

# Bulgarian market evaluation (global marketing) assignment

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A quick evaluation of the global macro environmental variables that are likely to have the most significant impact on the company concluded that the 3 main factors are the economic, social and technological factors. 1 .

Economic The state of the economy of the country has enabled for a lot of multinational companies to enter their targeted segment with minimum costs and massive profits. The philosophy behind the method is that people look for more value for their money. Understandably this creates a demand for more globalized approach to services and goods.

In 1999 the International self-service wholesaler Metro Cash and Carry entered the Bulgarian market. This German originated company operates in Europe and in some countries in Asia and North Africa. The way it differs from other retail chain stores such as Wal-Mart, ASDA, Tesco, etc. is that Metro uses the cash and carry concept, meaning that its target market is not the end consumer, but professional customers (businesses) such as hotels, restaurants, traders, etc. That's why it only serves registered customers, which keeps a very specific customer base.

Metro Cash and Carry fits the beliefs of Bulgarian consumers about value for money very well, but it is a professional retailer and being one its stores are in remote out- of-town industrial areas. This means that it cannot replace the corner shops that are placed locally in cities. Kaufland entered the Bulgarian market in 2006 and doing so filled this gap. The value proposition was closer than ever before. The value minded consumer could now shop locally at the same prices as in the out- of-town Metro.

This led to the end of a lot of the small shops and businesses that were positioned locally, because they simply could not compete with the big retail chains such as Kaufmann on price. 2. Social Metro Cash and Carry has created a good relationship with local farmers and manufacturers of different national products that can only be found in Bulgaria. Kaufmann can use the same principle when creating their Items Inventory for the Bulgarian stores. Bulgarian manufacturing of food goods and similar is on a very good value proposition compared with similar products in other parts of the E.U.

The countries but production costs are low so big supermarkets and retail chains such as Metro and Kaufmann (the main customers for such products) can push and lower prices and thus maximize value and win over loyal customers from other smaller genuineness. The culture of Bulgarians is a high context one. Consumers read labels and are more conscious of experience from other customers. Word of mouth is the best marketing tool for the products on offer. If we apply Hypotheses cultural dimension theory, we see that the Bulgarian culture is more collective.

Families are the backbone to the local economies, so the high context consumers can bring much more than just their shopping to any retail store 3. Technological In this line of business the technological section is most relevant as to transport needs, the roads infrastructure, the buildings and sites available for setting up shops. The transport needs can be satisfied easily as imports and export enter and leave the country 24/7 and with very little customs checks goods can be transported in the country and to the stores with ease.

The road infrastructure is very old and not very well maintained, but it does provide sufficient support for any type of transportation of goods to any part of the country. There is no lack of good store sights as well. With the massive impact that the recession has had on the local community, there are loads of abandoned or buildings for sale that are perfect locations for setting up shop.

Task. 2 If we use Hall's High and Low Context approach and we apply it we can clearly see that the target market consists of a high context culture.

This means that the consumers use and interpret more of their surroundings to develop their understanding of the product. In most cases the buying process is collective, rather than individual. The ISRC (Self Reference Criterion) can be eliminated by identifying the problems in terms of the Bulgarian culture and to compare it to the foreign culture. In this case if we compare it to the I-J culture we can see some major differences. In the I-J buyers are more conscious of different factors that make up heir buying decisions.

A good example would be if a product is cheap, but is very harmful to the environment many people in the I-J wouldn't buy it. In Bulgaria if the product is cheap, it will sell, even if it is environmentally unfriendly. This is because buyers in Bulgaria have less to spend on necessities such as food, electricity, gas, etc. So purchasing decisions cannot be including environmental friendliness. This makes marketing of different products much easier. Other differences could be ready made food.

It is very important for Kaufmann to embrace all the local cuisine and make it efficient and cheap. Ready cooked food is big in the I-J, but in Bulgaria only

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Let's take a look at the ups of the marketing mix by McCarthy: Product: Kaufmann is a hypermarket that offers a variety of products successfully to many markets such as Germany and Austria, but the real test if it will succeed in Bulgaria is if it is successful in neighboring countries such as Romania (which it is).

Products vary by the slightest from country to country, but most tend to be sourced from the nearest location, so a future improvement would be if more of the products could be sourced from somewhere within Bulgaria so transportation costs can be roughed down to a minimum. Price: Now this is maybe the most important part of the analysis. What Kaufmann is offering is something that hasn't really come together at this level before in Bulgaria. There have been supermarkets offering very good value for money before, but none has done it on such a scale as Kaufmann.

More products means bigger choice, thus more consumers will switch so they can have a greater choice. Secondly, there is a lack of high-end shops such as M&S or Waitress, as supposed to Tesco and ASDA. This is because there is no established high class in the country and thus everyone is hopping at the hypermarkets. The general philosophy is "the bigger the shop, the better it is". Promotion: The opening of a new hypermarket must be an event. In order for a day 1 success there needs to be a big marketing campaign on promoting Kaufmann.

After the opening of the store it will not need that much of advertising because the best advertisement in Bulgaria is the word of mouth method (high context culture). Product manufacturers themselves do promotions

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within the shop which yet again brings more customers inshore. Place (Distribution): The location of the store is a large part of its success. This would mean that the store has to be able to span over big land, but at the same time to be close to or even within big living areas. That way it will be more accessible for customers.

But transportation routes must be taken into account. Kaufmann is a hypermarket that constantly needs restocking, thus it will need to be situated somewhere near a main highway link, so trucks can deliver stock easily and fast. As far as positioning and branding is concerned the brand itself speaks very clearly about what it is and what it offers. In Bulgaria it is welcome and will make a huge success since it's the first of its kind. In other countries Kaufmann is accepted as a discount store, whereas in Bulgaria it will be one of the premium hypermarkets. Task. (a) market has any potential such as market research, sales forecast, customer behavior analysis, competitor analysis, strengths and weaknesses and market trends. If we look at the customer behavior analysis above we can see that the most common is the cost conscious buyer which is a perfect setting for Kaufmann. Sales forecasts can be speculated but on the basis of other data we can safely conclude that if the first store succeeds, there will be demand for more across the country. The main competitor of Kaufmann at the time of launch was Metro Cash and Carry, but as we made it clear in Task. Metro is not a direct competitor since it provides similar services to a different target market. The strengths and weaknesses of Kaufmann are very simple. The strengths is the reputation and core beliefs, the main weakness would be the staff, especially in the beginning. Customer service would be a key selling

point of the new store. The market trends are not that easy to determine since the products differ and every product has its life cycle. As far as the store goes, many there companies will want to enter the market, so a good customer base must be established and brand loyalty must be built.

For the future development of Kaufmann in Bulgaria, the best strategy is to exploit all the market by building stores in every major city before any other competitor such as Lid or Laid enters the segment, so the customer base can be built. The low prices must be emphasizes at all times so consumers feel that they are always getting a good deal. Appendix 1. PESTLE analysis of targeted market (Bulgaria) POLITICAL The current political situation in Bulgaria is favorable to big multinational impasses to move in and take their market segment.

The country has converted to democracy in 1989 and since has started to accept and integrate the world brands in the everyday life of the citizens. The population of the country is 7, 364, 570 and the average age of the population is going up as more and more young people migrate to other countries such as I-J and USA to find a better way of life. The tax policy of the country is pretty similar to the one in other members of the ELI. It presents a fixed 20% VAT charge. Other taxes include income tax, road tax and health insurance tax.

Environmental law is still at its early stages and environmental awareness is not a priority in the current times. Labor law is very similar to other EX. countries and presents a good platform to build a long-term work force, considering the low minimum wage and high unemployment rates. Trade

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restrictions are very flexible and do not present any problem in the targeted market. Low import taxes apply, because most of the products in the country are imported. Regulations on importing country of import. ECONOMIC The economic factors in Bulgaria do not look good for most businesses.

The nominal GDP per capita is \$7.33, which puts it on the 79th spot in the world for 2012 according to the World Bank database. The Human Development Index of Bulgaria is 0.782 and ranks 57th overall. It shows a high educated population with good life expectancy but very low income. Even though Bulgaria has been a part of the EU for almost 5 years now, they have not yet managed to incorporate the Euro, so they keep their national currency (Lev). Inflation rates are medium and interest rates are high compared to other EU countries.

The exchange rates are stable and the country offers great opportunity for export of its home grown products because of the low prices and high quality. SOCIAL Health consciousness in Bulgaria is not very high. Consumers are not really aware of the health issues brought by some of their everyday habits and thus don't really care about it. On the other hand, there is no problem with obesity and the average life expectancy is around 70 for men and 77 for women. The main health issue in the country is the production and consumption of homemade alcohol beverages that contain certain chemicals that are lethal if used on a daily basis.

The population growth rate is negative meaning that the population is reducing as many of the natives migrate to other countries mostly within Europe to work and support their families back in Bulgaria or move with

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them all together and not come back. The age distribution is uneven and the average age of the population is slowly rising. The career attitudes of the Bulgarians are quite positive and they tend to stay on a job for long periods of time, considering the unemployment rates and the difficulty of finding a job. Emphasis on safety is something very vague in Bulgaria. Laws are very loose and many of them get overlooked in all respects.

There is no established strict standard for work health and safety.

**TECHNOLOGICAL** The Research and Development cycle in Bulgaria is not very good. Research is not funded by the government and only outside sources manage to sustain a low level of development. Most researches are done outside by getting Bulgarian scientists to help foreign developments. The automation in Bulgarian facilities is on a good level, but is out of date compared to other EX. countries. Main automated facilities are meat complexes and amounts of lead and aluminum to other EX. countries. This all shows that the rate of technological change is slow.

Methods used wrought Europe 5 to 10 years ago are now making their way into Bulgaria. This presents no barrier of entry to outside companies that are in the import and distribution of goods. Transportation costs are low and distances are short. **LEGAL** The legal system in Bulgaria is somewhat the same as in other EX. countries. Due to its specific structure though, it allows for very high corruption rates and very flexible laws when it comes to big companies. Discrimination law does not present any unexpected twists as it does match EX. standards. The same can be said about consumer, antitrust and employment law.

The big difference comes in the Justice system which is very slow and not very secure. Bribes are still used widely within the government. Health and safety laws present very little if any obstacle when setting up business in Bulgaria in the retail sector. The minimum wage is 60 pence an hour and working contracts offer flexibility to employers (0 hour contracts can save the employer time when changing employees, because of the lack of notice required before making employees redundant). ENVIRONMENTAL The ecological and environmental aspects of the country suck as weather, climate ND climate change are quite rapid.

Bulgaria has a very hot summer reaching temperatures of over 40 degrees Celsius. In winter temperatures could fall to -30 degrees and that causes problems, because the system used to clean streets from snow and to maintain infrastructure is out of date. This presents problem to transportation and consumers that have to travel further to shop. The awareness of potential impacts on the climate change is minimal and is not a buying or selling point for companies in Bulgaria. Reference: Keenan, W. Green, M. (2013) Global Marketing Global Edition. 7th deed. Pearson Education, Limited.