



The Response of the 'New Consumer' to Promotion in the Transition Economies of the Former Soviet Bloc

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"They have first world minds, third world wallets."

-Economics Intelligence Unit report on Russian consumers.

"Maybe I still have to stand in line, but it is one line I can buy six products at once. . . . People are so much more polite and polished here. They'll even tell you the price of something if you ask. It's easy and cheap. They stay open and they don't take breaks. It's competition, you know."

-66-year old Russian pensioner describing a new Wal-Mart style market.

"People had tears in their eyes when they saw the presents, and they knew it came from Philip Morris."

-company spokesperson on gift-giving to Hungary's poor

"This is not the market. It's the Middle Ages."

-Boris Korobov, mayor of a small Russian town

Before the collapse of communism, promotion in the former Soviet Bloc functioned more as either propaganda or generic information rather than what marketers would call marketing. Today's "new consumer" in these transition economies, however, is being forced to integrate Western-style promotion with traditional suspicion of marketing, all in systems that have transitioned more in some countries of the region than others. What does this mean for the multinational marketer? What old and new characteristics of the consumers in that region will force marketers to adapt their approach to promotion? Through research propositions this conceptual paper explores major themes of consumer behavior specific to the transitioning economies of the area, proposing, rather than answering, the right questions marketers need to ask about new target markets. For managers, the article offers implications and recommendations derived from these questions.

The above quotes demonstrate the nature of the challenges, opportunities and complexities of marketing in the transition economies of the former Soviet Bloc. Before the fall of communism, so-called “consumers” stood in long lines to buy poor quality goods in scant supply produced and distributed in Byzantine fashion in a centrally planned economy. Customer service did not exist, because, in theory and practice, *customers* did not exist. Employees received the same pay, whether or not the company they worked for made money or even *had* customers. To replace the battle cry of “historic production levels” with “marketing, marketing, marketing” is obviously a history-wrenching process, as experience in the region has shown. Granted, transition is a continuum rather than a dichotomy (Hibbert, 1998), and some countries, such as Hungary, through more contact with the West, are closer to a market economy than the historically closed economies of Russia and the former East Germany, for example. However, tears of gratitude, even from the poor, for “big tobacco’s” Philip Morris is not what usually comes to mind when marketers think of the usual responses by consumers to give-away promotion. We also don’t imagine American consumers framing old, empty packs of Marl-

boros to hang on the living room wall, as some Romanians do as a symbol of prestige and fashion. Marketing in the “new order” former Soviet Bloc means marketing to a “new order” consumer.

By the transition markets of the former Soviet Bloc we mean Poland, the Czech Republic, Slovakia, Hungary, Romania, Bulgaria, as well as consumers in former countries of East Germany, Yugoslavia, and the USSR that would be categorized as Central and Eastern Europe (Russia, Ukraine, Belarus, and the Baltic states). Marketing managers and academics alike would do well to focus more on this region of the world, which has a combined population of 305 million. With the exception of the former East Germany (now included in the reunified Germany’s figures), the real GDP of the area is projected to increase at an annual rate of 4.5% in the years 2000 through 2005, the highest growth of any region in the world (Coplin & O’Leary, 1999). The region imports a total of \$350 billion worth of goods, a huge target for multinational marketers. Beyond the usual first-in franchisees of fast food outlets, many large Western industries have already started expanding aggressively into the area, such as pharmaceuticals and major oil, led by Royal Dutch Shell. Car ownership in Russia has tripled in the last five years.

Besides the important substantive reasons to study the consumers of the former Soviet Bloc, interesting theoretical reasons compel our research. The topic of customer response to promotion has received ample attention in the consumer behavior literature, from mostly an American perspective. Ap-

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plying what we know about buying behavior from U.S.-based research to other regions of the world can be misguided at best (Aaker & Williams, 1998). Consistent with calls for more global marketing research (Silk, 1993), specifically in this area of the world (Springier & Czinkota, 1999), this conceptual paper explores important relationships between constructs germane to consumer response to promotion that multinational marketers should consider. The paper contributes to international marketing knowledge and practice in at least two ways: First, it identifies how the degree of transition in these economies affects important factors (such as perceptions of risk) in how consumers approach a buying decision and how their demographics might affect their attitude towards promotion. Second, the paper helps set an agenda for researchers for empirical testing of this paper's propositions as well as subsequent issues (such as response to promotion) that managers might consider important in future efforts in an important potential market.

The article is organized as follows: The conceptual model is introduced by way of substantive and theoretical background on the topic. Research propositions are then developed, along with implications for marketing managers.

MARKETING IN THE FORMER SOVIET BLOC

The consumer in the "new order" is justifiably confused about the benefits of capitalism. Communist economies were driven not by incentives and com-

petition, but by full employment and subsidies, which made consumers come to expect little, but a consistent little. In the communist era, expectations were low and reality was harsh. In postcommunism, expectations are high and reality has worsened. Twice as many Russians believe that "life was better" under *Stalin* than Gorbachev (*Economist*, 1998). Five years ago the biggest concern of Russians was "rising prices," whereas now they worry most about being paid anything with which to buy expensive staples, particularly since the ruble's devaluation in 1998. Only 8% of businesses pay taxes in what is called "live" money (cash). A local police department was paid with 6,000 pairs of woolen socks (Higgins, 1998), in exchange for suspending efforts to collect delinquent taxes from the clothing manufacturer.

What Americans call corruption was and still is a daily part of reaching the consumer. About 25% of all foodstuffs in the channel are skimmed off for government officials and their families—merely the perk office (Starr, 1994). Half of all perishables spoil before even reaching a market. Recent U.S. food aid meant for destitute Russians was being handled by the same Politburo official of previous failed attempts and many of the aid items ended up for sale in street kiosks (Whitehouse, 1999). The reputation of active organized crime, spawned by one of the highest literacy rates in the world (96%) combined with the frustration of market transition, is well deserved. The same gift-giving Philip Morris in Hungary had its kiosks in Moscow blown up by local cigarette distributors. The problem with cheating

on taxes is not consequences from the authorities, but blackmail from the Mafia. "This is not the kind of place where the average person should come and try to open up shop," according to one American entrepreneur featured in an MSNBC report, "Sometimes it's rough."

Distribution systems are unreliable and arcane. Half of all Russian perishables spoil before they reach the market. Unreliable and disrupted patterns of delivery in Hungary still have the consumer looking for cosmetics in the store next to bakery goods one day, next to candy the next, and not at all for weeks. Some of the problems are more due to the marketing mindset rather than logistics. Buyers for stores are hagglers trying to get the best price on whatever items are available, not necessarily trying to spot goods that consumers want. Signs of change, however, make the region seem tempting for marketers. Food-loving Hungarians are eating more processed and imported food thanks to the advent of supermarkets and food advertising. Nearly half of all Czechs, Hungarians, and Poles are under 30 years of age, portending a growing consumer base of people who are more open to Western marketing ways.

An interesting sort of nationalism and country of origin effect continues to run through the consumer's response to promotion. Marketing vodka, the "water of life," to the Russians by non-Russian firms has been a spectacular failure (Beck, 1998). Coca-Cola ads, featuring the Russian "firebird" myth and heroes of folk legends, however, have been well received. A Hungarian distiller airs advertising touting its 200-year history,

"Czech made" soft drinks are promoted to relieve the stress of urban life, and juice maker Agros stamps "Polish Product" prominently on its labels (Woodruff & Drake, 1998). Two entrepreneurs, one in Russia and one in the Czech Republic, very successfully marketed products labeled "Ordinary Laundry Detergent" as satire and backlash to traditional consumer products Western advertising of brands like Tide, "that clean better than ordinary laundry detergent."

THEORETICAL BACKGROUND

Since the collapse of communism, much research attention has been directed at the macroeconomic reforms (e.g., trade policy, fiscal policy) whereas microeconomic issues, such as marketing, have commanded relatively less. Of the few of studies of marketing in Central and Eastern Europe most have treated the marketing concept (Naor, 1986) or marketing from the firm's perspective (Hooley, 1993). Few treat elements of the marketing mix, in particular promotion, and consumer behavior (Shama, 1992).

The goal of marketing in communist Romania was to improve living standards by meeting the population's scientifically determined needs (Naor, 1986). Promotion's role in a socialist economy was largely utilitarian, where consumers are informed only of a product's function and where socially undesirable products, for example, alcohol and tobacco, were not promoted beyond meeting existing demand (Fazekas, 1978; Naor, 1986). In one of the only

longitudinal studies, researchers examined the elements of the marketing mix in Romania during and after communism. Lascu, Manrai, & Manrai (1993) described the environment for promotion before the fall of communism as a seller's market, directed at informing and educating the public about products, state agencies, and state stores. Also, store displays and billboards were of poor quality and point-of-purchase displays were almost nonexistent. Trade shows were very popular with the public, attracting not only the target business customers but also the average consumer who used the shows as a window to the outside world's markets.

In the economies of scarce and poor quality goods, the pretransition consumer suffered information "underload" (Susjan, 1999). After many markets opened, the shock of foreign goods was followed by the desire to learn more about them. However, objective information, such as that found through *Consumer Reports*, was still very difficult to come by. Therefore, subjective evaluations of products became the norm, under the influence of aggressive Western advertising. In studying the transformation of consumer behavior in Hungary, Poland, and Russia, Shama (1992) found that when faced with reduced purchasing power in severe economic challenges, consumers adapted by taking on another job, trading in the black market, or by using their savings. In addition, many consumers engaged in comparative shopping, and tried to reduce risk by purchasing higher quality goods when possible. Overall, previous research suggests that the role of marketing is changing drastically in Eastern

Europe as the economies of the region continue their transition.

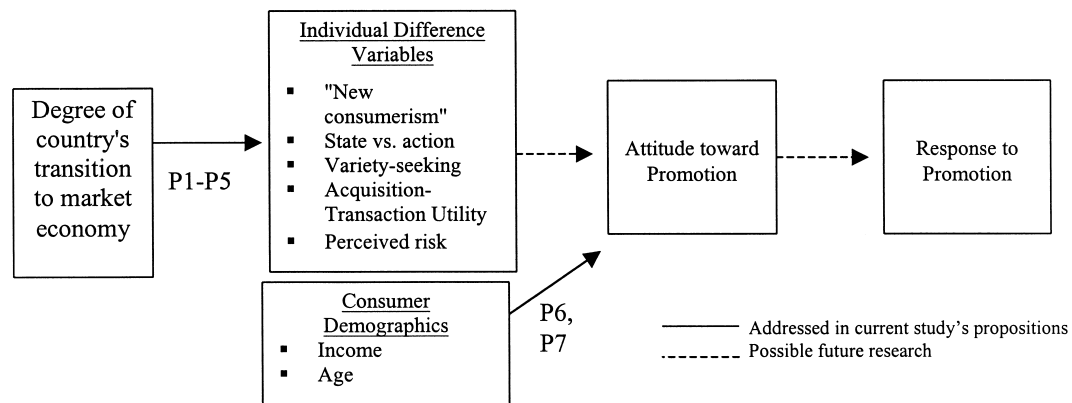
Of course, the former Soviet Bloc is comprised of many countries, cultures and subcultures, whose consumers most likely vary widely in their approach to buying goods and services. Some of these differences may naturally manifest themselves as individual tastes and preferences that would surface in any group of people. However, others may be caused by wider issues and more general differences in economic development and national culture (Hibbert, 1998). In any case, overgeneralizing the following conceptual development to all consumer reactions in all countries of the region would be misguided at best, dangerous at worst. Marketers new to the region would do well to take a local partner to find their way through various regulatory structures, for example (Meagher, 1993). Nevertheless, we hope that the present research serves as a beginning to better understand how consumer behavior in the former Soviet Bloc will be shaped by the various forces at work in that area of the world.

CONCEPTUAL MODEL AND PROPOSITION DEVELOPMENT

It is against this backdrop of marketing in the region that we present our model and its research propositions. As shown in Figure 1, the model considers factors that affect consumer attitude and response to promotion in transition economies. Degree of transition may influence "individual difference variables" (Mittal, 1994), to be defined. Those variables, together with demographic

Figure 1

CONCEPTUAL MODEL



Adapted from

characteristics of age and income help determine consumer attitude and, in turn, response toward promotion. Only a portion of the complete model is treated in this study; other components of the model could be developed by future conceptual studies.

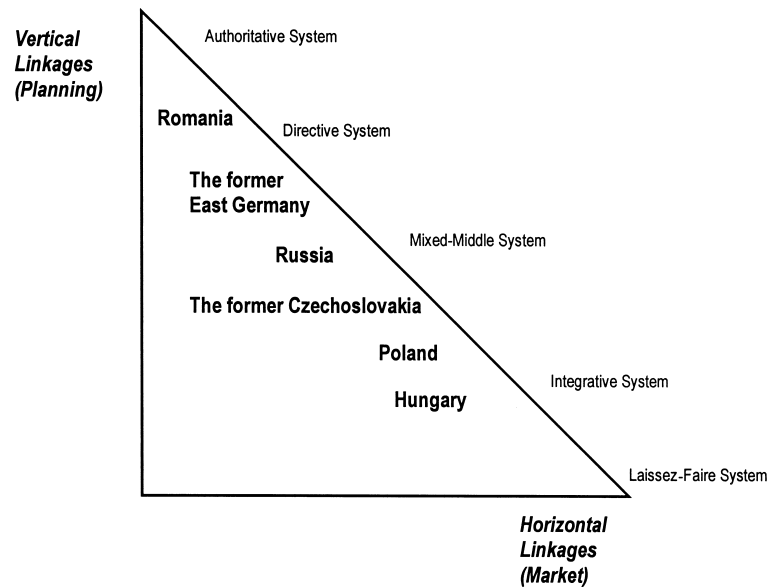
The conceptual framework considers the Fishbein behavioral intention model, also referred to as the theory of reasoned action (Fishbein & Ajzen, 1975). The model holds that behavior is determined by behavioral intentions, which are a function of attitude and subjective norms—beliefs about others' expectations and the motivation to comply with those beliefs (Bagozzi, Baumgartner, & Yi, 1992). In general, the model has been found to hold strong predictive power in determining behavioral intentions. However, the support for the model has been derived from U.S.-based research; indeed the majority of consumer behavior theories are

developed and tested in the U.S. and lack validation in international settings. International marketing research often assumes, either explicitly or implicitly, that theories developed in the U.S. are universally applicable and do not account for measure unreliability in testing (Davis, Douglas, & Silk, 1981). In one exception, Lee & Green (1991) tested the Fishbein model in predicting purchase intentions in Korea, finding that subjective norms were considerably more important than attitudes for Koreans compared to Americans.

Although not explicitly comparative in nature, the current research also uses the Fishbein model in determining response intentions to promotion in the former Soviet Bloc. Degree of transition to a market economy helps shape the beliefs about the consequences of a market economy and evaluation of those consequences. Subsequently the beliefs about prod-

Figure 2

CONTINUUM OF LINKAGES IN ECONOMIC SYSTEMS



Adapted from

uct quality, availability, price, and employment influence individual difference variables. In turn, individual difference variables, together with demographics, influence consumer attitude and response toward promotion. Thus, the conceptual framework in this paper incorporates a portion of the Fishbein model and employs its constructs in theorizing about consumer behavior in Central and Eastern Europe.

Degree of Transition

We propose that the degree to which countries in Eastern Europe have transitioned from centrally planned to market economies affects

consumer behavior in those countries. Countries within the region had systems, despite the umbrella ideology of communist rule, that varied from one country to another (Samli & Jerma-kowicz, 1983). Centrally planned or “vertical linkages” are more concentrated in economies such as Romania that were characterized by strong central authority and strict totalitarian economic rule (see Figure 2). “Horizontal linkages” emphasize more of a market orientation with some degree of competition, characterized by the fairly progressive economies of the precivil war Yugoslavia and Hungary. These are also referred to as “mature” transition economies, such as Poland,

as opposed to those just beginning the transformation (Susjan, 1999).

Comparing an authoritative system to an integrative system, horizontal linkages are stronger in the latter. In everyday life, more vertical linkages meant more product shortages and longer lines to wait for goods often not even in the store (Samli & Jermakowicz, 1983). Access to Western goods as an example, the differences between Romania (fewer goods) and Hungary (more) have extended beyond the fall of communism (Ger & Belk, 1996). Therefore, as the current research postulates, various countries in today's Central and Eastern Europe will show differences in various phenomena of consumer behavior because of varying degrees of transition to a market economy.

Individual Difference Variables

"New Consumerism"

Theodore Levitt argued in "The Globalization of Markets" (1983) that, partially due to advances in communication, consumers everywhere converge in their desire for convenience, quality, and value in universally desirable products such as electronics and personal care products. Although the debate continues over the advisability of standardizing marketing (Aaker & Joachimsthaler, 1999; Douglas & Wind, 1987), nowhere more than in the former Soviet Bloc is Levitt correct. Half of all Czechs now call themselves "middle class." The experience of Nova TV (designed to be a kind of culture-specific PBS) in the Czech Republic demonstrated that consumers wanted the same

American fare (movies like "Pretty Woman") as Westerners (Frank, 1997). Consumerism or materialism, the desire to possess material goods and the importance they play in one's life, has grown as more products become available. Global consumerism stands in contrast to consumer ethnocentrism, the degree to which consumers resist foreign products (Shimp & Sharma, 1987; Netemeyer, Durvasula, & Lichtenstein, 1991).

In the former Soviet Bloc, the influx of Western goods, in addition to vivid advertising, has ignited consumer demand for those goods (Ger & Belk, 1996), what we call a "new consumerism." Some markets have been flooded with products and services from around the world, depending on the degree to which a given country's government and infrastructure has allowed it. In other words, the differences in degree of transformation to a capitalistic, market-based economy leads to differences in the manifestation of consumerism. In a horizontally-linked economy, that is, Hungary, where consumerism has been allowed some degree of latitude for many years, the desire for new Western goods and services may not be as strong as in a vertically-linked economy, that is, Romania, where the transition is not as well developed, exposure to Western goods is relatively recent, and desire for such goods seems to be extremely strong (Ger & Belk, 1996). Expressed as our first research proposition:

P1: *Vertically linked (authoritarian) economies that have been transformed to a lesser de-*

gree will have a stronger “new consumerism” than economies that are more horizontally linked (market) where the transition to a capitalist economy has progressed farther.

State versus Action Orientation

One individual difference variable specifically appropriate to Eastern Europe is state versus action orientation as defined by Bagozzi, Baumgartner, & Yi (1992). State orientation is passive, characterized by an attitude of “I’m just a consumer—I can’t change things.” We propose this to be more prevalent in vertically linked economies with strong central authorities that are less transitioned to a market economy. Action orientation, on the other hand, embodied in a “customer is king” attitude, would prevail in typical Western economies or transition economies that have been open to a marketing philosophy for a relatively longer period of time, such as Hungary or Poland.

In a centrally planned economy, where comparative shopping was limited or nonexistent, consumers expected little difference in quality, price, and product offering. The carryover effect in countries such as Russia or Romania, high in vertical linkages, is expected to be strong. This is especially true given that prior research on pricing has found negative pricing situations (“pricing losses”), such as decreased purchasing power, have more of an impact on consumer mindset than do pricing gains (Kalwani, Tim, Rinne, & Sugita, 1990; Tversky & Kahneman, 1991). In other words, limited purchasing power in an

authoritarian, lesser-transformed economy would spawn a higher level of state orientation than in a more horizontally-linked, transformed economy that is home to consumers accustomed to more choices per unit of disposable income:

P2: *Consumers in countries that are transformed to a greater degree to a market economy are more likely to be action oriented than consumers from countries that are transformed to a lesser degree, who will be more state oriented.*

Variety Seeking

Surveys indicate that 31% of Russian consumers say they “are always on the lookout to try new products” (Emerging European Markets, 1997). The proportion is even higher among women at 34%, and highest for the under-24-year-old age group at 54%. The environment of transition in the former Soviet Bloc is charged with variety-seekers, flooded with new products from the West. However, international marketing research has mostly ignored variety-seeking behavior. Variety seeking has been shown to increase when consumers prefer a diversity of attributes (Kahn & Lehmann, 1991) and when a positive impression is made with a free sample in the absence of negative information (Kahn & Isen, 1993). Consumers in countries where the transition is further developed probably have seen a larger influx of products with greater attribute diversity. Also, more sophisticated promotion has probably generated a greater amount of positive reaction to Western

goods. Although, as shown by research in Hungary, too many product choices may confuse consumers (Feick, Coulte, & Price, 1995), former Soviet Bloc “new consumers” generally seek greater variety, much as Western consumers do:

P3: *Consumers in countries that are transformed to a greater degree to a market economy are more likely to engage in variety-seeking behavior than consumers in countries that are transformed to a lesser degree.*

Acquisition-Transaction Utility: Value Consciousness and Deal Proneness

Degree of transition in Eastern European economies is also expected to influence the value consciousness and deal proneness of consumers there. Using acquisition-transaction utility theory, Lichtenstein, Netemeyer, & Burton, (1990) explored these two constructs. Deal proneness refers to the tendency to respond to promotions primarily because of a perceived “bargain,” whereas value consciousness is the interest in paying low prices for a given level of desired quality. Also, total utility is the sum of acquisition and transaction utilities. Specifically, acquisition utility is the ability to satisfy an intrinsic need, and transaction utility is the difference between the price one feels one should pay and the actual purchase price. Consumers are apt to be more value conscious rather than deal prone if their level of acquisition utility is higher relative to their level of transaction utility. Conversely, if consumers

are more dependent on transaction utility as compared to acquisition utility, they are more likely to be deal prone rather than value conscious.

As demonstrated in previous research, former Soviet Bloc consumers are demanding lower prices and higher quality due to their strained resources (Lascu et al., 1993). These demands are more consistent with acquisition utility than with transaction utility. Although many consumers in the region may display characteristics of deal proneness, those from countries that are still more authoritarian and vertically linked will respond to promotion more out of value consciousness. Intuitively, some may respond to a promotion just because it is in deal form. However, consumers in less-transitioned economies who are not accustomed to Western style promotions may be suspicious of them. This would lead consumers in economies in early transition to be more value conscious than deal prone.

P4: *Consumers in countries that are transformed to a greater degree to a market economy are more likely to be influenced by deal proneness (more dependent on transaction utility) than are consumers from countries that are transformed to a lesser degree, who will be influenced more by value consciousness (more dependent on acquisition utility).*

Perceived Risk

How consumers handle the risk and ambiguity of buying has been treated

extensively in U.S.-based consumer research. The behavior of non-U.S. consumers in the face of risk is less clear. In the mid-1990s, a survey among Russians found that they are extraordinarily concerned about contamination through “chemistry” (perhaps a carry over from the Chernobyl accident) and are hesitant to use harmless products such as hand soap liquid and vitamins (East European Markets, 1997). It is also widely believed in Russia that cellular phones cause skin cancer and televisions emit dangerous radiation. Hoover, Green, & Saegert (1978) found that Mexicans perceive the same ambiguous event or information with less risk than do Americans. Thus, promotions used to reduce risk perceptions for some consumers are less effective when the level of perceived risk is relatively low. However, in environments where price is the dominant factor, that is, a lower price means lower risk (less to lose), price promotions may be quite effective.

The consumers in countries in transition are quite price conscious, for good reason. In Russia, a package of Head & Shoulders shampoo costs about 120 rubles; the *annual* income of the average Muscovite is 1,200 rubles. Also, many unfamiliar brands become available to consumers for the first time. Naturally, exposure to many new brands increases uncertainty but not necessarily perceived risk of a wrong choice, if the price is low enough. Consumers want to try many unfamiliar brands yet are restricted from doing so because of their limited means in countries less wealthy than those who have transitioned some years ago are. Purchasing power in Slovakia, Hungary, and Poland has in-

creased in recent years. Thus, perceived risk of a wrong product choice may be lower in better-off countries than in less-transitioned economies.

P5: *Consumers in newly transitioned countries are more likely to be price conscious than risk averse.*

Consumer Demographics

Just as Belk, (1985) found that younger consumers tend to be more materialistic than older ones, demographic variables may, together with individual difference variables, shed light on how transition economy consumers view and respond to promotion. This may assist marketers in reaching strategically equivalent segments (Kale & Sudharsan, 1987), groups of consumers that transcend national boundaries in their consumption patterns. Attitudes and responses to promotion vary between countries (Keegan, 1969), depending on general education level, disposable income, average household size, and level of female employment (Cotton & Babb, 1978). Highly literate consumers who live in urban areas, are nonminorities, and are members of the majority religion are more likely to view promotions positively that are in print or electronic form. On the other hand, rural, ethnic minority consumers with low literacy and members of a nonmajority religion are more easily persuaded by personal selling (Bridges, Florsheim, & John, 1996).

Although prior studies have shown that demographic variables directly predict response to promotion, Mittal,

(1994) argues that demographic effects are mediated by psychological processes as well as perceived costs and benefits associated with responding to promotions, in particular, coupons. Elements in Mittal's model parallel elements in the Fishbein model, that is, perception mediators are similar to beliefs. Consequently, studies that have established demographics as predictors of response to promotion explain who responds rather than why they respond. Considering the former Soviet Bloc and the framework developed here, it makes sense to treat demographics as antecedents to attitude, which in turn affects response. That is, we propose that consumer demographics influence consumers' attitudes towards promotion.

Income

Consumer demographics that are most likely to influence attitudes toward promotion are those that have been affected most by the collapse of communism. Income, in terms of purchasing power, dropped significantly for the average Eastern European consumer. The IMF reports that the purchasing power of the former Soviet Bloc countries is only 20% of that for developed nations. The average Moscow family spends 75% of its income on food. Price is extremely important to such consumers. Research in Poland, Hungary, and Bulgaria has also shown that price is more important than quality to consumers in those countries (Hooley, 1993).

With the decline in purchasing power, consumers are more likely to spend their resources wisely. That is, purchasing luxury goods would involve

extremely careful consideration of both price and quality. Attitude toward promotion would be more positive if the promotion leads the consumer to believe he/she received "more than his/her money's worth"; in essence, the consumer is receiving a net increase in purchasing power. We propose:

P6: *The stronger the perceptions that a promotion increases disposable income purchasing power, the more positive the attitude toward that promotion.*

Age

Another demographic variable that may affect attitude toward promotion is age. Belk (1985) found that older consumers are less consumption oriented than younger consumers. Older Central and Eastern European consumers often re-enter the labor force to afford only necessities (Shama, 1992). Consequently, they feel that their standard of living has deteriorated with the advent of a market economy. The older generation also has the tendency to hold on to the past because of fear for the future and unfamiliarity with new products. The consumers that long for "the good old days" are more likely to resist the influx of Western products. Only about half of Russians want to proceed with market reforms, and those are typically younger consumers. Indeed, most of the "new consumers" in Russia are under age 35 (East European Markets, 1997). We propose that:

P7: *Younger consumers have more positive attitudes toward*

promotion than do older consumers.

IMPLICATIONS FOR MANAGERS

In the form of research propositions, this paper has explored some major themes and issues that academics and managers alike should be aware of in their quest for new knowledge and profits in the former Soviet Bloc. Making sense of a market and charting a course in this area the world where marketing is daunting at best, because “market” and “profit” can still carry very negative connotations, associated with chaos and injustice (Czinkota, 1997). Below we have summarized some suggestions for managers in dealing with the vagaries of the new marketplace in that area of the world.

Manage the Country-of-Origin Effect

Some companies have used country-of-origin effects to their advantage, such as the “Born in the U.S.A.” campaign by Chevrolet in Russia. Selling a piece of pizza, although Italian in its origins, is like selling a “piece of America.” Consistent with Parke, Roth, and Jacques’ (1988) advice, companies should recognize their country-of-origin assets and liabilities, then proceed accordingly with marketing strategy. Russians may prefer their own produce and dairy products, but would appreciate Western packaging so that yogurt, for example, would be less difficult to spoon out of a round container rather than a Soviet-era small box. Marlboro successfully used the country of origin

attraction for Russian goods by creating the “Peter I” brand, the package embossed with the 18th century seal of Peter the Great. But nationalism, according to one local official, only goes so far in explaining why some foreign products sell and others do not. There are over 200 varieties of local Russian ketchup available—a new offering by Heinz, regardless of its attributes, may simply be entering a market too crowded.

Expect the Worst, Wait for the Better

The entire concept of a brand is new to these consumers (Gander, 1998). The product was important in the communist era, and the product needed protecting because it was scarce. One American entrepreneur in Russia spotted hockey pucks in a local sports shop for a penny each. His plan was to ship them to Minnesota, where he had tried successfully selling them for a dollar. When he tried to increase the scale of the operation, the store only had a few dozen, wouldn’t tell him who the manufacturer was, and, when he found the company, it was not interested in selling to him at any price. Joint venturing with the right partner might see a company around some of the bureaucratic, logistical, and cultural obstacles.

Building brand awareness is very difficult because product standardization can actually be very difficult. Try mixing a pitcher of Kool-Aid in one city in the region, then doing the same thing in another. The water itself tastes very different, so the products are not the same. Point-of-purchase displays are some-

times limited to labels taped onto the windows of street kiosks. Patience pays: Tesco, a U.K. supermarket chain, has been extremely successful with its line of "Value" private label products, which are very competitively priced.

At Your Service

Marketers should not ignore the growing and changing service function of their business or the service sector in general. When Transaero Airlines commenced regional flight service in Russia, its only criteria for hiring flight attendants was having no prior experience with Aeroflot, infamous for poor Soviet-era service. Customers are starting to enjoy convenience-store hours, but they come at a price: a carton of cigarettes in one Russian store jumps in price from \$20 to \$24 for the hours of 10 p.m. until the next morning. Loyalty and incentive programs, like frequent flyer award programs, are proliferating, especially among the Poles (Furber, 1999). Polish Airlines had three levels of awards and service (blue, silver, and gold), but actually treated all customers about the same, causing big defections to British Airways. The financial services industry presents perhaps some of the most promising opportunities for growth. Only 30% Poles have any type of relationship with a bank. ATM services are becoming popular in the region, but more growth is possible in some of the larger economies. Slovenia, one of the smallest, has the highest machine density in the region, with an ATM per every 109 people, a figure comparable to the U.K. and France. In-

ternet service providers are growing at an 805% annual rate in Russia.

B-to-B Implications

Naturally, the issues we have raised about the response of the "new consumer" in the former Soviet Bloc would also apply to business-to-business exchange, because companies also "consume," and the decisions to do so are made by people of the region. Of course, many adaptations in the conceptual model may be necessary, such as:

1. Whether a company is independent or a subsidiary of a large multinational corporation;
2. If a subsidiary, how long the company has been doing business in the region;
3. General experience of the company in dealing with the global economy;
4. Company "demographics" such as age and size.

An example of how companies as well as consumers in the region are changing is the Prva Komunalna Bank (PKB) in Slovakia. It targeted as potential commercial customers a group of municipalities, previously ignored by competitors. The bank successfully captured most of the market share in this segment by using Western European product and promotion concepts aggressively in a market where such innovation was unknown previously. (Ennew, Wright, & Kirnag, 1996). Another example of growing sophistication in business-to-business services is advertising. Whereas in the early days of the

transition, Polish ad agency creative people were merely artists such as painters, advertising in the region is now becoming more technical and informative. Effies, the American Marketing Association's award for advertising effectiveness, are now being awarded in the Czech republic.

Business-to-business implications of the changing nature of exchange are important because consumers may be reaching a saturation point of foreign goods. According to a former Russian official, "The reason imports have stopped growing is that we've reached a level where people can't consumer more" (East European Markets, 1997b, p.8). Opportunities abound to increase sales through business-to-business transactions in the region. GIS (Geographical Information Systems) companies are offering their services to multinationals that want to alleviate logistical problems by plotting distribution networks and sales territories (Reed, 1999). American defense contractors are trying to convince governments in the region to replace their USSR-era military equipment with more contemporary technology and clothing (Kahn, 1998). Financial and advisory services for businesses are in high demand because experts in these areas are in short supply after decades of planned economies (Kiep, 1991).

In conclusion, the former Soviet Bloc market fascinates Western academics and marketers because it makes an interesting laboratory of change. Located next to the relatively successful economies of Western Europe, the region experienced the failure of the great experiment in communism. Trying to bring

economies through decades of capitalism in a few years is proving to be difficult at best, but it presents opportunity for tremendous growth in many product categories that are mature in domestic markets. There is opportunity to benefit from the chaos in the region for international marketers, and we have explored issues in this paper that may assist them in doing so.

Acknowledgments: The authors thank Tatiana Kostova and Martin S. Roth for their assistance.

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