HOW RESEARCH ON MARKETING IN CENTRAL AND EASTERN EUROPE CAN ADVANCE INTERNATIONAL MARKETING THEORY

KAKO ISTRAŽIVANJA O MARKETINGU U SREDNJOJ I ISTOČNOJ EUROPI MOGU UNAPRIJEDITI TEORIJU MEĐUNARODNOG MARKETINGA

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SAŽETAK

Ovaj rad bavi se pitanjem na koji način istraživanja o marketinškim pitanjima u srednjoj i istočnoj Europi (SIE) mogu pridonijeti teoriji međunarodnog marketinga. Regionalne studije pružaju vrijedan uvid u poslovna okruženja, različite marketinške sustave i prakse pojedinih zemalja i zemljopisnih područja, što objašnjava njihovu privlačnost za one koji se marketingom bave u praksi. No iako pridonose općem korpusu znanja o marketingu, one često nemaju snažniju

Key words:

Central and Eastern Europe, marketing theory, regional study

ABSTRACT

This paper deals with the question of how research on marketing issues in Central and Eastern Europe (CEE) can contribute to the international marketing theory. Regional studies provide valuable insights into business environments, marketing systems and practices in specific countries and geographical areas, which explain their high appeal among marketing practitioners. While contributing to the general body of knowledge in marketing, they often primjenu u razvoju teorije. Daje se prikaz i rasprava o dvama pristupima koji povezuju regionalne studije s unaprjeđenjem teorije međunarodnog marketinga: istraživanja o SIE treba se ili ugraditi u postojeće teorije ili iskoristiti kao polazište za razvoj novih teorija. Sam izbor između induktivnog i deduktivnog pristupa istraživanju pritom je sporedan sve dok se obrađuju jedinstvene marketinške pojave. Jedinstvene marketinške pojave koje potječu iz konteksta SIE donose neke inovativne uvide te imaju velik potencijal za pružanje dodatne vrijednosti teoriji međunarodnog marketinga. lack a strong role in theory development. Two approaches which link regional studies to the advancement of international marketing theory are presented and discussed: research on CEE has to be either integrated into existing theories or used as a starting point for the building of new theories. The choice of an inductive or deductive research approach is rather secondary as long as unique marketing phenomena are addressed. Unique marketing phenomena originating from a CEE context bring forth innovative insights and have a large potential to add value to the international marketing theory.

TRŽIŠTE

257

1. INTRODUCTION

Twenty years after the fall of the Iron Curtain, the research interest in business and management issues related to the transitional economies of Central and Eastern Europe (CEE) has not faded.¹ The importance of CEE as a subject of marketing and business research results from the specific historic circumstances accompanying the political and economic opening of the region. Never before had a whole bloc of countries started such a radical transformation process involving several spheres of society at the same time.² From an economic perspective, the transition process from a centrally planned economy to a market economy has constituted the agenda for business research on CEE so far.³ Persisting differences and ongoing changes in the institutional environment, especially in South Eastern and Eastern Europe, create a unique framework for testing existing theories and developing new insights.⁴ This interest in business and marketing issues in CEE goes parallel with a growing research interest in emerging markets in general.⁵

Existing theories have been derived almost exclusively from the research conducted in highincome, industrialized economies. Emerging markets can be seen as natural laboratories in which existing marketing knowledge can be tested and boundary conditions identified.⁶ The purpose of this paper is to discuss the current role of research on marketing in CEE, and how a stronger focus on local marketing insights could add value to a further development of marketing theory. Two approaches, which link CEE studies to the advancement of international marketing theory, are presented and discussed: marketing researchers either conduct theoryguided studies, using the business conditions in CEE as "test beds" for existing (Western) theories, or they engage in theory-building by focusing on the identification and conceptualization of the phenomena which are idiosyncratic for the region.

2. FROM DESCRIPTIVE TO THEORETICAL RESEARCH

International marketing and business success is related to a comprehensive knowledge of national and regional peculiarities. When entering a foreign market, the management has to decide on the right entry strategy and on the degree of localization of an existing brand or marketing strategy. In this situation general and specific information is needed as decision support. By providing a comprehensive coverage of the business environment(s) and management practices in a defined region, regional studies offer general guidance to managers of multinational companies (MNC). Regional studies exist on a descriptive, technological-pragmatic or theoretical level, as depicted in Figure 1. However, it is fair to assume that most regional studies are descriptive. Their basic function is to provide insights and instructions on specific countries and geographic areas. Descriptive research acts as foundation of any scientific knowledge. It is a preliminary stage for theory building and for theory testing. Foreign firms entering CEE are interested primarily in the specific macro-environmental, market and competitive situations they are likely to encounter; the main guestion is how they should respond strategically and organizationally to these situations. Descriptive studies may focus either on the macro-environmental level by documenting changes in the business environment, such as transformations of the legal and institutional framework in the course of the transition process, or on the micro-level: studies of the attitudes of managers and consumers, changes in the trade and media structure or in the competitive strategies of local firms are good examples. Regional studies serve an important purpose by supporting the decisionmaking process of the MNC management when selecting the right market, finding the appropriate market entry method and promising marketing strategies. The description of different facets

Arnold Schuh

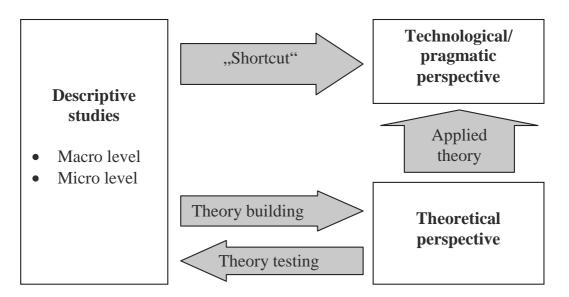
of buying behavior, market structures, distribution channels and competitive behavior serves as a basis for theoretical analysis. Analyzing phenomena by using a theoretical framework allows for testing of causal relationships under varying contexts and, if not refuted, generalizations in the shape of laws. These theories, as long as they are not falsified, form the foundation of applied theory, which can be used to provide pragmatic recommendations to the MNC management.

Figure 1: Domains of regional studies

and the specification of the application context, such as industry/product category, country/region, market segment and time period.

Especially in the literature from the 1990s on, one finds a lot of examples of descriptive research, often kept in a normative tone:

- Marketing guidelines for Eastern Europe.⁸
- Doing business in Eastern Europe: Opportunities and threats for Western firms.⁹



However, a literature review on CEE business shows that the deduction of technological recommendations is often done without consulting theory.⁷ A "shortcut" is made when the empirical observations based on small samples are transformed into conceptual frameworks, from which statements of the right behavior in certain situations are derived. They easily gain the character of normative theory, following the "how to do business in CEE" format. The MNC management as a primary user of international business and marketing research drives this process as it needs guidance for its decisions. Thus, the value of such recommendations depends to a large extent on the quality of the underlying research process

- Marketing approaches and organization for marketing in the Ukraine.¹⁰
- Transformation of the consumers in Russia and Eastern Europe.¹¹
- Key factors for market success in CEE.¹²
- Entry strategies of US firms to the CEE.¹³
- Joint ventures in Hungary: Key success factors.¹⁴
- Building successful partnerships in Russia and Belarus.¹⁵
- Competitiveness and marketing strategies of foreign companies in Eastern Europe.¹⁶
- Marketing issues and challenges in transitional economies.¹⁷
- Standardization vs. localization of marketing strategies.¹⁸

• Marketing implications of communist ideological legacy in the national cultures of CEE countries.¹⁹

The main purpose of these contributions was to describe typical marketing situations in CEE by pointing out the similarities and the differences to Western markets and environments, and by evaluating different go-to-market approaches from the perspective of foreign companies. These findings form an important body of knowledge for marketing management and improve the quality of the decision-making process. While often leaning towards normative theory by focusing on the pragmatic value of the findings, this body of literature provides answers to the most pressing issues that foreign companies entering the region faced in the 1990s. This does not mean that this type of research has no theoretical background. In most cases, references to a theoretical background (e.g. internationalization process, global marketing program standardization, strategic management) exist and the majority of authors place their studies well into the framework of the international marketing/business concept.

However, as mentioned above, descriptive research is also a key element of any theoretical research, either as a starting point in the case of theory building or as a "context-variable" in the case of theory testing. In both cases, the phenomenon studied has to be described and measured at the beginning of the research process. In the next step the phenomena are classified into categories (typologies, frameworks) and any association between the category-defining attributes and certain outcomes of interest is explored. By comparing local phenomena with the existing body of knowledge in the field of international business, similarities and differences are detected. The search for unique phenomena is always of great appeal. Meyer and Estrin²⁰ identified in their study of entry modes in CEE the brownfield investment, a combination of an acquisition and a greenfield investment, as a typical entry method and found an explanation why it is common in transitional economies. Research on joint ventures between Western and Central European companies showed that they are often "transitional joint ventures", in which the Western partner assumes full ownership after a few years.²¹ The models resulting from this "bottom up" inductive theory-building process are subsequently tested. This process ideally follows a qualitative research design, as represented by the grounded theory methodology²² and the school that advocates building theories from case study research.²³ Following a more inductive approach, by starting with idiosyncratic marketing issues found in the transitional economies of CEE, seems to promise a high theoretical yield for marketing and management research on CEE.

Approaching research on marketing issues in CEE with a stronger theoretical perspective and research design allows theorizing about the scope of applicability of theories. Organizational theories, resource-based theories and institutional theories in particular have attracted attention in CEE-related research.24 The theoretical grounding is central to the positioning of management and business research on CEE as it offers a more prominent position in the general marketing and management literature and, as a consequence, the access to high quality journals in the field of international business. According to Meyer and Peng,²⁵ the value added of CEErelated management research stems from the specific contextual influences that provide a unique testing ground for theories developed in the Western world. Researchers in international business are confronted with certain differences in environmental and market conditions, compared to their base of reference. This raises the question of whether concepts or theories developed in their "home market" are also valid in the new regional context. For instance, is the classic incremental model of the internationalization process derived from the experiences of West European firms in the 1970s still valid in the context of CEE in the 1990s? The opportunities offered by the privatization of state-owned enter259

260

prises, a higher level of international experience of MNCs and a higher competitive intensity may explain a leap-frogging behavior in the expansion to CEE. Companies do not increase their commitment to a foreign market in small steps but jump from exploratory exporting straight to the acquisition of a local competitor.

The growing number of theoretical publications in the recent years may be pointing at an evolution in the quality of management research on CEE.²⁶ A better understanding of the marketing situations in CEE, due to preliminary descriptive and explorative research, makes it easier for researchers to link these phenomena to appropriate theoretical frameworks now. Possibly, we are not facing an "either - or" decision but are rather witnessing a natural evolution in a relatively young sub-area of international marketing research: first comes the description and classification phase of marketing phenomena in CEE, then the theory-building and theory-testing phase. Moreover, it could be argued that a (presumed) unique marketing phenomenon that is idiosyncratic for the region of CEE is a starting point or a common denominator for both research approaches. It has to be examined whether such a unique marketing phenomenon has the potential to be further developed into a so called mid-range theory, which explains a specific phenomenon within a certain subject, time and geographic context but lacks the high level of generality of a "grand" theory.²⁷ Often, such discoveries finally turn out to be less unique than initially thought because they have been also observed in other regions of the world too (e.g. Asia, Latin America). Hence, we can see an increasing integration of CEE topics into research on "economies in transition" or "emerging economies".²⁸ While the adoption of such a perspective reduces the significance of the "local flavor" in the explanation of a phenomenon, it widens the geographic scope in the applicability of the derived theoretical statements along some common non-geographical characteristics (e.g. development stage of an economy or market).

3. SEARCHING FOR UNIQUE MARKETING PHENOMENA IN CEE

When CEE marketing research wants to make a contribution to international marketing theory that goes beyond pure description, it has to focus on marketing phenomena originating from the regional context. Contextualization is not only desirable but essential to developing value added marketing knowledge. What are possible unique marketing phenomena that promise value added for (international) marketing theory? In Table 1 research topics with a close CEE nexus and a great innovative potential are listed. This list is a personal selection of the author and may serve as a starting point for discussion. The topics are classified by major research streams in the international marketing literature.²⁹ As far as literature covering the specific topic is known to the author, it is added in the third column.

All these examples represent "innovative insights" or marketing phenomena that originate from a CEE context or are at least closely related to it. Environmental studies have a long tradition in the field of international marketing.³⁰ Given the major influence of environmental forces on decisions of all market participants, a multitude of studies is imaginable in this research stream. The transition process from a command to a market-based economy, which is mainly driven by changes of the legal framework, is affecting all levels of the marketing system either directly or indirectly via trickle-down and interaction effects between different spheres of the macro-environment. With regard to the relationship between a transformation of the legal framework and its repercussions on the national culture, it would not be surprising if fundamental value orientations and dimensions of the national culture (e.g. importance of collectivism vs. individualism) have been shattered too by this process. Another interesting research perspective is the study of the impact of the transition process on key strategy

TRŽIŠTE

Table 1: Overview of	CEE-related rese	earch topics with a	a high innovative	notential
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Research areas	Examples of research topics	Existing literature
Environment	Impact of the transition process on strategy and culture of firms	Peng, 2000; Hoskisson et al., 2000; Meyer & Peng, 2005
	Effects of the transformation process on cultural values/national culture	Kolman et al., 2003; Bakacsi et al., 2002
	Transformation/privatization and competitive advantage	Fahy et al., 2003
	Impact of the current economic crisis on the strategies of multinational firms in CEE	Schuh, 2009
Markets & marketing infrastructure	Europeanization/globalization of product market structures in CEE (international vs. local brands, private labels)	Schuh, 2007a
	Role of retailers in the diffusion process of Western product categories/brands	
Buying behavior	Coping strategies of consumers with the discrepancy between the enormous breadth of offerings and their limited financial resources	
	Cross-border shopping or out-shopping phenomenon	Dmitrovic & Vida, 2007
Internationalization process	Leap-frogging patterns in the internationalization process of Western firms in CEE	Meyer & Gelbuda, 2006
	Internationalization process of local firms (target countries, entry mode, internationalization in networks)	Bridgewater, 1999
Mode of market entry & expansion	Brownfield entry in emerging markets	Meyer & Estrin, 2001
	East-West joint ventures as a "transitional mode of presence"	Danis & Parkhe, 2002
Marketing & competitive strategy	Strategic flexibility as success factor in CEE strategies	Uhlenbruck, Meyer & Hitt, 2003
	Competitive strategies of local firms	Dawar & Frost, 1999; Obloj & Davis, 1996; Meyer & Peng, 2005
	Marketing strategies for polarized markets in CEE	London & Hart, 2004; Prahalad, 2004
Marketing management &	Implementation of regional strategies and structures	Yip & Kozminski, 2000; Ferencikova & Schuh, 2003; Schuh, 2007b
organization	Transfer of experiences made in CEE markets to Western home markets of MNCs	
Marketing research	Measuring the potential of markets in CEE	Cavusgil, 1997

concepts, such as the competitive advantage of firms as well as on business and marketing strategy. This research approach would follow the classic industrial organization theory and look at how the national/regional environment determines strategy and subsequently performance. The issue of the environment-strategy coalignment is of particular interest in the context of transitional economies. Especially, researchers pursuing an institutional theory perspective are eager to learn how fit is generated under these conditions. The necessity of strategic flexibility, as a core element of firm strategy in order to survive in this fast changing business environment, is another good example of an extended approach to strategy development in transitional economies. Given the scarcity of resources and capabilities needed to survive under the new competitive and market conditions, the way in which local firms acquire and upgrade resources offers a perfect opportunity for theorizing from a resource-based view perspective.

Studies of market structure changes in CEE in the course of the transition process are rather rare. The opening up of CEE markets, formerly out of reach of Western brands, is predestined for retrospective studies that explore the development of the product markets of the region and the emergence of new market structures. The market globalization perspective and the diffusion theory provide a related theoretical basis for this research stream. Investigating the individual role of different market participants (foreign MNCs, international retailers, media groups etc.) as change agents could help understand the complex mechanism driving market change. CEE consumers experienced a flood of new products and new product categories in a matter of a few years. How do consumers deal with this dramatic increase in consumer choice? How do they cope with this obvious gap between a huge breadth of offerings and their limited financial resources nowadays? Due to the lack of retail outlets or driven by lower prices abroad a number of consumers shop in neighboring markets. The out-shopping behavior offers a good opportunity to investigate the role of economic patriotism, especially in a region such as the Western Balkans, where the legacy of a militant dissolution of former Yugoslavia is still influencing the behavior of people.

Concerning the internationalization process of Western firms in CEE, it is worth questioning the traditional incremental build-up of commitment to local markets. The privatization process, coupled with a small size of many CEE markets and the prevalence of the globalization philosophy are all factors which may explain why some foreign MNCs are not going through all stages of the establishment chain but are jumping from exporting straight to fully-owned subsidiaries. In the last few years, the internationalization strategies and competitive strategies of local companies have been receiving more attention: What are the characteristics of successful local companies and how are they fighting the often overwhelming competition of foreign companies entering their home markets? As the expansion to foreign markets is often a natural step following or accompanying the local market success, the analysis of internationalization patterns of CEE firms with regard to foreign target markets, target groups, entry mode, competitive positioning and marketing-mix has a great potential to enrich the internationalization theory. A closely related field of research is the choice of the adequate form of market presence in a foreign market. The brownfield investment, as a hybrid of an acquisition and a greenfield investment, or the discovery of the transitional character of many East-West joint ventures are typical examples of how empirical evidence from the business practice in CEE contributed to the general body of knowledge in international business and marketing.

Strategic issues were already mentioned as a subject of environmental impact and internationalization studies. Research on local incumbents has mainly addressed the challenges associated with restructuring so far. The search for viable competitive strategies under the given

TRŽIŠTE

constraints will not only be valuable from a pragmatic managerial perspective but may also be a good test of existing frameworks and theories under extreme conditions (e.g. competitive strategy, resource-based view). A further topic gaining in importance is how foreign MNCs should deal with the phenomenon of polarized markets. While entering the upper segments of the markets was a logical continuation of their Western home market strategies, they encounter major challenges when trying to enter the "bottom of the pyramid^{"31} namely the large price-sensitive mass markets. This trend is even reinforced by the current economic downturn.³² New business models are needed for these mass markets. which are often at odds with existing strategic approaches, corporate values and culture. This leads us to the organizational issues that many firms face in the region today. Many companies have expanded their presence in the region and have in the meantime gained a regional player status. For this group of firms the managerial attention is now shifting from a further geographic expansion to the optimization of their existing operations in the region. While the implementation of regional strategies and regional structures (e.g. regional headquarters) is gaining popularity in CEE, academia has shown little interest in this issue so far. Finally, we should look at the methodology used in CEE marketing research. Given the high importance of market potential in the country market selection process, more attention should be paid to the methods assessing market potential and associated risks.

As marketing issues in transitional economies are the subjects of the analysis, one has to be aware that given the continuous change of the institutional framework, markets, retail and advertising scene, purchasing power of consumers and competitive environment findings are probably limited in their validity to a specific time period. The recommendation that joint ventures with local partners are preferable to the establishment of a fully-owned subsidiary may be true for the early phase of the transition process of a country due to lack of transparency, government

interests and legal restrictions. But the situation in a country that has already completed most of the stages of the reform process may differ. Therefore, the notion of the economic transformation process as a central explanatory concept for conducting marketing and business in CEE has to be challenged – at least in Central Europe, where economists claim that the transformation into a market economy has already been accomplished. Taking away the macroeconomic transition process, what would be left to justify CEE as a regional research perspective in marketing? Geographic, economic and cultural characteristics will always play a role in the implementation of regional marketing concepts. The emergence of a more integrated market in the region and in Europe will offer ample opportunities for regionspecific research. In addition, even if macroeconomic transformation is declared complete, the analysis of its trickle-down effect on a microlevel, namely on the behavioral aspects of management and buying/consumption processes, seems to be a topic worth further investigation ("macro – micro link" and vice versa).

4. CONCLUSIONS

The author still sees a great potential in the pursuit of a distinct regional approach to the (international) marketing theory development. When looking for topics which could have a strong impact on the field, starting with the search for uniqueness makes sense for marketers who believe in the unique selling proposition concept. This goal can be achieved by high-quality indigenous research.³³ Three approaches can be distinguished in this effort to build marketing knowledge and theory:

- Theory-guided studies, using market and environmental conditions in CEE as "test beds" for existing theory,
- Comparative studies on a regional level, and
- Theory-building by focusing on unique phenomena originating from the local/regional context.

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The first approach uses the CEE context to test theories that have been developed in economically advanced economies. By putting those theories to test in "extreme contexts", such as the fast changing and incomplete institutional environments which are typical for the transitional economies of Eastern and South-Eastern Europe, the limits of existing general knowledge become visible. The application of studies based on transaction cost, resource-based and institutional theories in a CEE context are regarded as particularly useful since they contribute to the forming of universal knowledge. Another way to extend the degree of generalization is by conducting comparative studies on a regional level. As numerous phenomena can be found in similar settings in other parts of the world too, comparative studies on a regional level could help identify similarities and differences of the study topic. The comparison of personal networking mechanisms in Russia ("blat") and China ("Guanxi") is a typical example of such a study design.³⁴ The comparison of buying behavior and marketing strategies in different regions in the context of globalization would also be an interesting project. Finally, the inductive approach, starting with the search for a unique phenomenon, has a large potential for innovative research. This process starts with the identification of a phenomenon that seems to be idiosyncratic for the region. This is followed by a "thick description" and conceptualization of the observed phenomenon in its national or regional context. By comparing the construct to the existing theory, its contribution to the marketing knowledge can be assessed: either the

construct opens a new perspective or it amends and extends the existing theory.

Given the speed of developments in the region, we have to check carefully if the premise of our CEE research agenda is still valid; that is the central role of the transition process as the explanatory framework for a distinct CEE perspective. The fast progress in the macroeconomic transformation in Central Europe, the actual and prospective integration of countries of the region into the European Union, and the continuous approximation of CEE countries to Western market and consumption patterns undermine the notion of the transformation process as a constituting element of the CEE business research. It remains to be proven whether the still ongoing transformation on a micro-level of the economies offers a sufficient base to building the CEE research on it.35

Geographic, economic and cultural idiosyncrasies always justify a distinct CEE perspective in marketing research. Marketing practice is interested in the peculiarities of regional markets, and is eager for insights and recommendations. However, to contribute to theoretical research that goes beyond practice-oriented explanations, a strong grounding in a theoretical framework is necessary. Combining local insights with a clear theoretical perspective may it be a deductive, theory-testing approach or an inductive, theory-building approach, are forming the guideline for high quality marketing research in CEE. In any case, important contributions to the field of international marketing theory will be achieved.

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265

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Arnold Schuh

266

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Vol. XXII (2010), br. 2, str. 255 - 268

267

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Arnold Schuh

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