

Marketing still inconsistent in Poland

by Michael Muth

Michael Muth is managing director of German/American Trade Associates, Chicago. He recently visited 22 different cities in Poland to help small and medium-sized firms with their marketing.

Poland is in transition: It's not yet where it needs to be economically, but it's well on its way in the right direction.

A number of firms mentioned that they believed the Polish public's infatuation with Western goods was slowing down, and they were considering changing their firm names and their product assortments to reemphasize local roots.

Poles do still love America and its products, just a little less so than in the past. Poles are eager to learn about marketing. Books are available on marketing, and some businesspersons who have visited the U.S. took out subscriptions to U.S. periodicals to help improve their businesses.

A few told me that U.S. marketing won't work in Poland. My response was that it is true that Poland is not ready for some things we were talking about, but that Polish businesses can improve their sales by focusing more on their customers.



Michael Muth (above) discusses a marketing idea with the managing director of Warfama in the city of Dobrze Miasto. An interpreter accompanies them. Muth points out that logos on trailers made by Warfama are only

stickers that someone could easily cover up. Executives of the Stomil tire factory (below) listen to Muth explain a marketing plan. The company, which makes tractor tires, hopes to enter the passenger tire market.

Photos by Sawonik Ostrowski



Warsaw and the rest

The level of economic development varies significantly by geographical region. For marketing purposes, Poland can be divided into Warsaw and the rest of the country. The capital is much more advanced than anyplace else. The east is not as well-developed as the west. Many farmers take their horse-drawn carts to market, even on "highways" all over Poland, but significantly more in the east than in the west.

The biggest problem in doing business in Poland is inconsistency in distribution, product offering, and planning. One problem for small businesses is that seasonal competitors gain a price advantage by not charging the value-added tax.

When I spoke to meetings of the Polish American Enterprise Clubs, I defined marketing simply as the way to find, get, and keep your customers by giving them the products they want, when and where they want them, at prices they want to pay. I defined promotion as how to communicate with customers.

Many firms still considered marketing as the means of getting rid of production. One large state-run firm that is preparing to privatize within the next year discussed marketing for more than 1½ hours before it even mentioned the customer.

Polish firms had difficulty defining specifically who their customers and competitors were. Many retailers felt everyone was a potential customer and that they were competing with every

other company in Poland for business.

Segmentation and target marketing were still foreign concepts. Not surprisingly, Poles had difficulties defining their competitive advantage. I defined it simply as "what makes you special in the minds of your customers that is different from your competitors, and the reason your customers buy from you."

This was helpful in getting away from simply selling a physical product and focusing on other areas where firms can gain advantages.

There are still difficulties with organization. In the past the function of sales departments was essentially taking orders. With the onset of capi-

talism, which forced reorganization, marketing often has been subjugated to sales in the organizational structure of many formerly state-run firms.

Many of these departments are woefully understaffed. Young graduates of newly developed business programs are starting to fill these voids.

Conducting marketing research and planning in Poland are difficult because the Poles are still very protective of information, because such information was used against them by the government in the past. Even internal information, such as sales information by product, is not as free-flowing as it could be. One firm wasn't even sure what its best-selling

and most profitable products were. However, a great need exists for more and better data on customer wants and desires. Firms have cropped up to meet this need but are still too expensive for most small businesses.

Some firms are forging ahead. A local fast-food hamburger restaurant (not McDonald's, Burger King, or Wendy's) created an eight-item questionnaire inquiring about the demographics of its customers and their evaluation of the restaurant.

Poles are skeptical of planning because the government failed to do any in the past. This is part of the phenomenon that I call "Helter Skelter Marketing," in which small-business people go in and out of business simply to make a short-term buck.

Polish businesspeople are absolutely obsessed with product as a marketing variable, leftover baggage from the old regime. Many firms believe their products should be sold based on their own merit without any support by sales or advertising. The concept of a total product as the sum of everything about it (packaging,

service, etc.) was novel.

Through historical development, many Polish products are world-class. A parquet floor-tile manufacturer has installed its products in many castles throughout Europe. The Business Foundation sponsors a semiannual national competition called *Tęcza Polska* (or Poland Now) to reward Poland's 15 best-quality products. Similar awards are granted at the local level. These awards must be judged with a hint of skepticism because the process is not entirely unpolitical.

Unrelated expansion

A number of businesses wanted to expand their operations into production, often into product areas that were totally unrelated to their current business. For example, a clothing wholesaler was contemplating producing modular wooden toys, and it wasn't even concerned about safety approvals. A wholesaler was thinking about getting into food production. An agricultural equipment manufacturer was considering processing fruit juices. An electronic casings manufacturer has opened a building materials yard.

Because of low domestic income, another prime concern of many businesses is price. Many said the \$250 average monthly income is misleading because it is based on government tax receipts. Because many Poles hold two or three more jobs on which they pay little or no taxes, \$250 is deemed to be far too low. Exactly what it is a fair estimate, I can't say. The predominant pricing strategy is to simply add a small margin to the cost of a product to determine the price.

A few firms use customer demand and match competitive prices to set their prices. All manufacturer promotional discounts are typically passed on to customers. There was no consensus among successful firms about whether they used premium or discounting pricing strategies.

Although many firms were successful selling at discounts of up to 20% vs. their competitors, others were matching that success by charging higher prices and selling value. An important difference between successful firms and other firms was understanding the relationship between prices and costs and setting prices accordingly.

Many firms claimed their competitive advantage was lower prices. Current conditions support this. A shoe manufacturer is mulling over a contract from a large U.S. shoe retailer to produce 30,000 pairs of shoes because of the cost advantage. An ice cream distributor increased its volume tenfold when it replaced an expensive Western European supplier with a less expensive local producer.

Price alone as an advantage will not last forever. Polish consumers are already making purchases based on other variables. ❁