

MARKETING ISSUES IN TRANSITIONAL ECONOMIES

MARKETING ISSUES IN TRANSITIONAL ECONOMIES

**edited by
Rajeev Batra**

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INTRODUCTION AND ACKNOWLEDGMENTS

This book examines issues facing marketing managers and scholars as the markets in the “transitional economies,” or TEs (China, the Czech Republic, Hungary, Poland, Romania, Russia, Slovakia, Vietnam and others), become more deregulated and open. The issues examined include changes in consumer behavior; challenges to making firms in these countries more “market-oriented”; issues in creating and managing distribution channels; and issues in competitive strategy and tactics, including market entry and brand-building.

The sixteen chapters in this book are organized into five sections. We have, first, a chapter that “sets the stage” by reviewing recent changes in the marketing environment in these countries, and then draws managerial implications for marketing managers in multinational companies operating in these economies, as well as local firms. This chapter is based both on the literature as well as a set of very valuable reports written by student teams from the William Davidson Institute.

This is followed by a section on The Changing Consumer. In his chapter, Russ Belk draws on his research in China, Romania and Russia to help us understand why the presumably-poor consumers of TEs seem to place such a high value on luxury and status goods. The resulting insights into the feelings of “deservingness” and “yearning for respectability” that exist have major implications for all students of consumer behavior. David Tse and colleagues then present a very interesting study of inter-generational differences in conflict resolution among Chinese women, alerting us to subtle changes in consumer values in China. This theme continues into the next chapter, where Bernd Schmitt presents his data on the nature of consumer segments in China (Beijing and Shanghai), showing how acceptance of (and responses to) marketing institutions and practices varies among these segments as China undergoes its “Consumer Revolution.” Finally in this section, Steven Burgess and Jan-Benedict Steenkamp take us to a very different part of the world—South Africa—to analyze the structure and consequences of consumer value priorities, including their impact on consumer openness-to-change.

The third section moves us to the other main set of actors, the firms. Here, the three chapters examine challenges relating to the measurement and creation of a market orientation among firms. Patricia Huddleston and Linda Good begin by presenting data from the Polish retail sector: they find that most of the relevant constructs developed by Kohli and Jaworski can in fact be reliably measured. The chapter by Rohit Deshpandé and John Farley reports a broader investigation, from more countries and of more constructs and scales—but they, too, report that measurement issues should no longer be considered a hurdle. The remaining challenge (and the more important one!) is of finding ways to make firms more market-oriented. This is the topic of Ron

Savitt's chapter, who reports field data from the Czech Republic to conclude that the firm-level restructuring to date has mostly been "shallow," and that deeper changes are still necessary.

Distribution issues are the focus of section four. We begin with a review of recent changes in the Distribution sector in Romania, by Carmen Balan, who offers her perspective on how and why these changes occurred, and how the sector may evolve in the future. Debra Dahab and Jim Gentry then look at Hungary, focusing on one particular phenomenon, changes in the importance of personal relationships ("embeddedness") and in the role played by branded products as a "governance mechanism." Louisa Ha, Mrinal Ghosh and colleagues then present exploratory data from China, showing both the distribution challenges facing firms and the manner in which firms are coping, using a transactions cost perspective to help explain their data.

The section on Strategy and Tactics follows. We first see how multinationals and local firms differ in the strategies and tactics they use in the Romanian market, through exploratory field data collected by Lalita and Ajay Manrai and Dana-Nicoleta Lascu. Yigang Pan and Xiaolian Li then discuss empirical results from several different large studies on the timing and mode of entry into the Chinese market—and conclude that it is indeed better to enter early, using equity joint venture arrangements. These results challenge conventional wisdom and are worthy of much reflection. The last three chapters address marketing challenges facing local (TE) firms as they fight global entrants. Drawing on their wealth of case data from China, India, Russia and other countries, Dawar and Ramachandran lay out strategies for local firms to exploit their "local-ness," pre-empt brand positions and distribution channels, leverage cost advantages and compete on speed of market responsiveness. Erich Joachimsthaler and colleagues address the brand-building challenges facing TE firms in more detail, and provide evidence that it will be necessary for these local brands to develop stronger personal and cultural connections with local consumers, than their global adversaries. Finally, Batra and Yi examine challenges facing TE companies as they try to market in developed overseas markets, using the example of South Korea. Their conclusion is that it is better to position TE brands as having high quality, instead of just superior value-for-money, if the country of origin image is poor. They offer several suggestions on how such high quality might be communicated.

Together, these chapters present data and frameworks on a wide range of topics concerning marketing issues in transitional economies. To our knowledge, no previous volume has brought together this quality of scholarship on these important topics, and this volume should, thus, make a valuable contribution to the literature. Most of these papers were originally presented at a Conference organized by The Davidson Institute in Ann Arbor, Michigan, on July 24–26, 1998. The Davidson Institute also funded many of the projects reported in this book, and we are all grateful to it for this support. Interested researchers are invited to learn more about the Institute and its programs through its web page, <http://wdi.bus.umich.edu>.

The authors of these chapters are obviously the first people I need to thank for their role in this book, but there are many others. Martha Lee, Heather Martinson and Amy Moored of The Davidson Institute helped put the original conference together, and Sharon Nakpairat and Karen Eisenhauer cheerfully helped bring this book to fruition.

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