

# **Marketing a United States Multinational Brand in the United Arab Emirates**

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*The purpose of this study is to explore the unique challenges facing advertising agencies doing business in the UAE compared to the US. This study identifies the impact of culture on advertising campaigns and recommends how to successfully adapt US marketing strategies to reach this diverse consumer market. This paper identifies several misconceptions and their affect when planning marketing campaigns for the UAE.*

## **INTRODUCTION**

This study explores why marketing strategies in the UAE are different from US strategies. This scenario envisions marketing the same product in both countries. Included is an analysis of cultural aspects and a comparison of UAE advertising strategies to US advertising strategies.

The economy of the United Arab Emirates (UAE) is the model for most emerging Middle East economies. It is the most attractive and admired economy of the region, with a Gross Domestic Product purchasing power parity of \$42,000 per capita (CIA World Factbook, 2010). The UAE population is growing. It attracts young, educated consumers with a demand for Western goods and services. This UAE market presents unique opportunities for multinational companies selling US consumer goods. How US businesses can capitalize on this opportunity is the question that needs answers.

## **LITERATURE REVIEW**

This paper discusses the unique challenges advertisers face when building marketing plans to attract the Middle East consumer and the different marketing strategies used to reach this diverse market. Rehman (2008) believes marketing strategies for the UAE require local customization to be successful.

Customizing products and services to meet local consumers' needs and wants is a viable option. It can be very expensive. The cost to prepare and place advertisements in various mediums coupled with the cost for in-store and out-of-store promotions results in only large multinational companies having the resources to enter new markets with new products.

Rehman (2008) believes there are vast economic opportunities in Dubai and with the other members of the Gulf Cooperation Council (GCC). Multinationals should modify their marketing messages on products and branding to capitalize on the GCC market potential by providing specific examples of successful multinational businesses. He identifies the many misconceptions associated with this region and the common pitfalls of labeling in these diverse markets.

Marinov (2007) compared and contrasted the emerging Islamic countries in the Middle East, North Africa and Asia. He described the influence Islam has on businesses, specifically Shariah law.

Marinov describes how the diversity of consumers in these Islamic nations impact the marketing efforts of US multinational companies. Despite this diversity, there are enough similarities for regional marketing strategies to be successful.

A unique survey was developed by Kalliny & Ghanem (2009) to measure the impact of culture and religion on advertising messages and the different approaches advertising agencies use in the US and the UAE. The study is unique. Previous research on the topic examined content. Their study surveyed advertising agencies to determine the degree to which cultural values were incorporated into marketing messages. The survey was distributed to 189 advertising agencies located throughout the Arab world and via email to advertising agencies located in the US and Middle East. The majority of agencies responses were from the United Arab Emirates (62) Egypt (26) and Lebanon (22). The survey included 29 items. Respondents checked a Lickert Scale indicating the response that reflects their agency's approach when designing advertisements for the US or Middle East. Categories included advertising and cultural appeals. The study addresses two voids in the marketing/advertising literature. It examined advertising in the Middle East and it takes a different methodological approach when examining advertising and culture.

The study supports the idea that cultural values play a role in preparing advertising messages. Responses from Middle East agencies indicate they do incorporate cultural characteristics such as obedience and some collective traits such as references to customs and conventions. The study examined the ongoing debate of standardization versus adaptations from a different perspective. The authors encourage other researchers to do the same by examining not only the differences, but the reasons for the cultural differences. Marketers sometime assume advertising agencies understand the consumer and develop advertising campaigns reflecting their thinking. If the assumption is inaccurate, researchers need to investigate these values to understand if the cultures are converging or diverging.

### **UAE Consumers**

Before developing a marketing plan, marketers need to access the demographics and psychographics of the target audience. This chore was very difficult in the GCC countries. Data compiled from accurate research sources is necessary to understand the dynamics in the marketplace. False assumptions about a region's population and culture can result in miscalculating a market's resources and the business opportunities available. (Rehman, 2008).

The UAE has 80% of all expatriates compared to the other Gulf Cooperation Council UAE (CIA World Factbook, 2010). The UAE market is predominately Arab orientated. It is the market for companies looking to sell products and services by US multinational companies. The population is diverse. Turnover is high. Many expatriates are on temporary work Visa's.

Another common misconception that Rehman (2008) reveals is that UAE consumers hate everything Western and American. This is not the case because Western brands are extremely successful in the UAE and in the GCC countries. The Deira City Centre Mall in Dubai is home to 347 stores. Eighty percent of the merchandise sold comes from American brands including DKNY, Calvin Klein and Radio Shack (Rehman, 2008). Dubai has an impressive retail shopping that includes the world's largest shopping mall and 30 shopping malls in total.

Tourism is a growing industry in this emirate. Businesses have created a "retail experience" for locals and tourists (Rehman, 2008). One such experience includes an indoor ski slope attached to the Mall of the Emirates.

In comparison to other Islamic countries, the UAE is considered to have a well-educated knowledge of consumer goods, including entertainment, cars, and household goods such as cleaning products, appliances and electronics (Marinov, 2007).

Marinov (2007) agrees that consumers in the UAE want Western products and brands. The educated and younger consumers in the UAE exhibit purchasing patterns of those consumers in advanced countries' markets, with expectations more similar to those found in North America and Western Europe and less like those found in other Arab countries (Marinov, 2007). Laurie Farris, counselor for commercial affairs at the U.S. Embassy in Abu Dhabi, supports Marinov's claim. Farris stated that the UAE imports a lot of goods from the U.S. In fact, the U.S. exports more goods to the UAE than to Israel. The UAE is still developing country. (L. Farris, personal communication, May 19, 2010).

There are a growing number of young, educated consumers with a high disposable income who are ready to form brand loyalties (Rehman, 2008). This type of consumer accounts for 50 percent of the total population and almost all are expatriates (R. Raad, personal communication, May 17, 2010). According to the CIA World Factbook, the median age in the UAE is 30. Males outnumber females 3:1. Rehman believes there is a large and growing population of university educated women with high disposable incomes with high standards.

Not everyone in the UAE is wealthy and demand high end products. In reality, the social class ranges from wealthy Emirati nationals to unskilled foreign workers who have low standards of living to skilled expatriates with high levels of disposable incomes (Rehman, 2008).

### **Markets of the UAE**

The markets of the GCC are the most attractive of all the economies in the Middle East (Rehman, 2008). They boast significant wealth from oil and maintain relatively stable monarchies. Rehman argues that the UAE is the most attractive because of the combination of prosperity, demographics and deregulation. It is difficult to refute the statement.

Marinov (2007) describes the ways markets in the Gulf countries are segmented based on ethnicity, religion and income. The UAE can be segmented according to native and non-native residents, Muslim and non-Muslim, affluent, and non-affluent, with a segment that includes tourists.

Contrary to popular belief, women do not play a passive role when it comes to major purchases. Women in the CGC countries have a great deal of purchasing power. They are educated. Universities in Saudi Arabia produce more female than male graduates each year. These women then enter the workforce and their disposable income makes them a key audience for purchasing goods and services.

UAE consumers do not reject American brands. There are situations when despite correct marketing strategies, political and religious issues affect sales. A recent example was the boycott of Danish goods in Saudi Arabia as a response to a Danish publication of a cartoon depicting the Prophet Muhammad negatively. The cartoon was very offensive to a majority of Muslims. Denmark's entire export market declined more than 15 percent during a five-month boycott. Rehman (2008) suggests that business leaders must build rapport with the local community, show they are invested in the area, and operate independently from these politically motivated crisis Businesses must create marketing messages and branding that respect the local culture.

What is the best marketing strategy? There is no simple answer or a one-size-fits-all approach. Marketers have to understand the target audience, determine their needs, wants and how best to satisfy them (Rehman, 2008). However, Ramz Raad, chairman and CEO of TBWA/RAAD advertising agency headquartered in Dubai, cautioned that demographics are hard to get from the government making it difficult to develop a targeted marketing campaign (R. Radd, personal communication, May 17, 2010). Many global firms choose to outsource their marketing needs to a local advertising agency that has been operating in the region for a longer period of time and understands the market. Rehman and Marinov agree that a marketing strategy that is region specific is the most effective way to reach consumers in the UAE.

### **Region-Specific Marketing Approaches**

Kalliny & Ghanem (2009) state that international marketing professionals have debated the topic of standardization and adaptation of advertising messages for the last 50 years. Homogeneous messages are key to brand building, but you cannot deny the power of adaptation.

Rehman (2008) describes four models of customization for marketing plans. The first model is non-customization, which is when a multinational applies the same branding approaches used everywhere else to the UAE. This is the simplest and most cost effective since you have all your logos and taglines in place. If the brand is elite and global, like a luxury European car, this strategy will work because the marketing is part of the allure. If the company is American or European based, English is the universal language in the UAE. Since nearly all expatriates are fluent in English, these multinationals can reach their target audience because those that do not speak English probably do not have high disposable incomes. The major disadvantage to non-customization is that it can make the brand seem too foreign and lesser the brand's market penetration to local consumers.

Marinov (2007) notes a customization strategy similar to non-customization because it does not customize the product, only the delivery. Consumer demands, quality and prices differ in the UAE due to the diverse population. To compensate for these differences, retailers employ a variety of nationalities that "facilitates a customized service with cultural sensitivity."

Bilingual approaches are most effective, which leads to the next degree of customization, adapting the message. This is the most common customization strategy. By packaging products in both English and Arabic, a company can reach the entire audience in the UAE. HSBC, McDonald's translate their global taglines. Coca-Cola and Pepsi use regional celebrity endorsements. Doritos maintains its theme of fun, upbeat youth while incorporating Arabic language and music and, of course, their signature "crunch." Another example of adapting the message is disclosing certain information that is important to the audience.

For example, McDonald's franchises in the Middle East have added the assurance of "halal," which is permissible by Islamic law, to the health message in their advertising (Rehman, 2008).

Coca Cola has been practicing these two forms of adaptation since the 1950s (O'Barr, 2000). In an interview conducted by William O'Barr and Marcio Moreira of McCann-Erickson, who served as Coca-Cola's advertising agency, explained Coke's venture into international advertising. He explained that Coke didn't run the same ads internationally to save money on production costs, but did it because "it is more important to communicate a common viewpoint than to use a common execution". McCann would check the ads, TV commercials and radio tracks used in the U.S. and determine which ones were appropriate and transferable to other markets. It was not until the 1970s that Coke decided to develop advertising aimed at different markets, due to the competitive nature domestically between Coke and Pepsi. These domestic issues reflected in U.S. advertising were not effective internationally. They began reshooting scenes with international actors, thereby adapting the message. Each commercial was the same, but with local flare and in most cases translated in the native language. Coke had to be especially sensitive to Islamic countries and the portrayal of women in advertisements. A TV commercial shot on the beach for the Middle East is going to be different than the same commercial shot for Brazil. If the Middle East version ran in the Brazilian market, Brazilians would not be able to identify with the women in the commercial because Brazilians do not dress as conservatively. The audience would say "that is not us." On the other hand, the Brazilian commercial would not even be allowed to air in the Middle East because women scantily dressed is offensive (O'Barr, 2000).

Oracle, the database software giant, is a global company that chose to localize their product. According to Hish Esaadi, director of alliance and channels for Oracle, they were the first database company to "Arab-ize" database software. Oracle outsourced a company in Egypt to translate the software into Arabic. The process was relatively inexpensive and only took two weeks (H. Esaadi, personal communication, May 19, 2010). Caution is needed when simply translating the English language into Arabi. Some Arabs might be more comfortable communicating in English because of the many Arabic dialects throughout the region.

Yahoo's purchased the Arab Internet portal Maktoob. It is one of the most visited online new portals in the Arab world, reaching 16.5 million people (MacMillan, 2009).

Yahoo translated its home page, e-mail and instant messaging components into Arabic but chose to keep Maktoob's local flavor mostly intact. The acquisition increased advertising opportunities and resulted in significant new ad revenues for Yahoo.

The third degree of customization is adapting the portfolio. This strategy entails reviewing your product line, selecting those products that seem most applicable to your target audience and stocking more of those items in those locations. The most challenging part is for regional managers to be able to divert their merchandising strategy from what is mandated from their global headquarters. This strategy is used most frequently in the apparel industry. In the GCC region, the market demands a constant flow of new products that are made of lightweight fabrics and have both long and short options. Rehman (2008) said the steady flow of new and different fashions is most important in this market since the audience is predominately teenage girls.

Rehman's highest degree of adaptation is customizing the actual product to entice consumers with regional-specific tastes. The multinational who has mastered this customization strategy is McDonald's, who serves rice burgers in Taiwan and Japan, McCurry Pan in India, shrimp burgers in Korea, and the McArabia, a combination of the chicken sandwich and gyro. This "best practice" for McDonald's is not easy for all companies since it requires money for research, development and cost benefit analysis. Product customization gives a sense of cultural awareness and sensitivity to the multinational's global brand, which is priceless (Rehman, 2008).

### **Advertising in U.S. vs. UAE**

Rehman references an article from the International Journal of Advertising published in 2007 that examines advertising in the UAE. The study found that 52 percent of the ads reviewed marketed jewelry and cosmetics. In addition, a whopping 81 percent of ads featured women in long clothing. This proves that savvy marketers are realizing the buying power of women in the UAE. In the U.S., comparative marketing depicting two or more brands was more popular than in the UAE, 26% compared to only 6% in the UAE. U.S. advertisements are more informative in nature than those found in the UAE – 32 percent compared to only 8 percent in the UAE (Rehman, 2008).

Other distinctions in advertising in the U.S. and the UAE are based on the different religious beliefs and cultural values represented in advertising. Although the United States was founded on Christianity, it does not influence U.S. advertising content nearly to the degree Islam affects UAE marketing. Key cultural differences between these two markets are respect for elders and individualism vs collectivism (Kalliny & Ghanem, 2009). They cite Hofstede's statistic that the U.S. is the most individualistic country, with a score of 91. The Arab countries received a 38 on this same scale. The researchers hypothesized and proved that advertising agencies in the UAE intentionally emphasize obedience to elders and authority in addition to collectivistic traits such as group loyalty and customs. Surprisingly, Middle East advertising agencies depict women more modestly than U.S. agencies. The trait is not surprising.

### **Advertising in the UAE vs. Other Islamic Countries**

Contrary to Rehman's observation of advertising trends in the UAE, Marinov (2007) lists marketing strategies that should be applied when marketing to Islamic countries.

- Messages should target men specifically and should be subtle when targeting women.
- Messages should be mostly informative.
- Promotions should avoid negative publicity, while emphasizing modesty and cost savings.
- Discount and money-back offers are discouraged since consumers will question the fairness of the retail price and the motives of the seller.

There are two reasons why this information contradicts Rehman (2008). His recommendations are from a study conducted in 2002. The Middle East, especially the UAE, has evolved significantly. The demographics and psychographics of the region has changed and continue to evolve.

Rehman's information refers only to the UAE. Marinov is making wide generalizations across the diverse population in Islamic countries. They tend to be more conservative than those found in the UAE. Not only does the Middle East region differ in ethnicity, but in the degree in which Islam is embedded into the culture.

Marinov's (2007) strategy recommendations are more conservative than those practiced in the UAE. They are closely aligned with Islam and Sharia Law. Islam law governs all economic activities, including marketing and advertising. According to Islamic marketing ethics, the production and sales of goods must be ethical from start to finish. Marinov (2007) goes on to say that the product must both satisfy the needs of the consumer and benefit society as a whole. Messages must be honest and retailers are encouraged to disclose all positive and negative features of a product. Western retailers generally use psychology as their pricing strategy and artificially inflate prices to offer discounts. Consumers believe they are getting a good deal. This practice is not allowed according to Islam law. Prices should only change to reflect the quality of the product (Marinov, 2007).

The most important factor to consider when marketing specifically to the Middle East region is to keep in mind the fundamental core values of Islam when planning strategies. The degree of adaptation should be based on the specific region's adherence to Islamic practices as well as the brand's country of origin. Though Saudi Arabia and the UAE share a border, the degree of adaptation for products and services differ.

In November 2007, the American cable television network MTV launched MTV Arabia (Capell, 2007). Licensing is popular in markets within the Arab world and abroad because of local culture differences and regulations. MTV made the strategic choice to license MTV Arabia to Arab Media Group. Despite the fact that this media group had no experience in television, MTV chose them because "they demonstrated a deep understanding of the diverse consumers across the Middle East markets. This was a very smart move on MTV's part. They are targeting Arab youth, a growing population that is educated and tech-savvy. MTV Arabia, like their other brands, operate on integrated platforms. They are not just a TV station and not positioning themselves as a music channel but rather a "youth lifestyle platform." Young Arabs can interact on the website, post blog comments, express themselves, and vote for their favorite music and programs. MTV has identified the target market and honed in on its needs.

MTV's managing director for emerging markets, Bhavneet Sing said during an interview for *BusinessWeek*, "Purely on the music front, we'll feature underground Arabic music genres like hip-hop, which is incredibly popular, but hasn't been embraced by local media. We're going to play more international music because our audiences have told us they're missing that connection to the global music scene that only MTV can offer."

MTV had no trouble entering the Arab market. They were welcomed into the country because they adapted their brand to "reflect and respect Arabic cultural values." MTV followed the appropriate strategies this researcher found to be most successful when entering an Arab market.

## CONCLUSIONS

Improved education, population growth coupled with globalization has helped consumers in the UAE become more savvy and sophisticated. They expect the same technology, fashion and global brands to be available in the local markets. The region's growth and diverse population make it attractive to a variety of industries. Region-specific marketing strategies can be tailored to reflect the local consumer's tastes and lifestyles. Global marketers are cautioned to research target audience demographics and not be influenced by misconceptions found in the Middle East and beyond.

Multinational companies that can access the demographics of a region can begin to create surveys to gain information on consumer's wants and needs. This can be a difficult task.

Companies need to create a random sample that is representative of their target audience. Adding to the difficulty is that many residents do not list their home telephone number. Emirati cultural norms prohibit companies from conducting phone surveys.

Advertisements, to be successful, must reflect consumers needs and wants, not mimic traditional roles or make inaccurate assumptions.

The UAE has a goal to be bigger and better than its competitors by setting standards for other destinations to aspire to. The goal can only be reached if the destination has an established brand to deliver its promises.

Consumer confidence in the UAE, the second largest Arab economy, is the highest since 2009 according to Master Card Worldwide Index of Consumer Confidence released August 18, 2011.

Sales in Dubai are up by approximately 10 percent according to the Rivoli Group. Three of five UAE consumers have shopped at Calvin Klein and Christian Dior and one of three have shopped at Gucci. The rapid economic growth has resulted in consumer having an insatiable desire for luxury designer clothes. Luxury brands is a integral part of UAE consumers lifestyle

According to a Nielsen survey released on Monday, January 30, 2012, the majority of people residing in Middle East countries practice the Muslim faith.

Their religion is an integral part of there every day lifestyle. Believers follow the teachings of the Quran, the holy book of Islam. Alcohol and drugs are forbidden. The cultural effects of a media campaign against drugs and alcohol had a minimal effect on people residing in the Middle East.

Many times US public service and commercial advertisements are delivered to the wrong audience. It is necessary to identify the target audience. This is important particularly when crossing cultural boundaries. The numbers of UAE women in the workforce continues to increase. A brand new demographic titled Working Women has been developed and implemented when conducting new surveys. The increasing role US and UAE women in the workplace has resulted in a whole new marketing base (Al-Jenabi, 2008). Advertisers need to respond to cultural shifts to keep pace with the constant changes in Americans and UAE women wants and needs.

United States of America multinational companies should market their products and services to the UAE and the other GCC countries. The birth rate is high for Muslims. Two of 3 Muslims earn \$50,000 or more annually (Salman, 2007). The majority of Muslims like American products. There is a huge market of expatriates for goods and service. Islamic law prohibits price control on goods and believe there should be no interference with the market. They favor healthy competition. There are harsh punishments for companies using forbidden tactics. Their rules for marketing and advertising products are very different from Western countries.

Dubai's efforts in developing their brand image is necessary for survival in the highly competitive global marketplace. The key to success is to brand Dubai as the destination for demographic and psychographic groups with purchasing power and resources to react positively to advertisements from US companies.

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