people.

Overall, the level of happiness and life satisfaction that the thought of buying the product brings to the potential consumer is the same among Italian and Chinese, 3.8 points on a total of 6, and 2.7 for the Taiwanese. Price is accepted by all the interviewed, with a score of approximately 3 points on a total of 5.

The score of the eventual trial is indicative of the overall degree of purchase of the potential consumer. It represents the numerical grade of the maximum purchase probability. Italians show a very high interest in buying that product. At the same time, Chinese and Taiwanese seem more reserved in demonstrating their purchase intention, even though they didn't openly claim that they won't buy the product. They have a tendency to choose the answers that stays “in the middle” and aim to avoid the answers that contain the word “definitely”, like “definitely would buy” and “definitely would not buy”.

## AFTER USE CONSUMER RESPONSES

PURCHASE INTENT	ITALY	CHINA	TAIWAN
<b>Definitely would buy</b>	56%	22%	25%
<b>Probably would buy</b>	24%	51%	51%
<b>Might or might not buy</b>	4%	14%	12%
<b>Probably would not buy</b>	2%	11%	8%
<b>Definitely would not buy</b>	13%	2%	4%
<b>Hedonic (6-point)</b>	3.7	4.1	3.5
<b>Price/Value (5 point)</b>	2.8	3.3	3.1
<b>True Repeat* (%)</b>	58	45	50

Table 2 - Food and Drinks products - After use test responses

Source: Lynn Y.S. Lin, *Practical New Product Development and Marketing*, 2018

*\*True repeat:* true repeat rate is the percentage of first-time buyers of a new product's repurchasing the same product (or same brand) again at least once within 52 weeks from the first purchase occasion.

Table 2 reports all data concerning the after-use test responses of food and drinks products. By just taking an overall look to the graph, few numbers are noteworthy: 56% of the Italians respondents state that "would definitely buy" the product. Also, the score

of Italy's true repeat reaches the spike of 58% people that will repurchase the product at least once after having tried it.

After having tried the product at hand, Chinese and Taiwanese's purchase intention change for the better. The numbers of people who choose "definitely would buy" during concept test were only 8% for Chinese and 4% of Taiwanese. In the after-use table, they respectively reach 22% and 25%. Also, their score of "probably would buy" remains high, while the Italian one is halved. Italian people that answered "I will probably buy" during concept test will later change idea. After having tried the products, they will be more susceptible to choose "I will definitely buy" or "I will definitely not buy". The same happen to Chinese and Taiwanese that at first choose "might or might not buy" but in the after-use test prefer to select "definitely will buy".

The hedonic score of Italy remains almost unchanged, while the Chinese and Taiwanese ones reach respectively 4.1 and 3.5 points. That means that the level of happiness and life satisfaction that the purchase of the product may bring has increased in the two Asian countries only after the usage of it. The relationship between price and value is evaluate pretty much in the same way as in the concept test. But what change drastically is the score of true repeat of Chinese and Taiwanese consumer. Apart from the score of Italians that was either high in eventual trial and true repeat, the ones of the two Asian countries are almost doubled. This means that consumers in these two countries exposed themselves only after having tried and used the product in question. On the contrary, Italian consumers are optimistic when expressing their willingness to purchase. Still, they will turn conservative when they convert into purchases, showing that Italians overstate when expressing their desire to purchase.

## B. Household Products

PURCHASE INTENT	ITALY	CHINA	TAIWAN
<b>Definitely would buy</b>	45%	12%	5%
<b>Probably would buy</b>	43%	47%	44%
<b>Might or might not buy</b>	6%	22%	31%
<b>Probably would not buy</b>	2%	16%	14%
<b>Definitely would not buy</b>	4%	3%	6%
<b>Hedonic (6-point)</b>	4.1	3.8	3.3
<b>Price/Value (5 point)</b>	2.9	3.3	2.8
<b>Eventual Trial* (%)</b>	29	26	29

Table 3 - Household products - Concept test responses

Source: Lynn Y.S. Lin, *Practical New Product Development and Marketing*, 2018

When speaking about the category of household products, one clarification should be made. The data may result lower than the ones of food and beverage products because of the different purchase cycle. Buying food and drinks is not the same as purchasing washing powder. The purchase cycle of household products is longer because consumers do not buy washing powder or detergent every day. Usually, the purchase frequency is about one to two months, and the number of purchases is low when the use cycle is long, so the proportion of consumers saying “will definitely buy” will also decrease accordingly to it.

Despite this, the rate of Italian consumers that state that they will buy the household product in question is still very high: 45% “will definitely buy”, almost four times the rate of Chinese and nine times the one of Taiwanese. However, looking at the actual performance of the first purchase rate, it is possible to define who exaggerate more during the test. The percentage of the eventual trial is 29 both for Italian and for Taiwanese, which is almost half of the rate of Italians that declared they would have surely bought the product and six times the one declared by Taiwanese. This means that Italians exaggerate far way more than the other two countries. In China, compared with Taiwan, the percentage of “will definitely buy” is twice as high (12%), and the percentage of the performance of the first purchase rate is 26%. The first purchase rate is lower than that of Taiwan, which means that consumers in mainland China exaggerate the intention of purchasing.

For what concern the hedonic score, Italians record 4.1 points to 6; that’s a pretty high score compared to 3.3 of Taiwan and 3.8 of China. On the contrary, who seems more satisfied by the quality/price ratio is the Chinese consumer, that values it 3.3 on a total of 5.

In conclusion, it is evident from the table that the actual performance of the first purchase rate will be pretty much the same among these three countries. But in the first place, researchers should pay attention to the tendency to overstate of Italian people, which, in this case, exaggerate the intention of buying almost the double of the effective one.

On the other hand, researchers should also consider that Chinese and Taiwanese are reluctant to expose themselves, but this doesn’t mean that they are not interested in buying the product. On the contrary, their actual performance during the first purchase will be as much as the Italians!

## AFTER USE CONSUMER RESPONSES

PURCHASE INTENT	ITALY	CHINA	TAIWAN
<b>Definitely would buy</b>	48%	21%	29%
<b>Probably would buy</b>	39%	56%	52%
<b>Might or might not buy</b>	6%	14%	13%
<b>Probably would not buy</b>	4%	4%	5%
<b>Definitely would not buy</b>	4%	5%	1%
<b>Hedonic (6-point)</b>	4.3	4.2	4.0
<b>Price/Value (5 point)</b>	3.1	3.3	3.1
<b>True Repeat* (%)</b>	52	44	55

Table 4 - Household products - After use test responses

Source: Lynn Y.S. Lin, *Practical New Product Development and Marketing*, 2018

This graph concerns the data obtained after the usage of household products.

The most remarkable number in this graph is the percentage regarding the repurchase behaviour of Taiwanese people. Even though they claim that only the 29% of them “will definitely buy” the product, 55% of the interviewed will repurchase the product at least once within 52 weeks from the first purchase occasion. That’s an impressive number considering that it is even higher than the one of Italians (52%). This graph is once again, evidence of the impact that culture can have on this kind of surveys. If a researcher

would only trust the interviewed people that claim they will surely buy the product, he will probably miss other important market or eventually even fail in launching the new product.

**C. Personal Care Products:**

PURCHASE INTENT	ITALY	CHINA	TAIWAN
<b>Definitely would buy</b>	51%	11%	6%
<b>Probably would buy</b>	32%	44%	43%
<b>Might or might not buy</b>	12%	22%	30%
<b>Probably would not buy</b>	3%	16%	16%
<b>Definitely would not buy</b>	2%	7%	5%
<b>Hedonic (6-point)</b>	3.8	4.0	3.0
<b>Price/Value (5 point)</b>	2.9	3.3	3.0
<b>Eventual Trial* (%)</b>	28	20	25

*Table 5 - Personal care products - concept test responses*

*Source: Lynn Y.S. Lin, Practical New Product Development and Marketing, 2018*

The third category that will be analysed is the one that concerns personal care products that includes hair and oral products, skincare, and so on. Looking at the line of “will definitely buy”, it is quite evident that the value expressed by each country, except Italy,

is low. That is because personal care products, whether it is shampoo or body lotion, have a long purchase cycle and will only be bought once in a while. Therefore, the value of purchase intention is not as high as the one of food and beverage.

Italy can be considered as an exception: more than half of the interviewed states that they “will definitely buy” the product. Unfortunately, only half of them will respect the forecast and effectively buy the product. On the other hand, Chinese and Taiwanese reconfirm their tendency to never expose themselves in the first place, but always surprise the researchers in the actual purchase sale. The ratio between Chinese people that state they will surely buy, compared to the score of the actual purchase is 1 to 2. Taiwanese people that buy the product are four-time as much as the ones that state would buy the product.

Comparing Taiwan with mainland China, the number of “will definitely buy” is quite low in both countries. Still, the actual purchase rate is 5 points percentage higher in Taiwan, which means that Chinese consumers are more exaggerated when expressing their intention to buy.

AFTER USE CONSUMER RESPONSES

PURCHASE INTENT	ITALY	CHINA	TAIWAN
<b>Definitely would buy</b>	40%	29%	31%
<b>Probably would buy</b>	38%	47%	39%
<b>Might or might not buy</b>	11%	14%	19%
<b>Probably would not buy</b>	8%	7%	7%
<b>Definitely would not buy</b>	3%	3%	4%
<b>Hedonic (6-point)</b>	4.0	4.4	4.0
<b>Price/Value (5 point)</b>	2.9	3.4	3.1
<b>True Repeat* (%)</b>	47	48	56

Table 6 - Personal care products - After use test responses

Source: Lynn Y.S. Lin, *Practical New Product Development and Marketing*, 2018

Table 6 is the last graph and represents the data collected after having had the consumers use the product belonging to the personal care category.

This is one of the few cases in which the repurchase behaviour of Italians exceeds the score of repurchase intention. But what is even more interesting is that the repurchase behaviour of the two Asian countries exceed the repurchase performance of Italians. So,

even if they claim they would buy less than other countries, Chinese and Taiwanese prove to be a better buyer than what is expected, overcoming even the Italian score.

The hedonic score reaches a very high point from Chinese consumers, the highest of every product category and test method. On the overall, Chinese consumers are the ones that reach a higher hedonic score in all the graphs.

From the comparison of the previous graphs, it is possible to notice that the exaggeration level of Italians according to the category of food and beverage is relatively low. In contrast, the exaggeration level of household products and durable goods is relatively high. This is also due to the length of the purchase cycle.

Through the experience of *Lynn Y.S. Lin* and thanks to the reliability of *Lin* and *BASES Model*, it has been possible to create a database collecting each consumer survey during a period of forty years. During these forty years, *Lynn Y.S. Lin* and his collaborators have noticed the gap between consumer surveys and actual sales data. It is interesting to observe the value that such an experience can bring to consumer surveys. Based on the data collected during forty years, it has been possible to recognize that, for example, the gap between purchase intention and actual purchase behaviour of Italy is one of the largest among EU countries. The difference between willingness and purchase behaviour is referred to as “overstate” in the field of new product development. However, when the consumer survey is completed, it is sufficient to adjust the parameters based on the accumulated experience of previous research. This adjustment will help companies to formulate strategies to make new products beat and dominate the market.

From the comparison of the responses of the three countries concerning three different product categories, it is possible to notice some “hidden” rules related to the exaggeration of a country’s consumer. These different purchase manifestations are to be traced back to culture, and in particular to language, religion, geography and history, which are discussed in the next chapter

## CHAPTER III

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## INTERPRETATION OF SURVEY RESULTS

### 3.1 Cultural influences

Research has shown that most of the times, failures on the foreign market are not caused by a technical or professional obstacles, but rather from the inability of people to understand and adapt to different mindsets and attitudes. As a consequence of the globalisation phenomenon, the failure in considering the cultural context of realities different from our own can lead to misunderstanding, miscommunication or blunders. As previously mentioned, the determination of how many different cultures exist today depends basically on how people react to the problems of everyday life. It is possible to get a rough approximate idea of world cultural variation by realizing that China alone has 56 separate and distinct ethnic groups.<sup>51</sup> This data is only to show how flexible and adaptable humans are to everyday problems. All societies have to deal with basic universal needs that must be satisfied. And it is during this process that the cultural differences occur.<sup>52</sup>

This thesis analyses few aspects that can create cultural differences. The aim is to deeply understand the origin of these differences in order to further apprehend and appreciate the consequences that this process creates. Diverse consumer behaviour is a legitimate consequence of the different solutions that people adopt to satisfy their elementary needs. So why Italians result more extroverts and exaggerated than other people? And why Chinese and Taiwanese are more hesitant? Many of the cultural characteristics that make Italians and Asians acting this way, necessity thousands of years to consolidate. Cultures have been determined by issues such as history, geography, climate, religion

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<sup>51</sup> Internations.org, (December 6, 2018), *Chinese ethnic group*, retrieved on January 8, 2019, from <https://www.internations.org/go/moving-to-china/country-facts/chinese-ethnic-groups>

<sup>52</sup> Ferraro G.P., *The cultural dimension of international business*, cit. p. 15

and language, and evolved not just over centuries, but during historical millennia. In human terms, cultures are ancient, powerful and incredibly complex phenomena that reluctantly and slowly change. People live and work inside countries, and their behaviours, customs, habits and preferences harmonize with the national pattern.<sup>53</sup>

In this regard, Hofstede refers to culture affirming that:

*“National cultures are part of the mental software we acquired during the first ten years of our lives, in the family, in the living environment, and in the school, and they contain most of our basic values”<sup>54</sup>*

Among all the factors that affect consumer exaggeration, culture is the most influential and most in need of careful study.

In the previous chapter, a valuable example of the importance of cultural aspects in the field of new product development has been reported. These cultural shades can either be decisive for the research or, if not correctly interpreted, can lead the researchers to wrong conclusions. Here born the necessity to investigate the cultural aspects of business, so to provide information as precise as possible on the potential future sales amount. In this regard, sociologists seek to understand how and why people from different parts of the world differ so much in their customary ways of behaving. The example reported in the previous chapter could be a great starting point in studying a few aspects of this phenomenon. From the numerical performance of the above three countries, it is possible to notice some rules related to the exaggeration of a country’s consumer. These different purchase manifestations are to be traced back to culture, and in particular to language, religion, geography and history.

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<sup>53</sup> Hammerich K., Lewis R.D., *Fish can’t see water*, United Kingdom, John Wiley & Sons, Ltd., 2013, 296 pg.

<sup>54</sup> Hofstede G., Hofstede G.J., Minkov M., *Cultures and organizations. Software of the mind. Intercultural Cooperation and Its importance for Survival*, United States of America, Mc Graw Hill, 2010, Third edition, 549 pg.

Language can be considered a major expression of culture. “Language is at the root of culture and is nature’s tool for programming the mind,” said Kay Hammerich and Richard D. Lewis in their book *Fish can’t see water*.<sup>55</sup>

Some linguistics, as Gary P. Ferraro explains, have theorized that language may influence certain aspects of culture. In this regard continue saying that:

“Language establishes the categories on which our perceptions of the world are organized. According to this theory, language is more than a system of communication that enables people to send and receive messages with relative ease. Language also establishes categories in our minds that force us to distinguish those things we consider similar to those things we consider different. And since every language is unique, the linguistic categories of one language will never be identical to the categories of any other. Consequently, speakers of any two languages will not perceive reality in exactly the same way.”<sup>56</sup>

In this regard, the economist *Keith Chen*, even assumed that language might affect the ability of an individual to save money. During his speech in *TED Global 2012*, he supported the hypothesis that our language influences our economic decisions. He explained that while “futured” languages differentiate three different times (past, present and future), “futureless” languages, like Chinese, use the same phrasing to describe the events of yesterday, today and tomorrow. Using a big amount of data and accurate analysis, Chen discovered that this linguistic discrepancy could be compared to economic differences. “Futureless” language speaker results 30% more likely to save money in a year than “futured language speakers. This behaviour is cumulative so that “futureless” language speaker will retire with 25% more savings than the “futured” one. This happens because “futured” language speakers feel that present and future are two different entities, so they will be less likely to save money for the future. On the contrary,

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<sup>55</sup> Hammerich K., Lewis R.D., *Fish can’t see water*, cit. p. 81

<sup>56</sup> Ferraro G.P., *The cultural dimension of international business*, cit. p. 15

“futureless language speaker expresses present and future in the same way, since they perceive them as similar systems. For that reason, it will be easier for them to save any money. It has been noticed that this linguistic behaviour can be applied to other social attitudes, like the tendency to smoke, to be obese, and so on.<sup>57</sup>

Ultimately, once it is understood how these subtle effects can change our decision making, the goal is to provide people tools so that they can consciously make themselves better savers and more conscious investors in their future.

## 3.2 Italians

There are two main language systems in Europe: the German and the Latin. From the data analysis, it can be found that one of the languages that present the highest degree of exaggeration is Latin. The purchase intention of Italians, not by chance, is often higher than the real purchase rate.<sup>58</sup>

The Italian language finds its origin in Latin and has developed through a long and gradual process which began in the 5<sup>th</sup> century, after the fall of the Roman Empire. Dialectal and local forms of the language had an essential role in society and in everyday life of the population. For several centuries, Latin was the dominant cultural language and was used throughout European Universities and in all the official acts of the Church. The 13<sup>th</sup> century is characterised by the production of a large amount of literature, and especially poems, whom the most significant contributors were Dante Alighieri, Giovanni Boccaccio, Francesco Petrarca and the three of them were from Tuscany. From

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<sup>57</sup>Gross J., (February 19, 2013), Ideas.Ted.Com, *How language can affect the way we think*, retrieved on February 3, 2019, from: <https://ideas.ted.com/5-examples-of-how-the-languages-we-speak-can-affect-the-way-we-think/>

<sup>58</sup> Lin Y.S.L.,林英祥, 從創新到暢銷- 新產品上市成功的秘密 ( Cong chuangxin dao chengxiao, xin chanpin shangshi chenggong de mimi), *From Innovation to Blockbusters: The Secrets of Successful New Product Launch* cit. p. 54

a historical point of view, the Tuscan dialect can be considered the basis of modern Italian, even though the question of which Italian dialect to adopt went through a long process of evolution and debates. The major difficulty in unifying the language was that until the Unification of Italy in 1861, the country was divided into a number of different states, and, within the population, there was a high rate of illiteracy. According to this scenario, people were used to speaking dialects as the everyday language and even nowadays, the use of idioms in Italy represents a unique situation compared to the rest of Europe.<sup>59</sup>

However, as television's influence increased, the Italian language has become the norm. A peculiarity of the Italian language is the high emotion that people put into their language; speaking with passion, rhythm, and changing tonality. In this regard the authors Di Martin J. Gannon and Rajnandini Pillai analyse the Italian language as follow:

“It is the quality of the way people speak that is of utmost importance, and this bias is replicated in the opera in strikingly different voice registers [..]. And, like the opera, the sound and cadence of the communication play a role at least equal to the content of what is said in getting the message across. Italians are often much more interested in engaging and entertaining their listeners than in conveying their thoughts accurately. [..] Oral communication in Italy is something of a show itself. Speaking is punctuated by elaborate gestures, befitting the Italian operatic tradition”.

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And they continue saying that “Italy is a land of spectacle and pageantry”. Italians, in fact, tend to be more animated and expressive than in other countries. “Expressive” is the definition given by ICE to Italian people and refers principally to speech and possibly

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<sup>59</sup>Italian language school, *History of the Italian language*, retrieved on January 28, 2019, from <https://www.europassitalian.com/learn/history/>

<sup>60</sup> Gannon M.J., Pillai R., *Understanding Global Cultures. Metaphorical journeys through 34 nations, clusters of nations, continents, & diversity*. Los Angeles, published by SAGE, 2016, 645 pg. 6<sup>th</sup> edition

body language, which is basically surface behaviour. The authors of the book “Fish can’t see water” , Kai Hammerich and Richard Lewis, support the hypothesis that the world population could be divided into three global archetypes: linear-active, reactive and multi-active culture. *Linear-active* focuses on direct communication and timekeeping and is characteristic of northern Europe and North America. *Reactive* people are called the “*listening*” category, a reserved category, and this custom is shared conspicuously by Asian people. Italians could be categorized as a multi-active population.

“Lewis’s term *multi-active* connects closely with not only the ability to do several things at once but implies and spotlights the often equivocal activities and action-mode of the persons in the category. These activities include the use of flexible or situational truth, frequent manipulation of the situation or environment, seeking favours with key people and pulling strings, often disregarding regulations and even laws, [...] often changing plans, allowing religion to influence business decision and “renegotiating” contracts”.<sup>61</sup>

Moreover, they are considered emotional, loquacious and impulsive people; they set great store by compassion and human warmth and, particularly in the South, people like to talk in a very loud and passionate manner.

Speaking of geography, Italy is a place of a very interesting phenomenon. The country is divided into two main regions. The North of Italy consists of the Alps and the northern Italian plain, while Mediterranean Italy encompasses the Italian peninsula and the islands. The Apennine Mountains run down the peninsula, and its northern part almost completely separates the North from the South. This geographical division contributes to creating strong regionalism, and many Italians view Italy as two separate nations: the prosperous and industrial North, and the backward and more agrarian South.<sup>62</sup> A further division could be made dividing the North into two separate districts; the first in

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<sup>61</sup> Hammerich K., Lewis R.D., *Fish can’t see water*, cit. p. 81

<sup>62</sup> Gannon M.J., Pillai R., *Understanding Global Cultures. Metaphorical journeys through 34 nations, clusters of nations, continents, & diversity.* cit. p. 86

the Northwest, from Milan to the French border including the area around Genoa, while the second is the Northeast extending east to Austria and Croatia and including Verona and Venice. The third district that could be identified is the Central one, from Florence to Rome and the last one, the Southern District, includes Napoli and the islands.

Since Italy is divided in this way, it is necessary to analyze the genus of Italian consumers. According to the data from the consumer survey, in *Table 5 Personal care products - concept test responses*, the average value of the Italian-speaking consumers that choose to answer “I will definitely buy” this product reaches the score of 51%. Still, in the actual investigation, it was found that the Italians in the Northwest District that choose to answer so was only 20%. Oppositely, the Southern District can reach a peak as high as 70%. Tracking purchases found that the Southern District has a high willingness to purchase, but the real purchase rate is only 3% to 4%, while the Northwest Region has a low purchasing will, but the purchase rate is significant. The rate is 7% to 8%, which is twice that of the Southern District.<sup>63</sup> Why do consumers in the same country have such a large gap between North and South? It is necessary to study historical, linguistic and geographical factors to understand it.

Political scientist *Robert Putnam* has demonstrated that the civic traditions of the North and South of Italy plant their roots in different sources and that these traditions have remained for centuries. According to the works of *Berkeley's Carlo M. Cipolla*, the economic dualism between North and South Italy started around the 13<sup>th</sup> century, as a result of a significant reduction of the southern engagement in trade. This because the South were still marked by a stable feudal institution, while the northern merchants were working for developing urban societies. By the middle of the 19<sup>th</sup> century, even if both North and South were still mainly primary producers, the major effect of this discrepancy reflects in a substantial difference in agricultural productivity (and consequent hence income per head), and the absence of an economically significant middle class in the South. Consequently, the South was not involved in the industrial

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<sup>63</sup> Lin Y.S.L.,林英祥, 從創新到暢銷- 新產品上市成功的秘密 ( Cong chuangxin dao chengxiao, xin chanpin shangshi chenggong de mimi), *From Innovation to Blockbusters: The Secrets of Successful New Product Launch* cit. p. 54

take-off on the eve of World War I.<sup>64</sup> Furthermore, much of the economic growth of Italy since World War II has occurred because of the impressive performance that small, entrepreneurial firms in the north have achieved. With the late phenomenon of globalization and the competition from large multinational corporations from China and other nations, such small Italian firms have faced severe problems in the last decade. Nowadays, the North of Italy continues to be successful, even though it strives to follow globalization.<sup>65</sup>

Another significant characteristic of the Italian historical background is political instability. Italy was unified only in 1861, and even nowadays, Italian people tend to identify with their regions first and nation second. Indeed, strong regional and local identities are part of Italian history. These separate realities- geographically defined, politically independent, economically differentiated- have been a remarkable thread to the draft of Italian history for more than a millennium.

“Italian government can be referred to as “volatile”; certainly it changed tack with bewildering rapidity. This volatility was also reflected in the variegated form of Italian rule and influence. [...] since certain politicians and power brokers of various kinds created their own empires and pressure groups, particularly in the South, where few groups of people have considerable control over the economies of their regions.

This political situation of Italy uncovers another major characteristic in Italian life – that of flexibility. Not just corruption, but the tacit acceptance of corrupt practices in the running of the country. While Berlusconi was unquestionably elected by democratic processes, his monopoly of the media, his controversial decisions, his scandalous appointments have emphasized the willingness of the Italian electorate to tolerate certain practices. The volatility, recognition

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<sup>64</sup> Cipolla C.M., *The decline of Italy: The case of a fully matured economy*, published by Wiley on behalf of the Economic History Society, 1952,

<sup>65</sup> Gannon M.J., Pillai R., *Understanding Global Cultures. Metaphorical journeys through 34 nations, clusters of nations, continents, & diversity*.cit. p. 86

and partial acceptance of corruption and toleration of buffoonery in a premier indicate another Italian trait – that of flexibility. Italy has laws like everyone else, but to what extent are laws applied when a prime minister can break them with impunity when key connections prevent officialdom from being able to bring transgressor to court?”<sup>66</sup>

Another national trait that must be mentioned is humanitarianism. Italian attach great importance to family, relationship and people in general. Life is based on close family ties where feelings and emotion prevail on other sentiments and these human instincts extend its influence even to business relations. This national sense of humanity, so detectable in Italian literature, music and fine arts, also has consequences on commercial life. Humanitarianism then, facilitates warmth and closeness among employees and towards clients, even to the point to overprotect other’s fault. Italians are capable of working hard and long. Still, years of underachievement in the economic sphere have led to the development of a lifestyle (especially in the often-sweltering southern half of the country) that values flexibility and less exigence for workers.

The historical reasons for the division of the country have made Italy’s North and South different, and consumers have different characteristics. Furthermore, geographically different regions, varied climates and environments, cause consumers to exaggerate to varying degrees. Hot and cold weather also are influential factors: multi-active behaviour thrives in hot places such as Africa, the Middle East, Mediterranean countries and South America.<sup>67</sup>

It has been noted that also religious system, in addition to language and culture, has a significant influence on people. According to the studies of Professor *Lynn Y.S. Lin*, the dominant religious systems in the world are Catholic, Christian, Muslim and Buddhism, divided by geographical location and population distribution. Comparing the data collected by *Lynn Y.S. Lin* in his long experience, Buddhist consumers (including the ones

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<sup>66</sup> Hammerich K., Lewis R.D., *Fish can’t see water*, cit. p. 81

<sup>67</sup> Hammerich K., Lewis R.D., *Fish can’t see water*, cit. p. 81

adhering to Taoism) are the least exaggerated when dealing with the new product's launch questionnaire. The Catholic and Muslim populations results being the most exaggerated, while the Christian ones are in the middle. Not by chance, Italians, that since centuries face the direction of the Roman Catholic Church, have the highest degree of exaggeration.<sup>68</sup>

### 3.3 Chinese and Taiwanese

The Chinese language is naturally influenced by history and by the way of thinking that characterized Chinese-speaking countries throughout the decades. Chinese values have a powerful impact on the daily behaviours of individuals. This is due to several factors such as the rigid socialization process, social controls, the reward and punishment system, the strong morality-based legal system, the political system. Still, it is mostly due to the influence of *Confucius*.<sup>69</sup> A traditional beginning point to understand Chinese culture is by studying it through the work of the philosopher *Confucius*, who lived about 2,500 years ago. According to the book of *Smith and Houston*, "The Religion of Man", "his (Confucius) teachings have profoundly affected a quarter of the population of this globe".<sup>70</sup> Among his fundamental teachings, the concept of "中庸" (*Zhong Yong*), golden mean, is one of the highest principles of moral cultivation in Confucianism. This principle is often translated as *the doctrine of the mean* and express a Confucian ethic that is so broad and so absolute as to embrace

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<sup>68</sup> Lin Y.S.L.,林英祥, 從創新到暢銷- 新產品上市成功的秘密 ( Cong chuangxin dao chengxiao, xin chanpin shangshi chenggong de mimi), *From Innovation to Blockbusters: The Secrets of Successful New Product Launch* cit. p. 54

<sup>69</sup> Kindel T. I., 1985, *Chinese Consumer Behavior: Historical Perspective Plus an Update on Communication Hypotheses*. University of Montevallo, Alabama, retrieved on January 30, 2019, from: <https://www.acrwebsite.org/volumes/12141/volumes/sv05/SV-05>

<sup>70</sup> Smith H., *The Religions of Man*, New York, published by The New American Library, 1958, 340 pag.

every relationship and every activity of human life. The *doctrine of the mean* can represent moderation, rectitude, objectivity, sincerity, honesty and equilibrium. Ideally, one should never act in excess; on the contrary, one must firmly adhere to the mean, to the centre, at all times and in every situation. Such behaviour is a way of measuring the superiority of the individual.<sup>71</sup>

For centuries, the *doctrine of the mean* was not only integrated into the Chinese education system, but was also a prerequisite for employment in the imperial government along with the study and understanding of the *Four Classics*.

In Buddhism, the golden mean is better known as the *Middle way* or *Middle Path*, which refers to the practice of non-extremism.<sup>72</sup> And through the ages, Chinese people applied the middle way to the simplest acts of a human being: thinking, acting, behave, and so on. Even when they have to deal with contradiction, they seek a middle way to resolve the dispute and pursue the value of moderation. This pursuit of equilibrium is also reflected in the Chinese speech, and in the manner of seeking appropriateness and agreement. Chinese people try to express their real intention by recurring to a mixture of languages and form. Most of the times, they hide their true feelings and reduce the display of their emotions and express themselves in a roundabout way, which is in line with the “mean”.<sup>73</sup>

Chinese language tend to never exaggerate the content. In the Chinese language, it is hard to find someone who expresses himself using the words “must” or “must not”. They would instead express their wishes with “may” and “may not”. This behaviour born by the necessity to respect the feelings of their friends, family and colleagues, often by not directly refuse a request. The act of “speaking” is generally less direct for the Asian population, and roundabout manners are also viewed as a proper way to behave. In

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<sup>71</sup> Encyclopaedia Britannica, *Zhongyong*, retrieved on January 30, 2019, from: <https://www.britannica.com/topic/Zhongyong>

<sup>72</sup> New world encyclopedia, (June 26, 2017), *Golden mean (philosophy)*, retrieved on January 26, 2019, from: [https://www.newworldencyclopedia.org/entry/Golden\\_mean\\_\(philosophy\)](https://www.newworldencyclopedia.org/entry/Golden_mean_(philosophy))

<sup>73</sup> Kecskes I., *Research in Chinese as a second language*, Germany, published by De Gruyter Mouton, 9<sup>th</sup> edition, 2013, pag 281

practice, Asian people, and in this very case Chinese and Taiwanese people, will use several “filler-answers” to either buy time or to put off saying no directly, such as “perhaps”, “maybe”, “possibly” and “I understand”. What is more, the word “no” may never actually be spoken, and it is the responsibility of the other interlocutor to figure out what the aim of the Asian was. <sup>74</sup>

Apart from Confucianism, other disciplines that suggest always to maintain a balance between the things of life is Taoism. The philosophy of Taoism grew into a religion of the peasant classes of the Shang dynasty, who lived closely with nature. They were attentive observant of the natural world that surrounded them and had been influenced by it. This natural influence remained in the concept of eternity: when people die, they go somewhere else where they continue to live. Confucians believed in this same concept; they, as well, have a strong reverence through their ancestors. <sup>75</sup>

The philosophy also embodies the doctrine that illustrates the relationship between yin and yang. These two forces oppose and complement each other, they cannot be separated but instead be considered as a whole, and the implications of the interaction by the two affect every aspect of life. All is in harmony in nature, and Taoism encourages people to find that kind of harmony as well. Life is supposed to be lived in balance, as the symbols of yin and yang suggest. According to *Lao Tzu*, alleged author of the *Tao Te Ching*, also *Daodejing* (道德经), a classical Chinese text, there is one way that must be followed, 道 tao/ dào. This “way” must be sought between the two forces, the yin and yang, and it must be sought among the middle.<sup>76</sup>

“Fill your bowl to the brim and it will spill. Keep sharpening your knife and it will blunt.”

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<sup>74</sup>The China culture corner, (May 6, 2013), *Proper character and behavior*, retrieved on January 27, 2019, from: <https://chinaculturecorner.com/2013/06/05/proper-character-in-china/>

<sup>75</sup> Ancient history encyclopedia, (February 22, 2016), *Definition of Taoism*, retrieved on January 30, 2019, from: <https://www.ancient.eu/Taoism/>

<sup>76</sup>Graham J.L, Lam N.M., Harvard Business Review, (October 1,2003), *The Chinese negotiation*, retrieved on February 1, 2019 from: <https://hbr.org/2003/10/the-chinese-negotiation>

Also, *Lao Tzu* proposes a manner in which people could follow the “Middle way”. In this quote from the *Dao De Jing*, he suggests a way to abstain from excesses, filling a bowl only as much as necessary and sharpening a knife only as much as needed. So basically, he invites people to do what is needed, but to stop when is reached the point of maximus usefulness before the action becomes useless or even adverse.<sup>77</sup>

One fundamental root of Chinese culture is history. China has since always been an agrarian nation; still, nowadays, two-third of the Chinese people live in rural areas, cultivating rice and wheat mainly. Traditionally, farmers cultivated the fields and survival depended on group cooperation and harmony. Peasants have always been bound together by loyalty and obedience to the familiar hierarchy. It is not uncommon that Chinese people that were born and raised in the country, then move to the cities. So even the most modern Chinese metropolis is, in some way, influenced by the closeness to the soil.<sup>78</sup> It is not by chance that Chinese people, especially during the Spring Festival, return to their hometown, villages and faraway places to visit their families and relatives. Here they find a sense of belonging and return to their roots.

The historical political economy of China distinguished between “the root” and “the branch”. Social and economic environment tended to favour “the root” rather than “the branch”, because, respectively, the first one referred to agriculture, while the second referred to commerce. The merchants, that were part of “the branch”, were looked down upon because one had to have agriculture or production before one could exchange.<sup>79</sup>

Besides, the *Cultural Revolution* of *Mao Tse-Tung*, in the late 60s made the agrarian values trump the business ones. He sent bureaucrats and students to be “re-educated”

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<sup>77</sup> <https://medium.com/@cornishdaoist/the-middle-way-of-lao-tzus-knife-and-bowl-489253d76b46>

<sup>78</sup> Graham J.L, Lam N.M., Harvard Business Review, (October 1,2003), *The Chinese negotiation*, retrieved on February 1, 2019 from: <https://hbr.org/2003/10/the-chinese-negotiation>

<sup>79</sup> Killion U., *A Modern Chinese Journey to the West: Economic Globalization and Dualism*, New York, published by Nova Science, 2006

by the peasantry in order to make them better understand the role of manual agrarian labour.

### 3.4 Conclusion

The key idea of this thesis is to focus on the imprenscindibile link between business and culture. These two disciplines may seem distant but, in reality, they are strictly intertwined. Having a deep knowledge of culture is essential for successful business. In the last decades, many companies have experienced business failures due to cultural misunderstandings, but it is vital to learn from mistakes; especially since we live in such a globalized environment.

It is fundamental, then, to value carefully all the cultural factors that may lead to the success or failure of the new product. In this thesis, only a minor aspect of this issue has been analysed, which should be indicative of how careful and precise companies should be when launching a new product. Culture is a very complex subject, that influences and at the same time is influenced by a lot of different factors itself. I decided to focus only on a few cultural aspects that significantly affect the subject of this thesis. Language is with no doubt, one of the most influential factors of this survey. Language is not to be considered merely as the ability of individuals to communicate, but rather the vehicle through which one conveys his cultural background. The way in which people express themselves reveals so much of who they are and where they come from.

And again, this thesis aims to study how to limit the failure of a new product launch due to cultural factors. Once how people from different cultures react to a new product launch's questionnaire is established, it is possible to adjust the data and obtain a positive outcome. If the different consumer's reactions are not previously recorded and studied, a firm that plans on launching a new product will most likely lose time and funds trying to understand the consumer's desire, and will probably face a negative outcome.

Professor *Lynn* and his team spent almost forty years collecting and storing data concerning product development. More than 10,000 products in 67 different countries have been analysed. The key feedback from their research resulted in this thought: “Consumers do not usually do what they claim to do”. This is the scenario under which the necessity to adjust the consumers’ statement according to their cultural root originated. Thanks to it, firms that intend to launch a new product on foreign markets, will be facilitated in the process. Finally, the firm will already know exactly how to interpret the data coming from the consumers questionnaire’s answers and eventually adjust its plan, instead of losing time and resources trying to guess the customer’s patterns of behavior.

In accordance with the initial aim of this thesis, I conclude that it is necessary for companies to raise cultural awareness, since the impact that culture can have on business is still too often seen as of secondary importance.



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