

# DISTRIBUTION SYSTEMS AND PROMOTION POLICIES IN POLAND

by Michael Muth

Distribution appears to be one of the largest marketing dilemmas in Poland. Physical infrastructure deficiencies in roads, railways, and communications are the obvious hurdles. One firm uses CB radios to reach its shops and delivery trucks. A shortage of "intellectual infrastructure" in knowledge of payment terms, the role of middlemen, and the benefits of cooperation throughout marketing channels are also obstacles.

Many businesses have not yet realized the advantages of specialization in retailing. Literally hundreds of tiny shops open and close continuously selling the same goods like bus tickets, magazines, toiletries, and soaps, etc. They can't afford to buy in bulk, which makes it more difficult for wholesalers who must manage many small accounts. At least one huge flea market for all types of products exists in each city, where Russians, Byelorussians, Lithuanians, Ukrainians and Poles are both buyers and sellers.

The role of specialization in distribution to create assortment has not yet caught on for Polish businesses. There remains the overwhelming view that it's less expensive for manufacturers to deliver to the retailer directly instead of using a wholesaler. The food wholesaler that represents 1,000 products of 300 manufacturers to 1,200 retailers is still a foreign concept, yet it proves that middlemen create a more efficient delivery process.

Computers are catching on, but only for prepackaged readily available programs, such as accounts receivable and payable. Warehouses are still manually operated for the most part. In discussing bar codes, one wholesaler said it will take 10 years before they are put into wide-spread use in Poland. They are being scanned in a few supermarkets already and will probably

assume a greater role in the next two to three years.

Traditional marketing channels are still in existence in Poland today. Manufacturers push to sell for the highest prices to wholesalers and wholesalers do the same with retailers. Wholesalers and retailers resist price hikes by bargaining with manufacturers and wholesalers, respectively. Unlike America where power-retailers have sapped the power of manufacturers, producers still call the shots in Poland. They encourage competition between wholesalers. Consequently, there is very little cooperation throughout the channel. For example, a forms printer with a retail shop had the problem that his wholesaler customers were selling his products to other retailers below cost to bring in other business.

Coca Cola and other western manufacturers avoided these difficulties by simply creating their own storage and distribution systems. But smaller firms can't afford to do this. Eventually firms will have to start encouraging cooperation by working together up and down the distribution channel. They can do this by formalizing written contracts with one another or at least by planning and promoting together.

I've also observed that franchising is not yet perceived as a viable option for Polish firms. Although they weren't familiar with the term, firms have had success selling on consignment, for example, in a furniture showroom. Also, many are to the point where they are deciding how to expand in the future.

Many Polish business people equate marketing with advertising and promotion, and hence see it as an expensive unnecessary business function. Regardless, a few firms have been very aggressive, although

it appears they need more focus. For example, businesses were paying to reach thousands of consumers over the radio while their customers are actually other businesses. The energy and enthusiasm is noble, but needs more concentration and direction.

Personal selling has taken off. Young people can be found scouring office buildings, knocking on doors and approaching people in parking lots to hawk their wares. Although salespeople have been using many sales tactics intuitively, they need improvement. Many salespeople are still pushing product features instead of asking about customer benefits. One office equipment retailer expected customers to buy copiers without even having seen a demonstration.

Follow-up on sales leads is weak. When one firm visited the U.S. to look for export prospects, it only followed up once upon its return, and was surprised when no word was heard back from the U.S. firms. In general, Poles are not yet comfortable with confronting objections directly and closing the sale. These tactics appear to be too aggressive for many people with one woman as an exception. She noted that if the customer threw her out the front door, she would come back in through the back door and always offers her customers something new.

Advertising in Poland is still in its infancy. Most advertising agencies are branch offices or subsidiaries of western agencies serving western clients, mostly based in Warsaw. A few local agencies are popping up in smaller towns, but they aren't yet a significant force.

Newspaper advertising is widely used, but layout artists have yet to adopt western layout principles and lack of competition