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Marketing strategies of Polish companies on foreign markets

1. Introduction

In the years 2017-2018 the Marketing Faculty of Łódź University conducted a research project *"Marketing strategies of companies based in Łódź Voivodeship on foreign markets"*. **The main aim** of the research was to define the strategies and marketing mix instruments implemented by these companies on international markets and to examine the effectiveness of marketing activities on those markets. To achieve this aim the survey used literature study and primary research conducted in selected companies of Łódź Voivodeship. The research tool used was an interview questionnaire and the research sample was selected on the basis of purposeful random sampling. The research units were enterprises based in Łódź Voivodeship operating on foreign markets. The research sample was drawn from the Łódź Voivodship companies listed in the Central Statistical Office database comprising over 2,800 companies. 100 enterprises from this list were initially qualified for the first stage of the research (2017) and after the final verification 50 of them were selected for the research project. The main criterion for the selection was that the companies declared that they were: implementing marketing mix strategies on foreign markets, managing

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specific marketing mix instruments, organising marketing activities and analysing their effectiveness. The companies that positively responded to the majority of the above indicated issues in the questionnaire were also taken into consideration. The second stage of the project (2018) involved the primary research based on interview questionnaires sent to the companies selected from the purposeful random sample, the criterion being the company's involvement in activities on foreign markets. 120 companies, out of 900, took part in the research study. The aim of this text is to present the initial research findings concerning the marketing strategies implemented by the surveyed companies on foreign markets.

2. Forms of activities used by Łódź Voivodeship-based companies on foreign markets

The forms of expansion into foreign markets most often presented in the literature on international marketing and internationalization can be divided into four groups. They are: export-import activities, non-equity alliances, equity alliances and direct investments. Export-import activities involve direct and indirect export, barter, transit trade and processing, out of which direct and indirect export are the most common. The non-equity alliances include selling licences, building a network of franchise businesses, managerial contracts and comprehensive investments. Equity alliances, in contrast, involve creating joint enterprises with other partners on foreign markets, a special form of which are equity strategic alliances. Direct investments concern establishing the company's new enterprise on a foreign market, the so called greenfield investment or acquiring an enterprise already existing on a foreign market, the so called brownfield investment (Further in Grzegorzczak, 2013; Wiktor, Oczkowska, Żbikowska, 2008; Fonfara, 2014; Gorynia, 2014; Rymarczyk, 1996; Witek-Hajduk, 2010). The research project whose initial findings are presented below considered the above mentioned forms of expansion of Łódź Voivodeship-based companies into foreign market and the marketing mix strategies used by them.

Łódź Voivodeship's share in the total number of companies accounted for 6.4% in 2015 amounting to 130,400 companies, whereas it came sixth among all voivodeships in the volume of its GDP, which accounted for 6.1% of the total volume of Polish GDP. [([WWW.lodz.stat.goc.pl/vademecum_lodzkie / portret_wojewodztwo_lodzkie.pdf](http://WWW.lodz.stat.goc.pl/vademecum_lodzkie/portret_wojewodztwo_lodzkie.pdf))(dostęp.7.08.2017)] The main form of Łódź Voivodeship companies' expansion into foreign markets is export just as is the case of Polish companies nationwide. The export value of Łódź Voivodeship

companies amounted to € 550,000 million in 2014 and € 630,000 in 2015, which was equivalent to its 3.5% share in the total value of Polish export and the sixth position of the export value among all Polish voivodeships (See: Foreign trade in Łódź Voivodeship). In 2016 the export value amounted to over 30,000 million Polish zlotys (about 7,200 million euros) [(WWW.tulodz.com/wiadomosci_jakie_kierunki_obieraja_lodzcy_eksporterzy,wia5_3273_10765.html(dostep_10.09.2018)/news_what_destinations_do_Łódź_exporters_choose]. It is very difficult to clearly estimate the number of companies undertaking to operate on foreign markets. The Central Statistical Office database contains information about the number of Polish companies involved in export and according to its statistics it is about 100,000. According to the survey of the research and consulting company Bisnode (Dan & Bradstreet representative for Central-Eastern Europe) there were 2,673 export companies and 2,793 import companies in Łódź Voivodeship in 2016 ((See: Foreign Trade in Poland and Lesser Poland). Łódź Voivodeship came sixth nationwide in this category, Masovian Voivodeship came first (8,808 export companies) followed by Greater Poland Voivodeship (5,502 export companies), Silesian Voievodship (4,959 exporters), Lesser Poland Voivodeship (2,870 exporters) and Lower Silesian Voivodeship (2,777 exporters). The main export destinations of Łódź Voivodeship companies are: Ukraine, Germany, Russia, Belarus, the Czech Republic and Lithuania. The main exports are: textiles, clothes, food products, rubber products and plastics, machinery and equipment. (Frąk, 2017) According to the research over 93% of the companies under survey expanded into foreign markets using direct and indirect export and just about 10% of them opened their branches abroad).

In the ranking of the daily newspaper Rzeczpospolita "*List of 2,000 biggest Polish companies and exporters*" in 2007 there were 77 companies from Łódź Voivodeship, in 2014 – 83, in 2015 – 82 and in 2016 – 78. Each of these years Łódź Voivodeship came eighth among all Polish voivodeships (see: *List of 2,000 biggest Polish companies and exporters, 2016*). It can be noticed then that in terms of the number of exporters, the number of the biggest companies in Poland and the share in the country's export, there were no significant changes in the figures referring to Łódź Voivodeship. It should be emphasised, however, that the share of Łódź Voivodeship companies in the country's export (3.5%) is significantly lower than their share in Poland's GDP (6.1%). It can indicate that the export growth dynamics of Łódź Voivodeship companies is not high enough and that they did not take full advantage of all possibilities in this respect.

On the national scale we can encounter uses of different forms of expansion into foreign markets, namely franchising and direct investments. The number of

companies that use these forms of expansion, however, is very small. In the case of franchising it amounts to 45. Only about 1430 Polish companies were involved in direct investments and they had shares in 3194 business entities abroad (Radło, Ciesielska, 2017). This number accounts for less than one per mille of the total number of Polish enterprises.

Due to the fact that the basic and predominant form of expansion of Łódź Voivodeship companies into foreign markets is export, the conclusion that can be drawn is that these companies use export marketing or some of its elements or international marketing. Export marketing involves marketing activities that an enterprise undertakes with regard to the export of its products into foreign markets. It is most often connected with the fact that the company begins activities on foreign markets in the form of indirect export, direct export or direct import, whereas international marketing is often defined as the activities that a company implements in foreign markets by its foreign units related to the sales of its products on foreign markets.

As it has been emphasised above, the preparation of a foreign marketing strategy should be preceded by marketing research on particular foreign markets. It can be carried out by specialised research companies or with the use of the company's own resources. The latter option however, involves setting up a section dealing with marketing research within the organizational structure of the company. It is reasonable to set up a separate marketing research unit in the companies in which it is justified by the amount and range of foreign operations carried out by them and the research activities involved. Therefore, there are specialised marketing research sections functioning in big corporations, whereas in medium-sized companies it is usually the marketing department that is responsible for conducting marketing research. In small companies all marketing functions are usually dealt with by a marketing specialist.

3. Marketing research of foreign markets and marketing organisation

Getting involved in marketing research of foreign markets and marketing organization results in additional financial outlays incurred by the company. In practice, this is precisely the reason why marketing research activities are usually relatively modest although it can be noticed that the tendency to increase companies' expenses on such purposes is growing. Polish enterprises carry out foreign market research primarily with the help of their own research unit (about 77%) and only one fourth of them commissions specialised agencies to conduct foreign market research (Wiktor, Chlipała, 2012, p.145). In 2003

marketing research outlays incurred by Polish companies amounted to \$100 million, in 2006 – about \$190 million and in 2007 it was already over \$250 million (Gazeta Wyborcza, 1 April, 2008). In 2012 the expenditures on marketing research incurred by Polish companies amounted to about 700 million Polish zlotys, which is about \$240 million, and in the following years they stood at about 600 million Polish zlotys. {(WWW. media.pl/artykuly(dostep 25.07.2017)}. Poland's share in outlays on research in Europe is low and does not exceed 1.4% (Gregor, Kalińska, 2014, p.70). It should be emphasised that the outlays on marketing research of foreign markets are mainly incurred by big and medium-sized companies because they are the ones that most commonly expand into those markets. This conclusion has been confirmed by the results of the surveys conducted on Polish exporters. The majority of companies surveyed (over 59% up to 75%) claimed they did not conduct marketing research of foreign markets (Zbikowska, 2013, Janeczek, 2013). Many more of big companies (employing over 250 people) conducted this kind of research more often (around 40% of them) than small companies (employing from 10 to 50 people) – around 20%. Among the surveyed Łódź Voivodeship companies just slightly over a half of them had their own marketing research units, whereas as much as 74% of them admitted that they did not conduct any research on international markets before expanding into them. The remaining group of about 26% conducts this kind of research and one fifth of the companies commissioned specialised companies to do the research. Over half of the companies under survey (52%) do not conduct any research on the effectiveness of their marketing activities on foreign markets either.

Polish companies conducting marketing research on foreign markets use both internal and external sources of information. The most commonly used internal sources of information are: employees' knowledge and experience, received offers, contracts, sales invoices and commercial correspondence. Statistical reporting is of relatively low importance in this respect. The most commonly used external sources of information are: the Internet, trade fairs and international exhibitions, the information from foreign clients, trade magazines, competitors' catalogues, the information from foreign agents and intermediaries (Bartosik-Purgat, Schroeder, 2013, pp. 50-51), which has been largely confirmed by the research conducted on Łódź Voivodeship-based companies. The main sources of information used by them in their marketing research are: the Internet (over 87%), trade magazines (over 61%) and reports of research companies (about 58%).

Summing up these brief reflections on marketing research as a condition to prepare and implement a marketing strategy, it can be concluded that it is

mainly conducted by big companies, which, over time, increasingly undertake their own research on foreign markets, while a big proportion of small and medium companies resign from this kind of research. What is more, the system of marketing information about foreign markets in Polish companies, practically doesn't exist.

4. Types and content of marketing-mix strategies of Polish companies on foreign markets

The marketing strategies implemented by Polish companies on foreign markets are above all **strategies of selective development**, which involve concentration on selected territorial markets or groups of buyers and the development of the company's competitive position with respect to the selected markets or buyers. They do not require big capital outlays and they can be used by small and medium-sized companies. What is necessary is an offer of specialist products and Polish companies do have them. The applied strategies can be also defined as double-focus strategies which involve focusing on a small number of market segments (or just one of them) and a small number of foreign markets (or just one of them). These strategies allow companies to reduce the risks and costs of entering new markets. The marketing strategies implemented by Polish companies on foreign markets can be also classified as **domestic marketing-mix strategies**. This results from the fact that Polish companies do not possess big capital resources and cannot finance marketing research on vast foreign markets or marketing strategies implemented on them. As the majority of Polish companies operate on a relatively small number of foreign markets and enter them gradually, each of the marketing strategies used is adjusted for the specific features of particular foreign markets. This means that Polish companies in fact put into practice a polycentric international orientation. Some medium-sized and small companies use hybrid marketing-mix strategies and a regiocentric orientation.

It can be acknowledged that the **product policy** of Polish companies reflects their adaptation, that is the adjustment of the product offer to the requirements of a selected market segment. The standardisation policy is much more beneficial but it is used when a company enters a number of markets at the same time, which, in the case of Polish companies, hardly ever takes place. Polish companies more often use adaptation (49%) than standardisation (21%) in the product policy (See Janeczek, 2013). It has been confirmed by primary research conducted on managers of selected companies from Łódź Voivodeship with the use of

questionnaires and by questionnaire surveys. Over 56% of the companies apply the product adaptation policy. The elements that companies most commonly adapt are product packaging (over 60%), materials (about 40%) and brand (about 37%). The activities of Polish companies in this respect most commonly belong to the category of a flexible specialisation strategy, which involves modifying products in order to adjust them to the requirements of a selected market segment. A more commonly implemented strategy, however, is a dependence strategy in which Polish companies assume a role of a subcontractor providing labour or possibly semi-finished products.

Pricing policy of Polish companies most often includes setting prices for their products with the use of the cost method and comparing the fixed prices simultaneously with those of their competitors. Over 66% of the examined companies indicated manufacturing costs, competitors' prices and the costs of delivering products abroad as the main factors affecting prices. As a result companies use pricing policies of the average value and/or of good bargains. The first kind of policy refers to the buyers who appreciate product prices at a medium market level and a medium quality of products. The policy of a good bargain involves setting a relatively low price level for medium quality products. As we can see, prices are set at a medium or low market level. It is strictly related to the company's brand policy and the stereotypes concerning Polish products and the price is then set at a medium market level. The research conducted on companies from Łódź Voivodeship also indicates that an essential factor affecting their product prices is the form of payment and that the forms of payment they prefer to use to ensure payments from foreign buyers are prepayments (advance payments). A Letter of Credit against documents is relatively rarely used because of the costs involved.

With regard to the distribution policy companies face the following alternatives:

- to build their own distribution channel or to make use of an external distribution channel,
- to cooperate with independent intermediaries taking on the risks and incurring the costs of the product sales or to use intermediaries acting on somebody else's account and somebody else's behalf.

The distribution policy of the examined companies abroad involves using external distribution channels. This is because the costs of building the company's own distribution channel are high and companies often lack the personnel who could effectively manage those channels. Polish companies also prefer independent intermediaries in distribution channels because they can assume the risks and bear the costs of the sales of their products on foreign

markets. The same conclusion follows from the survey of companies' managers from Łódź Voivodeship and questionnaire surveys. Just a few companies made attempts to use franchising, the others used independent companies as intermediaries. The distribution channels of Polish products are also a result of polycentric orientation and are different from the ones used on the domestic market. The main factors having impact on the choice of an intermediary are: taking over the sales risks (63%), arranging and bearing the cost of transport (55%).

The promotion policy on foreign markets can take the form of unified or differentiated activities and it is very difficult and expensive to implement because it requires a very good knowledge of promotion services abroad and foreign buyers' responsiveness to the promotional message. This is the reason why Polish companies usually transfer promotional activities to intermediaries in distribution channels, whereas those that got involved in direct investments on foreign markets hire local promotional agencies. According to the assumptions of polycentric and regiocentric orientations, however, promotional activities on a domestic market and on foreign markets are different and adjusted for the needs of those markets (Grzegorzczak, 2013, pp. 194-198). The companies surveyed implement promotion adaptation strategy (66%) and take into account mainly the product and its features (60%, buyers on foreign markets (about 48%) and their competitors (over 17%). The promotional instruments most commonly used by Polish companies on foreign markets are the Internet websites, primarily in English, German and Russian. About one fourth of companies use them in their promotional strategies (WWW.nowymarketing.pl 25.07.2017). Companies from Łódź Voivodeship generally use their own websites (about 44%), social media websites (about 20%), participation in trade fairs and exhibitions (over 72%) as well as guides, catalogues and brochures (about 47%).

The research on Łódź Voivodeship companies also addressed the effectiveness of marketing activities on foreign markets. Over a half of the companies examined do not conduct this kind of research and the rest of them do it using the measures related mainly to the volume of and changes in sales, sales analysis, market share, customer satisfaction and loyalty, stock analysis and advertising effectiveness. Only about one third of the companies also additionally use measures related to foreign markets such as the number of foreign markets entered and their changes, the share of the company's turnover on foreign markets in its total turnover and the share of the company's profits on foreign markets in its total profits. It is, however, a relatively simple marketing effectiveness analysis.

Summary

Marketing strategies of Polish companies on foreign markets

In the years 2017-2018 the Marketing Faculty of Łódź University conducted a research project "*Marketing strategies of companies based in Łódź Voivodeship on foreign markets*". The aim of this text is to present the initial research findings strategies implemented by surveyed companies on foreign markets. The examined companies seldom attempted to conduct the foreign market research and the marketing strategy that they used was strictly related to the prevailing form of expansion into foreign markets, i.e. export. Both the product and the pricing policy were adapted to the specific character of the foreign market. Activities in the area of distribution were limited to indirect export and they were not initiated by the examined companies. The prevailing majority of companies used the Internet, trade fairs and exhibitions in their promotional activities. The intermediaries in the distribution channel were responsible for subsequent promotional activities. They involve marketing strategies typical for small and medium companies and their content depends on the intermediaries in the distribution channel on foreign markets.

Key words: *international marketing, marketing strategies, marketing strategies on foreign markets.*

Streszczenie

Strategie marketingowe polskich firm na rynkach zagranicznych

W latach 2017-2018 w Katedrze Marketingu Uniwersytetu Łódzkiego realizowano projekt badań pt. "*Strategie marketingowe firm województwa łódzkiego na rynkach zagranicznych*". Celem prezentowanego tekstu jest przedstawienie wstępnych wyników badania, odnoszących się do strategii marketingowych realizowanych przez badane przedsiębiorstwa na rynkach zagranicznych. Przedsiębiorstwa rzadko podejmowały się badań rynków zagranicznych, a ich strategia marketingowa jest ściśle związana z dominującą formą ekspansji na rynki zagraniczne – tj. z eksportem. Produkty były dostosowywane do specyfiki rynku, podobnie polityka cenowa. Działania w sferze dystrybucji ograniczały się do eksportu pośredniego i nie wynikały

z inicjatyw badanych firm. W zdecydowanej większości firmy wykorzystywały w działaniach promocyjnych Internet, targi i wystawy. Pośrednicy w kanale dystrybucji odpowiadali za kolejne działania promocyjne. Są to strategie marketingowe typowe dla małych i średnich firm, a ich treść jest uzależniona od pośredników w kanale dystrybucji na rynkach zagranicznych.

Słowa

kluczowe: *marketing międzynarodowy, strategie marketingowe na rynkach zagranicznych.*

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