

## MARKETING IN FOUR EAST EUROPEAN COUNTRIES

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### Abstract

Sixty-seven managers of U.S. firms in Poland, Hungary, former Czechoslovakia, and former Yugoslavia responded to a mail questionnaire on their evaluation of the business climate in their host country. About 25% were in manufacturing, 25% in sales/marketing; 50% in basic services such as consulting, accounting, engineering, etc. They had neutral to positive feelings toward most factors in marketing except for the availability and ease of market research. The positives were surprising in view of the lack of marketing structure in the former command economies.

### Background

As Eastern European nations grow they will have an increasing need and desire for services just as other nations have. Those who enter the market early have a chance to become established and poised to exploit the local market when it enters its true growth phase. At least one now-divided East Europe nation has sponsored efforts to attract foreign providers of basic services to upgrade infrastructure and to attract foreign capital to privatize state industries.

This paper reports on answers, gained through a mail questionnaire, of 67 managers of U.S. firms in four East European nations. 35 responses were from Hungary, 15 from Czechoslovakia, 8 from Poland, and 9 from Yugoslavia.

### Results: Business Climate

Some specific results germane to the ability or willingness to do business whether in manufacturing or in services follow:

Stability of government: 45% of the managers' responses were positive; 28% had neutral feelings; 26% indicated some degree of unfavorable feelings.

In regard to the host country's protection of patents and trademarks: 33% thought it was good; 44% neutral; only 23% were negative.

The presence and severity of exchange controls on capital and earnings: 52% said they were favorable or very favorable; 24% were neutral; and 24% thought the restrictions were negative.

Business generally requires adequate and efficient financial institutions. The managers were not complimentary to the four countries on this issue. 18% were positive; 33% neutral; 48% negative. This was a very high negative rating in an absolute sense but also relative to evaluations of other variables.

One factor East Europe studies have found agreement on is the availability of a trained

and disciplined workforce. The surveyed managers of the U.S. firms back up this view. Sixty-one percent reported very favorable (19%) or favorable (42%) views toward labor quality. This was the highest positive response in the survey.

### Results: Service

Retailers as a whole were viewed 24% favorably; 37% neutrally; 39% unfavorably. Advertising agencies as a whole were viewed 40% favorably; 28% neutrally; 31% unfavorably. Media and marketing research institutions as a whole were viewed 22% favorably, 39% neutrally; 39% unfavorably. This low favorable and high unfavorable evaluation no doubt is related to the ease (or lack of) in doing market research combined with the expense of data collection. 25% of the managers put responses in the positive area; 13% in the middle; 61% checked the negative end of the scale.

MANOVA analyses suggest that manufacturing and basic service managers do not perceive the business climate more favorably than do those primarily engaged in downstream sales and marketing activities.

### Conclusions

Although each state was dominated for about the same period of time by communist regimes, different historical and cultural factors as well as differences in their economies remain. Total data in the study suggest that these differences seem to have influenced the perceptions of managers of U.S. firms doing business there.

The marketing of services and products in East Europe has some strong pros and cons: the market knows it needs certain services and has solicited them so convincing the customer that the service is "good" is not necessarily a major problem; competing against another similar service may be. For non-essential services or those not readily offered by locals, the money simply may not be there right now--a patient parent company is necessary.

Various elements in the marketing process are perceived fairly favorably (even including media availability) but a tool relied on by U.S. marketers--marketing research--is not positively perceived. The difficulty of research combined with the expense involved might make this lack an obstacle to some organizations. Then again, it may open up an opportunity for the marketing genius who can provide the service efficiently, effectively, and less expensively.