

POLISH PRODUCT MANAGEMENT AND PRICING STRATEGIES

by Michael Muth

The following articles are by Michael Muth who has recently returned from a two and a half month visit to Poland where he assisted small-to medium-sized firms with their marketing efforts. Mr. Muth was part of a program sponsored by the American Volunteers for International Development of the National Forum Foundation in Washington D.C. The trip was organized in Poland by the Foundation in Support of Local Democracy in Warsaw, the umbrella organization for the Polish American Enterprise Clubs (PAEC). Mr. Muth hopes that his newly found insight will help your business efforts in Poland.

After analyzing the relationships between the firm, its customers and its competitors for PAEC members, I defined the fine chemistry of marketing for PAEC members 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 focusing on other areas, especially customer service, where firms can gain other advantages as opposed to simply selling a product.

Segmentation, target marketing and customer service are still foreign concepts in Poland. This leads to difficulties in defining competitive advantages for many firms. Polish business people are absolutely obsessed with product as a marketing variable, which is leftover baggage from the old regime. Many firms believe their products should be sold based on their own merit without any promotion. The concept of the value of the total product (e.g. packaging, service, etc.) is novel. In one seminar, a large state-run firm preparing to privatize within the next year discussed marketing for over 1 and 1/2 hours before mentioning the customer.

Nevertheless, there is visible progress in customer service efforts. 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. It plans to evaluate 500 responses at each of two restaurants and 100 responses for its delivery service.

Also, through historical development, many Polish products are world class. A parquet floor tile manufacturer installed its products in many castles throughout Europe. Its goal is to install the same products in Madonna's mansion in Hollywood! The Business Foundation sponsors a national competition semi-annually called Teraz 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 caution, however, for the process is not entirely unpolitical.

Conducting marketing research and planning in Poland is difficult because the Poles are still very protective of information. They are skeptical of anyone asking them questions, regardless of the purpose. Such information was used against them by the government in the past. Even internal information such as sales by product is not as freeflowing as it could be. One firm wasn't even sure what its best-selling and most profitable products were. A great need exists for better data on customer wants and desires. Firms have cropped up to meet this need but are still too expensive a resource for most small businesses.

Further, because of the skepticism in sharing information, associations for specific industries have not yet developed to provide resources for potential member firms. I encouraged Polish firms to become members of international or U.S. organizations and subscribe to their trade journals until local groups form.

As with research, Poles are skeptical of planning, again because of the failure of planning in the past by the government. This is part of the phenomenon that I call "Helter Skelter Marketing," whereby small business people go

in and out of business simply to make a short-term profit.

Because of low domestic income, another prime concern of many businesses is product pricing. The \$250 average monthly income is deceiving since it is based on government tax receipts. Since many Poles hold additional side jobs on which they pay little or no taxes, \$250 may be understated. An accurate estimate is difficult to report.

The predominant pricing strategy among Polish business concerns is to simply add a small margin to the cost of a product to determine the price. A few firms use customer demand and matching competitive prices to set their own prices. While many firms were successfully selling at discounts of up to 20% versus 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 their prices accordingly.

Lower prices may be successful now, but firms must develop other competitive advantages to get ready for customers making purchase decisions based less on price and more on other variables. Television sets, which can be found in almost every Polish household today, serve as a good example. When shopping for a TV set, consumers investigate its features. Screen size, remote access and a video cassette recorder attachment (also in many Polish homes) are important considerations. Better marketing and communications can create demand that can drive up the market price of products, just as athletic shoe manufacturers like Nike have.

The overwhelming theme of my visit proved that just as the emphasis on product and price as a purchase criteria must decrease, the use of research, planning, segmenting, and target marketing must increase.