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~~Profiling luxury good consumer in Southeast Asia: theoretical and empirical evidence~~

Massimo Ferdinandi*, Manuela Presutti**

*Adjunct professor of Anthropology and Management, Department of Management, Department of Economics, Bologna, Campus of Rimini, Faculty of Economics,

**Associate Professor of Management, Department of Management, Bologna, Campus of Rimini, Faculty of Economics,

In the past two decades, more and more European firms, both multinationals and small or medium firms, have begun to concentrate their investments in Southeast Asia. This phenomenon has attracted a substantial international business research attention ([Knight and Cavusgil, 1996, 2004](#); [McDougall et al., 1994](#), [Oviatt and McDougall, 2005](#), [Zahra and George, 2002](#)) and encouraged the development of international entrepreneurship theory on the emerging markets as an important field of research ([Bruton et al., 2008](#)).

In the extant international entrepreneurship (IE) literature focused on the Southeast Asia emerging market, special attention has been given to the performance of European companies there operating. In this respect, several variables have been proposed as strategic factors explaining the growth and the profitability of this type of companies.

Despite the growing prominence of emerging economy of Southeast Asia and the important role that entrepreneurship plays in powering their economic growth, our understanding of international entrepreneurship in this region is not paying the necessary attention to some crucial analysis. Consequently, to provide European companies with a scenario able to include also the most hidden components of Southeast Asian entrepreneurial structure, more systematic research approach is needed. This approach should necessarily focus on some of the cultural variables often neglected by the marketing analysts. Although IE research in general is focused on high-technology manufacturing sectors ([Coviello and Jones, 2004](#)), this research has been realized mainly for the benefit of small

and medium European luxury firms which need to separate the myths from reality when approaching the “Asian Eldorado”.

Most of studies about Southeast Asian region are comparative explorative issues about start-up liability, entrepreneurial information seeking, policy or institutional aspects or venture capital industry management (Begley et al., 2005; Bala Subrahmanya, 2005; Stewart et al., 2008). However, in our perspective, while Asia is nowadays the biggest market for many European companies, mainly Western luxury brands, most of these studies neglect crucial aspects of Asian societies. In fact, a deeper knowledge of the less visible diversities could better support those companies to get greater benefits from the huge potentialities of Southeast Asian markets.

Differently from most of the Western industrialized countries, the mental processes of the Southeast Asian consumers are very much influenced by religious and cultural beliefs, most of them unknown to many European enterprises. This suggests that cultural and religious differences might impact significant aspects of the entrepreneurship process of European companies involved either manufacturing or simply trading luxury goods, mainly in terms of access to resources, development of skills and capabilities and implementation of profitable investments strategy (De Clercq et al., 2010).

We propose that a full account of cultural and religious beliefs differences among European and Asian societies, besides improving our theoretical knowledge about entrepreneurship activity in emerging country, could contextually, and mainly, be of great help to the luxury goods industry commercial strategies. Really, there are plenty of examples about the dramatic failures of European companies who underestimated the cultural and religious diversities and assigned their Asian internationalization duties to managers lacking the necessary knowledge. In theory, as suggested by several studies, in order to accomplish his/her duties in the most effective way in Southeast Asia, a manager should be at the same time a lawyer and a psychologist, a tax consultant and a marketing executive, an anthropologist and a IT guy, a statistician and a theologian, a sales man and an organizer (Ferdinandi, 2009). We suppose that while Southeast Asian markets are a truly potential Eldorado for European

luxury firms, a poor knowledge of the above mentioned cultural and religious dynamics may quickly turn a great opportunity of success into a financial disaster.

A deep analysis of Southeast Asian cultures and religions would allow us to completely understand the local specific entrepreneurial ecosystem. We propose to consider the ecosystem as interconnected potential and existing entrepreneurial actors, entrepreneurial organizations, religious and cultural values, institutions and entrepreneurial processes which formally and informally coalesce to connect, mediate and govern the performance within the local entrepreneurial environment. Thus, we suggest that entrepreneurial ecosystems have to focus also, and mainly, on local cultures and religions; these elements, which can be considered as religious and cultural capital, are totally interconnected influencing entrepreneurial process in Southeast Asia (Jayawarna et al., 2014).

Along this direction, European companies investing in this region of the world, first have to identify and interpret the consumption behavior of Southeast Asian luxury consumers, starting by examining their values system as a cultural derivation, therefore keeping in mind that culture is one of the characterizing elements of an ethnic group. After conducting this preparatory level of analysis, European marketers should start their “profiling” activities, as the practice of attempting to understand a person or a group based on psychological characteristics, beliefs and behaviors patterns which are mainly influenced by religion and culture.

Assumed this inextricable connection between marketing activities and cultural studies, the first fundamental, and we believe also innovative, question could be: can we ethnically identify the luxury goods consumer groups in Southeast Asia? Any marketer with a decent knowledge about Southeast Asia would have no problem to affirm that this region of the world is far from being a homogeneous entity. In fact, almost anyone visiting Southeast Asia for the first time can easily notice the variety of ethnic groups populating the major cities of the region. Sometimes, the clues of the existence of different ethnic groups are very visible, such as in terms of physical appearance. Other times, the evidence of the heterogeneity of the local population can be found in the architecture of the places of worships or, more simply, in the clothing worn by the indigenes. Descendants of dark-skinned

immigrants from India can be easily identified as different in appearance from the descendants of the immigrants from China or Indonesia. The places of worship of one group are usually in architectural contrast to those of another. A foreign visitor will have no problem, in Singapore for instance, in noticing the differences between a Chinese temple, a Malay Mosque, a Hindu temple or the imported European architectural style of a Catholic or an Anglican church. (Obsorne, 2004).

Once verified the existence of various ethnic groups in Southeast Asia, the next step which will lead us to the answer about the ethnic profiling question is the analysis of the different ethnic groups in terms of economic power. In this regard a brief historical regression is of great help. In fact, one of the most significant economic occurrences of the last decades has developed almost unknown in Southeast Asia. With little notice, the resident Chinese business families led a dramatic economical change. These families were called the “bamboo network”. The origin of the bamboo network can be traced in the 16th century when the Chinese migrants settled in Indonesia, Malaysia and other Southeast Asian countries. At that time the Chinese already established small but steady trading activities. Between then and the 19th century the Chinese establishments developed in parallel with the economies of the countries. Around the middle of the 19th century, the European colonizers (i.e., Holland in Indonesia and England in Singapore) organized a society in which the ethnic Chinese, because of their trading skills and solid establishments, became a kind of interface between the western administrators and the indigenous population.

Today, many of the small Chinese family companies have grown into enormous conglomerates with dozens of related companies spread throughout the world. Ethnic Chinese have become major and sometimes prime sources of capital and entrepreneurship in all Southeast Asian countries, they represent what Amy Chua (2002) named “market dominant minority”. On top of these conglomerates, the small and medium Chinese enterprises constitute the real back bone of all the Southeast Asian countries economies. Subsequently, as the wealthiest ethnic group in the Southeast Asia region, ethnic Chinese can be identified as the main reference group of luxury good consumers.

Under the point of view of the values system, researchers agree that the Confucian ethic is very much alive in the bamboo network and it explains a good deal of what is behind its dramatic raise and success. The family is the basic unit of management because it provides loyalty, fast decisions and low overhead. It also brings into the business organizations a crucial business element: trust (Weidenbaum, M., Hughes, S. 1996).

To better understand the ethnic Chinese consumer behavior, it is fundamental to know that Southeast Asian societies share a Confucian collectivist cultural tradition. While in the Western cultures is dominant an independent construal of the self and the “group” is perceived as an aggregation of persons which exists to meet individual’s needs, Asian cultures are based on the principle of the fundamental interdependence of human beings and the “group” is seen in a more positive light.

The roots of this view can be found in Confucian ethics where it is stressed the imperative need to maintain the harmony of the interactions between in-group members. For this purpose, it is necessary for the in-group members to perform their duties first instead of claiming their rights. It means that all in-group members must behave according to their social role.

The diligent acceptance of behaving accordingly to one’s social duties involves the acceptance of the vision of a hierarchically organized society. In fact, another characterizing trait of collectivist cultures is the strong perception of social hierarchies. Confucianism stresses the importance of the respect for the authority and obedience to the “superior”. Transposing this principle into luxury goods consumer behavior, we can elaborate the general principle that the more a society focuses on economic status differences, the more emphasis it places on symbolic goods which mark those differences (Wuthnow, et al., 1984). Since in nowadays collectivist Southeast Asian societies the social position of a person is mainly determined by the economic success achieved, the display of wealth becomes an important social marker, a kind of legitimating tool of one’s status.

Within collectivist societies, differently from the West, status is not perceived as an individual achievement, because the status of an individual also reflects the position of his/her group, family, and kinship clan. Groups play a major role in many of the decision processes of the individuals

because ethnic Chinese believe that individual behaviors should be guided by the expectations of the group; individuals accept the legitimacy of the judging of the members of the group.

All these argumentations are just preliminary reflections which will be improved in the paper which will provide new insights on the topic concerning international entrepreneurship in Southeast Asia proposing an anthropological and sociological perspective of analysis stressing religion and cultural values. This approach will be examined in a synergic way with marketing and management perspective which certainly benefits of a sociological and anthropological approach. In the final version of the paper, you can appreciate our theoretical efforts to review some important issues such as ethnic profiling, the bamboo network as the answer to the ethnic profiling quest and the “frugality” contradiction before focusing on the psychographic segmentation useful to better approach Southeast Asia. The empirical section will focus on the application of these issues in the luxury industry through several case studies which totally confirm the importance to integrate in the traditional framework of the international entrepreneurship theory a more sociological and anthropological perspective, a methodology applicable to any European companies deciding to invest in Southeast Asia, regardless the business sector.

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