Marketing Strategies of Polish Companies on International Markets

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Abstract. The aim of this article is to characterize marketing mix strategies of Polish companies on international markets. The article is based on the author’s research and research results published in Polish and foreign professional journals. The main forms of expansion into foreign markets are export and improvement trade, but also capital or non-capital cooperation with foreign partners or direct investments. Polish companies mainly focus on export. Exports to foreign markets in 2013 amounted to over 158 billion Euro and was over 177% higher than in 2004. Cooperation with foreign partners is a rather rare method of expansion. On the other hand, Polish foreign direct investments (focused in the countries of Central and Eastern Europe), in 2012 for example, amounted to over 38 billion Euro. Marketing mix strategies of Polish companies can be classified as selective development and concentration strategies. Polish companies focus on selected foreign markets and customer segments in these markets. Product policy focal points are standardization and adaptation to conditions abroad. The prices for the products are usually shaped at an average level of prices in international markets. When it comes to distribution, Polish companies use foreign distribution channels, which often significantly differ from the channels used in Poland. Promotional activities are undertaken through intermediaries in the distribution channels or advertising agencies in foreign markets. In conclusion, the marketing mix activities of Polish companies on international markets brought positive financial results.

Key words: export, foreign markets, international marketing, marketing mix, marketing strategies
JEL classification: M3

1 Introduction

A company wishing to expand into international markets should act rationally, i.e. in accordance with the stages of expansion into these markets. In the related literature, which presents the results of research concerning international marketing, three concepts can be distinguished. First, derived from the internationalization model of the University of Uppsala, dominates and promotes the idea that the process of entering foreign markets involves several phases and is associated with the strategy of systematic learning and gaining knowledge about these markets. The second most popular concept presents a view that a company entering into foreign market may skip some phases, using the experience of other companies in the industry. While, the third concept favours the departure from the phases model and encourages acting on as many foreign markets as possible and in extreme cases the global market. Selection of the expansion model should determine the use of a specific marketing strategy. Preparation of an accurate marketing strategy based on sound analysis of enterprise resources, its competitive position and environmental factors of international markets to which the company intends to expand, is a prerequisite for success in these markets.

2 Polish companies’ methods for entering foreign markets

Participation of Polish companies in the international markets is still rather small. The main forms of expansion into foreign markets are export and improvement trade. It is usually indirect export and only a few Polish companies reach with their product the final step in the distribution channel. Use of exports as the most important form of expansion into international markets is mainly due to the relatively uncomplicated process of export transactions and low risk. In the past few years, a rapid increase in the value of Polish exports has been noted. In 2004, the value reached 60 billion €, in 2006 about 88 billion €, while in 2008 over 116 billion €. In 2009, due to the global
economic crisis, exports declined to around 99 billion €, but in 2010 it has already exceeded 120 billion €, to exceed 153.4 billion € in 2012 (GUS 2007, GUS 2010). It’s been estimated that in 2013 exports reached 158.3 billion € and in 2014 it will reach 173.6 billion €. After the first half of 2013, for the first time in 10 years, a positive balance in foreign trade - value over one billion € - has been achieved (Woźniak, 2013). If we consider the value of exports in 2004 as 100%, then in 2006 it was already 147%, in 2008 around 194%, in 2009 decrease to 165% was observed, but in 2010 the value rose back to 200%, and in 2012 reached 256%, which clearly shows that in the past eight years the value of Polish exports increased by over 156%. The rising value of Polish exports also reflected in the growing share in European and global export. Polish participation in global exports in 1995 was 0.5 %, approximately 0.9% in 2004 and 1.0% in 2012. The share in European exports was in those years respectively, 1%, 1.7% and 2.8 % (GUS 2006; GUS, 2009).

The value of global export per capita in 2010 amounted to more than 2208 $, while in Poland it was 4065 $. In 2012 the value of global exports per capita exceeded 2600 $, in Poland the values of export per capita increased to approximately 5100 $. Within the twenty years between 1990 and 2010 Poland advanced from 91st to 63rd position in the world in terms of export value. These figures were similar to those for Spain and Portugal (Gornyia, 2012, Ministerstwo Gospodarki 2013). The structure of exports also improved. In 2005, machinery, apparatus and transport equipment accounted for around 39.6% of exports, while in 2010 it was already more than 44%. The share of high technology products in exports increased from 4% to 5% in this period. It is, however, still a very modest share of this group of products in total exports. The share of minerals and timber in exports in turn decreased from 12.5% to 8.6% (GUS 2010). The vast majority of exports was directed to the developed countries - in 2005 it was more than 83.5% of Polish exports, and in 2011 about 84%. Export to developing countries decreased from 7% in 2005 to little over 6.2% in 2011. The main export markets are Germany, Italy, France, the UK, Britain and the Czech Republic.

It should be emphasized that the exporting companies are characterized by a high level of profitability (from 7.3% up to 10%), which is higher by more than three percentage points from the profitability rates of non-exporting companies (Jałowiecki, 2010; GUS 2010). In 2010, of the total number of Polish companies about 77% were profitable, whereas among exporting firms the figure was over 81%. Despite these positive trends and an extremely dynamic growth of exports, it should be noted that this trend applies mainly to medium- and large-sized enterprises. Exports mainly engaged businesses employing more than 9 persons. In 2008, there were 46.5 thousand of such enterprises and they accounted for about 3% of all businesses in Poland. Of this number, about one third i.e. 14.9 thousand were exporting. In 2009, the number of companies employing more than 9 persons increased to 74.3 thousand, 17 thousand of which were exporters. However, their share in the total number of enterprises did not exceed 1% (Biuro Analiz Sejmowych, 2010). In 2010, the number of exporters employing more than 9 persons decreased to about 14 thousand, hence the share in the total number of enterprises (1,673 million) decreased to about 0.9 % (Ministerstwo Gospodarki, 2013).

It is very rare to come across forms of entering international markets other than exports - i.e. funded or unfunded co-operation. Sales of licenses and the creation of franchise chains by Polish enterprises on foreign markets is extremely rare. There are, however, a few positive examples which include companies in the clothing and cosmetics industries such as LPP, Kan, Redan, CCC and Dr Irena Eris. This scarcity is mainly due to the fact that Polish companies do not have the products that would enable widespread use of non-equity forms of entry into foreign markets. Similarly, the appointment of joint ventures and creating strategic alliances is an absolute rarity.
However, more and more often Polish companies invest directly abroad, by purchasing existing businesses or creating their own units from scratch. The value of Polish direct investment abroad is still small, but has a tendency to increase. At the end of 2004, such investments totalled 2.36 billion €, giving an increase by more than 38% compared to the previous year. In 2006, another rise in Polish foreign direct investment to 9.6 billion € was recorded. In 2009 it already totalled 20.3 billion €, to reach 38.4 billion € in 2011 (Ministerstwo Gospodarki, 2013). On the other hand, foreign direct investment in Poland in 2011 exceeded 160 billion € (PAIZ, 2010). Foreign investment of Polish companies concentrates in Europe (90%), most of which is directed to Western Europe (70%), while Central and Eastern Europe total 21%. The largest Polish direct investment markets are Germany, the Czech Republic, Lithuania, Slovakia, Ukraine, Hungary and Romania. It is estimated that the value of Polish direct investment in Germany exceeded 600 million €, and the opening of over 20 thousand has been registered. In Norway, the investments amounted to almost 390 million € and in France to 310 million € (PAI i IZ, 2010). The largest investors include PKN Orlen, Mates SA Boryszew, Selena SA and several Polish clothing companies (LPP, Redan, Kan). In the Czech Republic the value of Polish direct investment exceeded 500 million. In this market the largest investors include the PKN Orlen, Maspex Mokate, LPP, Tatuum, CCC and companies in the furniture industry (VOX, Kler, Forte). Considerable Polish direct investment can also be noted in Lithuania (PKN Orlen 3.5 billion €), in Romania and Ukraine (Can-Pack about 35 million € and Forte about 10 million €). In Hungary and Bulgaria Maspex became the Polish leader by buying out the local producer of fruit drinks.

To conclude, Polish companies, because of limited capital and relatively little experience in dealing in foreign markets, chose simple and low-risk forms of expansion. Their actions are generally in line with the University of Uppsala model of the internationalization. Companies decided to choose one foreign market, and as the gained experience, they expanded into further markets.

3 Marketing mix strategies of Polish companies in foreign markets

Development and implementation of marketing mix strategy is an important step in the expansion into foreign markets. Preparation of the strategy should, however, be preceded by marketing research in the selected foreign markets. It should be carried out by specialized research companies, but in practice not all marketing research activities are commissioned to such organizations. Some studies of foreign markets can mainly be based on secondary sources of information and therefore can be done by the company itself. This, however, implies the addition of a unit dealing with marketing research to the organizational structure of the company. Very often it is necessary to perform primary research of the international markets. Due to the high degree of complexity, such studies should be entrusted to specialized research agencies. In both cases the company bears additional costs. For this reason, in practice, marketing research in Polish companies is relatively modest. Nevertheless an increase trend in corporate spending for these purposes can be observed. In 2003, spending on marketing research in Polish companies amounted to approximately 100 million $, in 2006 to 190 million $. In 2007 it exceeded 230 million $ to decrease by more than 10 million $ in 2010 (Gazeta Wyborcza, 2008). It should be emphasized that marketing research in foreign markets is mainly conducted by large and medium-sized enterprises.

Marketing research is dependent on the size of the company. Small companies usually do not have the necessary financial resources to enable the implementation of own research. Most use a simple secondary sources such as own commercial documentation, studies and reports, trade associations and chambers of commerce, information from business partners and only then attempt at own primary research - such as
observations or surveys (A. Żbikowska, 2013, Bartosik-Purgat et al, 2012). The scope and intensity of marketing research is affected by the size of the company, the number of foreign markets it operates on and the duration of existence in these markets. The study of Polish exporters confirmed that most companies did not conduct marketing research in the sense in which it is defined in the marketing literature. The larger the company, and the greater the number of foreign markets it deals with, the greater the engagement in marketing research. Most of the companies decided to conduct independent market research in foreign markets, mainly using the Internet, the official statistics of foreign countries and professional journals (Żbikowska, 2013, Bartosik-Purgat et al, 2012).

Marketing research was carried out mainly by export units, less often separate research units were created (Bartosik-Purgat et al, 2012). Marketing strategies implemented by Polish companies in foreign markets can be classified as selective development strategies or dual concentration strategies, which involve the selection of a few (or one) segments of the market and only a few (or one) foreign markets. These strategies help reduce the risk and cost of entry into these new markets. Marketing strategies carried out by Polish companies abroad may also be categorized as national strategies for marketing mix. This is due to the fact that Polish companies do not have large capital resources and are not able to finance the extensive market research or marketing strategies on foreign markets. However, the selective development strategies (concentration) i.e. selection of a market segment (or niche market) and achieving a leading position in it, do not require large capital investments. What is necessary is a specialized offer, the Polish companies have. Since the majority of Polish companies operate in relatively few markets and enter them gradually, each of these strategies can be tailored to the specificity of a given market. Results of Polish exporters’ research allow for drawing conclusions about the relatively high resemblance of competition tools in the domestic and foreign markets. This means that Polish companies use ethnocentric orientation. This is evidenced by the fact that most of them offer a similar to the range of services in the domestic market and foreign markets. It is true for small and medium-sized exporters. However, large exporting companies also prepare and implement marketing action plans specific to each foreign market, which point to a polycentric orientation of internationalization. Rarely large Polish companies also display regiocentric orientation.

It can be assumed that the product policy of Polish companies concentrates on standardisation and adaptation, i.e. adjustment of the offer to the requirements of the selected segment of the market. Standardisation policy is definitely favourable and is implemented when a company operates in several markets. In the field of brand policy, there are attempts (except for food industry and a few companies in the clothing, cosmetics and construction) at using own original brand. Such action is difficult, because Polish brands are not known in foreign markets and in some countries Polish products lack positive image. Efforts towards its improvement would require a very large investment in promotion. A large part of Polish enterprises supplies its products to foreign markets under the brand name of the broker in the distribution channel. The introduction of innovation into foreign markets by Polish companies is also nearly non-existent. Assortment offered in foreign markets does not differ significantly from the domestic offer (Smoleń, 2013). In most cases, Polish companies’ actions in this area can be classified as flexible specialization strategy. It involves modifying products to adapt them to the requirements of the selected segment of the market. More often, however, the dependency strategy is implemented, namely taking the role of the subcontractor who provides labour or semi-finished products.

The pricing policy of Polish companies generally implies using the cost method combined with comparing to the prices of competing products. The vast majority of Polish exporters set export prices at a different level
than the prices for the same products in the country. This is a consequence of the policy of adaptation to conditions in foreign markets (Jonas, 2013; Smoleń, 2013). As a result, the average value and (or) the good opportunity policies are employed. The first of these relates to the buyers, for whom price the average market level and the average quality of the products are important. The good opportunity pricing policy, in turn, is to establish a relatively low price for an average quality product or the average price for a high quality product. Hence, we deal with prices on the medium and low market level. It is closely related to the brand policy, as very few Polish companies supply their products to foreign markets under their own well-known brand. In addition, in many markets, exporters are faced with negative concerning Polish products and the price needs to be set at medium or relatively low level. Despite the comparatively low prices, the exporting companies are profitable because labour costs in Polish enterprises (despite higher wages in export sectors) continue to account for only a small share of the price of exported products. The flexible exchange rate for foreign currencies (EUR and USD) is also a beneficial factor. Exporting enterprises, especially specialized, showed a significantly higher profitability than non-exporting companies (Ciesielska, 2012).

With regards to the distribution policy, companies face several choices:
- a) build their own distribution channel,
- b) use the foreign distribution channel,
- c) cooperate with the independent agents who take over the risks and costs of product sales,
- d) use agents acting on behalf of other companies.

Distribution policy of Polish companies abroad is mainly to use foreign distribution channels. Only some companies decide to create their own channels or franchise networks. This is due to high costs of building own distribution channel, often lack the staff who would be able to effectively manage these channels. Polish companies also prefer independent intermediaries in distribution channels because, as was pointed out above, they are able to take the risk and cost of sales in foreign markets. Distribution channels used by the vast majority of Polish companies in foreign markets differ significantly from the distribution channels used in Poland (Smoleń, 2013). This means that the distribution is another element of the strategy of adaptation to the specifics of foreign markets.

Promotion policy on foreign markets may take the form of uniform or varied actions and it is very difficult and costly to implement. It requires a very good knowledge of the promotion market abroad, including the sensitivity of foreign buyers to media promotion. Therefore, most companies transfer promotion to intermediaries in the distribution channel. Those that have made direct investments in foreign markets use local agencies for the preparation of promotional publicity. Content and form of promotional messages on foreign markets is usually different from the media content on the Polish market. Also the tools of the mix-promoting policy differ (Smoleń, 2013). This shows, that similarly as with regards to the distribution policy, the differentiation and adaptation strategies are employed in the expansion into foreign markets.

4 Conclusions

Polish companies expand into international markets primarily in the form of indirect exports. Other ways to expand into international markets are used in a very limited scope. The companies develop relatively simple marketing mix strategies in these markets. Competing in foreign markets is mainly with products tailored to the needs of local customers, rarely marked with manufacturer's brand and usually with the use of the intermediary’s brand name. The export products are of medium to high quality and sold in low or medium prices (compared to the prices of competing products) respectively. Polish companies rarely take their own promotional actions. These are mostly transferred to foreign intermediaries in the
distribution channel. Polish exporters also rarely build own distribution channels, not even as a supplement to foreign channels. It can be concluded that the marketing mix strategies of Polish companies on international markets have been prepared and implemented correctly. Applied marketing mix tools reflected their financial resources, personnel, offer, knowledge of foreign markets, experience and skills in operating on them. Such strategy has so far brought positive results. A systematic and strong growth in export, as well as a favourable change in the structure of exports – i.e. an increase in the turnover of more processed products and increase in the economic efficiency exporters, has been observed. As a result, it allowed the Polish exporters to strengthen their position both in the domestic market and foreign markets. It seems, however, that in the long term marketing activities should be modified, especially in the foreign markets by creation of original brands and own distribution channels.

References


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