

## Marketing Activities of Łódź Voivodeship Companies on Foreign Markets – Research Findings

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### Abstract

**Purpose:** The aim of this article is to determine the content of marketing strategies pursued by companies based in the Łódź Voivodeship on foreign markets.

**Design/methodology/approach:** Literature studies and primary research by means of structured interviews and a questionnaire. The companies were sampled for the study from the Statistics Poland (formerly known as the Central Statistical Office) data, section C. These were companies registered in the National Business Registry system (REGON) in the Łódź Voivodeship at the end of 2016. From the list of over 2,800 units, 900 units were qualified for the study, and the number of returned questionnaires was 117.

**Findings:** The expansion of Łódź Voivodeship companies focuses primarily on exports. This was indicated by over 93% of the surveyed enterprises. These are so-called reactive companies, i.e. companies that export as a response to inquiries received from abroad. Marketing activities are not comprehensive. Only a quarter of the surveyed companies conducted marketing research on foreign markets. The surveyed companies implement the strategy of product and price adaptation, with intermediaries from foreign markets being mostly responsible for promotional activities. Distribution is dominated by foreign intermediaries. Less than half of the surveyed companies conduct research on the effectiveness of their marketing activities on foreign markets.

**Research limitations/implications:** Research limitations include difficult access to surveyed companies and their reluctance to provide answers. The research results can serve the preparation of exporters' marketing strategies and can be useful for national, regional and local governments responsible for supporting exporters.

**Originality/value:** Expansion of knowledge about the behavior of Polish companies on foreign markets and their marketing strategies there.

**Keywords:** marketing strategy, international marketing.

**JEL:** M31

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## Działania marketingowe przedsiębiorstw województwa łódzkiego na rynkach zagranicznych – wyniki badań

### Streszczenie

**Cel:** ustalenie treści strategii marketingowych firm województwa łódzkiego na rynkach zagranicznych.

**Metodologia:** studia literaturowe oraz badania pierwotne za pomocą kwestionariusza wywiadu i kwestionariusza ankiety jednostki do badania zostały dobrane z danych GUS z sekcji C. Były to firmy zarejestrowane w systemie REGON na koniec 2016 roku w województwie łódzkim. Z listy ponad 2800 jednostek do badania zakwalifikowano 900 jednostek, a zwrot ankiet wynosił 117 kwestionariuszy ankiety.

**Wyniki:** ekspansja firm województwa łódzkiego koncentruje się przede wszystkim na eksporcie. Wskazało tak ponad 93% badanych. Firmy te to tzw. firmy reaktywne, czyli takie, które dokonują eksportu jako odpowiedź na zapytania ofertowe otrzymane z zagranicy. Działania marketingowe nie mają charakteru kompleksowego. Tylko jedna czwarta badanych firm prowadziła badania marketingowe rynków zagranicznych. Badane firmy realizują strategię adaptacji produktu i ceny, za działania promocyjne w większości odpowiadają pośrednicy z rynków zagranicznych. W dystrybucji dominują pośrednicy zagraniczni. Mniej niż połowa badanych firm prowadzi badania efektywności swoich działań marketingowych na rynkach zagranicznych.

**Ograniczenia/implikacje badawcze:** ograniczenia badawcze to trudny dostęp do jednostek badanych i niechęć udzielania odpowiedzi. Wyniki badań mogą posłużyć do przygotowania strategii marketingowych eksporterów i być przydatne dla jednostek administracji rządowej i samorządowej odpowiedzialnej za wsparcie dla eksporterów.

**Originalność/wartość:** wzbogacenie wiedzy o postępowaniu polskich firm na rynkach zagranicznych i ich strategiach marketingowych na nich.

**Słowa kluczowe:** marketing międzynarodowy, strategie marketingowe.

## 1. Introduction

The presented article is the outcome of the research project “**Expansion strategies of Łódź Voivodeship companies on foreign markets**” carried out at the Department of Marketing of the University of Łódź in the years 2017–2018.

In the literature, there are publications about international marketing (Fonfara, 2014; Grzegorzczak, 2013; Witek-Hajduk, 2010; Żbikowska, 2013). However, it is relatively rare to find papers presenting marketing strategies of Polish companies on foreign markets (Wiktor & Chlipała, 2012; Grzegorzczak & Szymańska, 2018). It also concerns companies located in the Łódź Voivodeship. It was the main reason for undertaking a research project.

Its purpose was to determine the content and instruments of marketing activities used by Łódź Voivodeship companies on foreign markets and their effects. The hypothesis was assumed that the basic form of expansion of companies in the Łódź Voivodeship to foreign markets is export. As a result, they make limited use of marketing-mix instruments and research on the effects of their marketing activities on these markets. The research used the following methods: literature study concerning the research subject, analysis of secondary

sources concerning the position of Łódź Voivodeship companies in Poland and the Polish economy, their foreign expansion and primary research conducted on a sample of selected Łódź Voivodeship companies. The geographical scope of the research covered the Łódź Voivodeship. The primary research was conducted with the help of structured interviews and a questionnaire. The sample for the research was selected with the help of purposive/non-probabilistic sampling. The research units were companies based in the Łódź Voivodeship and operating on foreign markets. Their selection was based on the database of Statistics Poland (formerly known as the Central Statistical Office). The list of enterprises comprised 2,800 from section C (divisions 10 to 31) of the National Business Registry system (REGON) at the end of 2016. The research tool was a standardized/structured interview questionnaire submitted to the respondents via email. It was sent to 900 Łódź Voivodeship companies listed in the database purchased from Statistics Poland that were verified as the ones operating on foreign markets. The final number of questionnaires that were submitted and accepted for further analysis was 117.

## **2. Forms of Expansion of Łódź Voivodeship Companies into Foreign Markets**

Expanding into foreign markets, the company needs to make decisions as to what forms of expansion into foreign markets to choose and what marketing activities to use in order to achieve and keep the assumed position there and to determine the significance of foreign markets in the company's overall strategy, which amounts to the selection of the foreign market, forms of expansion and marketing tools. Just like on the national scale, the main form of expansion of Polish companies based in the Łódź Voivodeship on foreign markets was export. The value of exports of Łódź Voivodeship companies amounted to over 6,300 million euros in 2015, which accounted for 3.5% of total Polish exports and gave Łódź Voivodeship companies the sixth position among all Polish companies in this respect. In 2017, the value of exports of Łódź Voivodeship companies amounted to 7,3 billion euros, which gave them a very similar share in the overall Polish export value, i.e. about 4%. There were 2,850 of exporters in the Łódź Voivodeship in 2017, in the next year – 2,981 (GUS, 2015; Biuro Wsparcia Eksportu Województw Łódzkiego, 2019).

Other forms of foreign expansion are used by Łódź Voivodeship companies extremely rarely. Few of them, for example Redan, use franchising on foreign markets. The figures concerning the most advanced form of foreign expansion, i.e. direct investments of Polish companies on foreign markets are also relatively poor. According to Statistics Poland data for 2017, 1,437 Polish companies had shares in 3,194 companies abroad, and in 2018 already 1,838 Polish enterprises had shares in 3,941 entities abroad (Radło & Ciesielska, 2018; Romański, 2019). Among them were about 60 companies

from the Łódź Voivodeship (Radło & Ciesielska, 2019). On the basis of the collected questionnaires, one may notice that the most frequent form of expansion into foreign markets is **direct export**. It accounts for 93% of the overall number of the responses given by the companies surveyed. Such a result shows that at the beginning of the internationalization process companies decided to ignore intermediaries and expand into foreign markets on their own. Indirect export was indicated much less frequently and it accounted for 38% of the responses. Over 9% of the companies declared that they had a branch abroad. Other forms of foreign expansion and activities on foreign markets are rare. They include: management contracts (2.6%), barter and selling licenses (1.7%). There was only one case of “turnkey” investment accounting for 0.9% of the total responses. The use of franchise chains was not mentioned at all. Some companies indicated “other forms of foreign expansion” in the questionnaire mentioning forms like: after sales services, promotion of Polish companies on foreign markets, export of construction and erection services, joint projects financed by the EU, direct sales of services, cooperation, relocating employees (about 7% of responses)<sup>1</sup>. It can be concluded that the findings of questionnaire study in fact confirm the results of secondary research on the forms of expansion of Łódź Voivodeship companies into foreign markets. The companies under survey also defined the time of operating and collecting experiences on foreign markets. Most of the companies under survey, almost 83% of them, had been operating on foreign markets for more than 9 years, whereas the proportion of companies operating on foreign markets for fewer than 9 years was small. 8% of companies had been operating on foreign markets for 7 to 9 years, 7% – for 4 to 6 years and 2% – 1 to 3 years.

### 3. Companies' Marketing Activities on Foreign Markets

As observed above, export is undoubtedly the predominant form of marketing activities on foreign markets used by companies based in the Łódź Voivodeship and that is why the activities they use are export marketing activities. As a result, the most significant issue is the company's autonomy in conducting export marketing and marketing research activities on foreign markets and the marketing tools that the companies use. Companies can either conduct marketing activities on foreign markets on their own or they can commission external partners to do so.

As follows from the research findings, 74% of the companies surveyed responded to the questions concerning the issues of the organization of marketing activities on foreign markets. Slightly above 70% of them claimed that they conducted their marketing activities on foreign markets on their own, which can prove that companies want to take control over their activities abroad and keep them confidential. Over 16% of the companies

admitted that commercial intermediaries in the distribution channel or cooperation between the company's own unit and a commercial intermediary play a significant role in their marketing activities on foreign markets. Over 4.6% of the respondents claimed that they conduct marketing activities on foreign markets in cooperation with an advertising agency. 13.8% of the companies surveyed indicated that some other company's organizational units, such as the company's board, its partners, commercial director, marketing director, marketing specialist, the company's owner, the export promotion department, etc. were also responsible for their marketing activities on foreign markets.

It can be concluded on the basis of the research findings that the companies under survey did not conduct any research on the foreign markets that they were planning to expand into prior to the decision to do so. Almost three thirds of the respondents (74%) claimed that it was the case, whereas just 26% of the surveyed companies admitted they had conducted such research before entering a new market. The latter group indicated that the research on foreign markets is always conducted by the company's employees and also outsourced to third parties (23% of responses). The prevailing sources of information that the employees of the surveyed companies used were: the internet (87%), trade magazines (61%) and reports of research institutions (58%). Everyday press was less frequently used and it was indicated as a source of information only by 26% of companies. 29% of the respondents stated that they also used other sources of information while making a decision to enter foreign markets, mentioning participation in trade fairs where you can acquire knowledge and make contact with potential clients. Referring to the question concerning the research methods used by companies to choose foreign markets to enter, the respondents commonly mentioned the method of comparative analysis (38.7%). 29.03% of the responses mentioned a single stage method and about 26% – a multistage survey. The respondents were also asked a question whether the findings of the conducted analysis justified the decision to select a foreign market or to reject it. Almost 55% of the respondents admitted that the research aimed at selecting a foreign market allowed them to make a decision to reject the analyzed market, whereas almost 45% of the respondents claimed that the analysis of foreign markets did not have an impact on the decision of the company's managers to reject a particular foreign market. As can be seen, few of the companies surveyed conducted research on foreign markets (only about a quarter of the total), and this was mainly by means of the simplest method of data analysis. Additionally, almost half of these companies did not take into account the results of their research when choosing a foreign market. It can be concluded that there were no prerequisites for accurate marketing decisions of the surveyed companies.

Other research questions referred to the marketing tools used on foreign markets. The companies surveyed were asked whether they had to modify their strategies while entering foreign markets. It follows from the research

findings that the changes in this respect mainly involved the product and price. Over 56% of Łódź Voivodeship companies surveyed (65 responses) claimed that they had made changes in the product which they were launching on a foreign market, whereas about 44% of the respondents (52 answers) claimed they had not. Over 57% of the companies under survey do introduce price modifications (66 responses) and almost 43% (51 responses) do not. As regards promotion and distribution policies, the surveyed companies introduce changes on a much smaller scale than in the case of product and pricing policies. Over 35% of companies (41 responses) admit they introduced changes in promotional activities on foreign markets, the prevailing majority of the surveyed companies (65% – 76 responses), however, claim that they did not modify their promotion policy. The situation regarding the distribution channel is similar. Over 40% of the companies under survey (47 responses) do introduce changes in their distribution activities, a much bigger group of the companies, i.e. 60% (70 responses), however, do not. The changes that companies introduce to their **product policy** in most cases refer to packaging (62%) and, to a much lesser extent, to the product content (38%), brand (36%). 23% of the companies modify the product size, whereas 18% – the shape and appearance of the product. Over 36% the respondents mentioned other product features that they had changed while entering a foreign market. They focused on such features as the product color, design, thickness of product packaging, product technical parameters, functionality, product description, type and kind of the product, the number of products offered, changes of materials, brand changes on particular markets and maintenance methods. The companies surveyed also emphasized that every time the product or service is being adjusted to particular customers, their needs and so on.

The respondents were also asked about the likely changes concerning their **pricing policy** on foreign markets. Due to the fact that the companies surveyed claimed that the most common forms of their expansion into foreign markets were direct export (93%) and indirect export (38%), it seems to be justified to refer the research findings concerning pricing to these two leading types of expansion. Other forms of foreign expansion are much less common. It should be emphasized that the respondents also pointed out to other factors that had influence on price changes on foreign markets, mentioning mainly the importance of a particular industry and its specificity on the selected foreign market.

In the case of direct export, the predominant factors defining the price of a product on a foreign market and its changes are the product manufacturing costs (67%), the competitor's price (64%) and the cost of product delivery into a foreign market (45%). The same two factors, namely manufacturing costs and the competitor's price, also dominate in the case of foreign expansion through indirect export; they are not as frequently mentioned by the respondents, however, as in the case of direct export. The manufacturing

costs account for 23% (53) of the responses, whereas the competitor's price – for 27%. As can be seen, the investigated companies establish the export price using a classical cost and a comparative price determination method. There is no question of using a demand-side price determination method.

As regards the **distribution policy**, the questions referred to the commitment of commercial intermediaries in the process of delivering products into selected foreign markets. It follows from the research that 48% of the surveyed companies use commercial intermediaries, whereas 52% of them enter foreign markets without their help. The question regarding the use of commercial intermediaries corresponds to the one about the form of export. Over 93% of the companies surveyed indicated they used direct export, whereas 38% of them – indirect export. As observed above, 52% of Łódź Voivodeship companies operate on foreign markets without the use of commercial intermediaries in their distribution channels. The differences between responses can be explained by the fact that the respondents understand direct export as a direct form of contact with potential buyers on foreign markets. It should be emphasized that in most cases the contacts with foreign buyers were not initiated by the surveyed companies but resulted from import enquires made by potential foreign buyers. In consequence, the company delivers to the buyer that they directly contacted but it is seldom the final buyer on the foreign market, it is often a company that delivers the purchased products further on to subsequent elements of the distribution chain abroad. It can be assumed that this explains why so many surveyed companies define their form of foreign expansion as direct export.

As regards distribution policy, the survey questions referred to the reasons why companies decided to use intermediaries during the foreign market expansion. According to the respondents, the most common reason to select a commercial intermediary is the risk connected with sales (63%). Other significant reasons are also the costs of sales and terms of payment (38%). Some companies also choose commercial intermediaries because that allows them to be relieved of the necessity to transport (18%) and store (25%) goods. The surveyed companies also pointed out to other reasons that made them use commercial intermediaries (37.5%), mentioning the guarantee to deliver products to foreign markets, the intermediary's reach, higher effectiveness of reaching right customers, sales effectiveness, bigger sales potential (an opportunity to place products in retail points of sale), building relationships with potential buyers, better technical competencies of commercial carriers, better market knowledge, complexity of measurement, sales and service. All these factors are closely connected with the duties assigned to commercial intermediaries by the surveyed companies.

Yet another area that the survey questions referred to was **promotion**. As follows from the responses given by Łódź Voivodeship companies in the study, in the prevailing majority of cases (65%), it is the company itself

that is responsible for its promotional activities. It is much less common that the company's promotional activities are conducted by commercial intermediaries (26%), whereas commissioning an advertising agency by the company itself or by a commercial intermediary is marginal (3%). 26% of respondents claimed they did not conduct any promotional activities on foreign markets. It means that more than a quarter of the respondents do not use promotional instruments on foreign markets at all.

In the case of operating on several foreign markets, 66% of companies adjust their promotional activities on those markets to their specificity. It shows the implementation of an adaptation policy, as well as product and price policy. 30% of the surveyed companies (26 responses) operating on several foreign markets, however, use uniform forms of promotion. The promotional tools most commonly used on foreign markets are, among others, trade fairs (72%), leaflets (48%), brochures/newsletters (47%) and online advertising (44%). The promotional tools that are slightly less commonly used are: advertisements in magazines (30%), events (29%), conferences (25%), social media (20%) and advertisements in local press (12%). The least commonly used promotional tools are: radio advertisements (6%) and TV advertisements (5%). Moreover, 10% of the respondents indicated they also used other activities to promote their company or products on foreign markets such as promotional gadgets, advertising at filling stations, bottles, advertising racks, direct mail advertising, promotion during talks, meetings with potential clients and tenders.

The selection of promotional tools primarily depends on the product specificity (almost 60%), the specificity of some particular market (54%) and the buyers group (48%). It also, to a large extent, depends on the size of the promotional budget (38%), whereas it depends only to a small degree on the competitors' activities (17%), the kind of trade intermediaries (10%) or the product lifecycle (7%). This information and the fact that more than a quarter of the surveyed companies do not promote themselves on foreign markets at all means an unprofessional approach to marketing-mix on foreign markets.

Conducting marketing activities on foreign markets, the company has to measure the effects that they bring. Such activities demand a lot of knowledge and skills and companies can either measure those effects on their own or commission third parties to do it. They can also refer to different areas of marketing activities on foreign markets. As follows from the study, slightly less than a half of respondents (48%) measure the effect of their marketing activities on foreign markets, whereas slightly over a half of them (52%) do not.

The companies that gave positive answers (48%) measure the effects of their activities in different areas. Over 54% of the companies admitted that the effects of their activities were in most cases measured with respect to the company's strategy to build its competitive advantage on foreign

markets. A high percentage of responses in this respect (50%) also referred to the selection of foreign markets. Almost 36% of the respondents claimed that they measured the effects of their activities with respect to marketing mix instruments (4P: product, price, place, promotion). Another 20% companies admitted that they measured the effects of their distribution channel activities and about 11% companies claimed that they monitored their internalization processes. 14% of the respondents also indicated that they measured the effects of the company's activities in other areas, related mainly to the process of sales and the distribution channel. The measures mainly mentioned by respondents were, among others, success rate (the ratio between the number of submitted offers and the number of granted projects and their volume), sales growth, the profit margin and so on.

The ratios measuring the company's participation in internationalization processes were used much less frequently. The most commonly considered ratios in this category were: the ratio determining the number of foreign markets (10.7%), the share of the company's sales on foreign markets in its overall sales (12.5%) and the share of the company's profits on foreign markets in its overall profits (12.5%). Some respondents also claimed that none of the above mentioned ratios was taken into consideration in the measurement process (8.9%). It can be assumed that it is related to the respondents' lack of knowledge and/or the fact that some of these analyses are outsourced to third-party research companies. As can be seen, only about one quarter of the surveyed companies examine the effectiveness of their marketing activities on foreign markets. The indicators relating to the role of foreign markets in sales and profits of these companies are even smaller. These data confirm the low level of marketing activities of the surveyed companies on foreign markets.

The results of the research confirm the hypothesis of limited use of marketing-mix instruments by companies on these markets and research of the effects of marketing activities.

#### 4. Conclusion

Foreign expansion strategies of Łódź Voivodeship companies are not complicated and they are mostly limited to export. The research findings allow us to conclude that the character of the company's activities on foreign markets is primarily passive. Making contact with foreign buyers was not initiated by the surveyed companies as they first of all wait for offers from abroad and start exporting in response to inquiries from potential foreign buyers. This also determines marketing activities of Łódź Voivodeship exporters, which are not of complex nature and in most cases are not based on thorough market research. Almost three thirds of the surveyed companies do not conduct any market research on foreign markets before

entering them. A large part of marketing activities and instruments of the marketing-mix strategy is prepared and implemented by intermediaries – the buyers of exported products. In most cases, their strategy is to adapt the company's marketing tools to the specificity of foreign markets. This primarily refers to product and price policies (56% each). The buyers of exported goods are most often responsible for other elements of strategy. Less than a half of the surveyed companies conduct research on the effects that the use of marketing tools on foreign markets brings, which can indicate that a large part of Łódź Voivodeship companies do not prepare and do not implement any marketing strategy of their own on foreign markets.

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#### Endnote

- <sup>1</sup> It is also possible that the surveyed companies could not make a distinction between direct and indirect export and claimed that selling to a foreign buyer without a Polish intermediary was export.

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