

CONTEMPORARY MARKETING PRACTICES IN RUSSIA: FROM TRANSACTIONAL TO RELATIONSHIP APPROACH

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Abstract

Emerging markets represent a significant part of the world economy and tend to expand their share, but they are still not well examined. Specifically, one of the BRIC economies, Russia seems to be avoided in the overall marketing strategy academic discussion. According to Sheth (2011, p. 7) market orientation and relationship marketing are marketing strategies that have become mainstream for empirical research in marketing. But existing research on studies of such major marketing strategies in Russian context have hardly been investigated in-depth for the last twenty years. Thus, the purpose of this paper is to analyze and develop a typology of the contemporary marketing practices in Russia with the use of meta-analysis of previous academic and empirical research based on the Russian context and empirical data collection and analysis within the framework of CMP research.

Work-in-progress paper

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INTRODUCTION

Just as the last century was all about marketing in the advanced economies, this century is likely to be about marketing in the emerging markets (Sheth, 2011, p. 1). Nowadays emerging markets represent a significant part of the world economy and tend to expand their share. It is estimated that by 2035, the gross domestic product of emerging markets will permanently surpass that of all advanced markets (Wilson & Purushothaman, 2003). On a purchasing power parity index, China is already equivalent in market power to the United States, and India is the third largest market, according to International Monetary Fund 2008 data. Thus marketing research is more and more aimed at emerging markets (Engardio, 2007; Sheth, 2008; Sheth & Sisodia, 2006).

According to Sheth (Sheth, 2011, p. 7) there are three marketing strategies that have become mainstream for empirical research in marketing: market orientation, relationship marketing, and customer satisfaction. In emerging markets these strategies differ a lot from developed markets. The role of relationship marketing and interfirm relationships in enhancing competitiveness of the firms and national economy has been highlighted in existing literature (Anderson et al., 1994; Achrol, 1997; Uzzi, 1997; Achrol, Kotler, 1999; Håkansson, Ford, 2002). But emerging markets are still not well examined, specifically, one of the BRIC economies, Russia seems to be avoided in the overall academic discussion and stays “enigma” (Economist, 2008) for both researchers and practitioners. Existing research on Russia can be described as fragmentary and capturing just some aspects of transformation process. Moreover, studies of such major marketing strategies as business relationships in Russian context have hardly been undertaken and investigated in-depth for the last twenty years.

Thus, the purpose of this paper is to analyze and develop a typology of the contemporary marketing practices in Russia.

THEORETICAL BACKGROUND

Relationship marketing: evidence from Russian market

Modern marketing concept mostly oriented on the interaction processes with clients, customers, suppliers and value chain is described as a core of the concept in a number of theoretical works and referred to as relationship marketing (RM). The pleas to change existing foundations of modern marketing from transactions (Transactional Marketing (TM)) to the customer value co-creation are becoming more and more frequent nowadays (Brodie et al, 2008). Meanwhile there is huge gap between theory and practice in managerial science. It demands research mapping broad marketing practice landscape and their correspondence to the marketing theory development trends. These conditions brought up contemporary marketing practices (CMP) research program with the goals to reproduce basic profiles (characteristics) of the marketing practices in the modern environment and the analysis of the RM correspondence in various organizational, economic and cultural contexts (Coviello et al, 2002). With the development of the research program unified methodology was developed, that was based on

simultaneous examination of the different development vectors of marketing and TM & RM models combination to approve theoretical constructs with the evidence from practice.

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In this paper the transformation of one of the main marketing strategies such as relationship marketing is analyzed with the use of meta-analysis of previous academic and empirical research based on the Russian context. The results of the meta-analysis of relationship marketing concept on the Russian context (Ayios, 2003; Salmi, 2004; Wagner, 2004; Farley, Deshpandé, 2005; Jansson et al., 2007; Johanson, 2007; Smirnova et al, 2011; Belaya, Hanf, 2011; Puffer, McCarthy, 2011) are presented in Table 1.

Table 1. Results of meta-analysis of relationship marketing concept on the Russian context

Author(s), year	Focus of the study	Method and data	Contribution
Tretyak, 2003 Chapter 5. Market Policy in Russian Industry: Institutional Development (Edited by Dolgopiatova)	Shift from passive adaptation to more active market policy. Creation sustainable interactions between market players and new institutions such as networks and associations.	Case analysis in industrial enterprises.	Organizational and functional changes aimed at picking up and relaying market signals manifest themselves in growing ascendancy of importance of sales departments over supply departments, and setting up of marketing and PR functions as specialized units. Although marketing departments have been created in almost all companies, most of them are focused on separate marketing functions and fail to act as coordinating center between consumers and producers. Characteristics of a new business model are interactive relaying of market signals throughout the value chain, dependence of financial performance upon customer orientation. The model is still in its infancy, but necessity of changes to customer focus became obvious for most of managers.
Halinen et al, 2001 Proceedings of the 17 th IMP	Personal level relations as a driver for business relations	Case analysis In service industries, high-tech and	In business relations personal relations can be enablers for relationship development and change forces leading to

Conference	development	traditional manufacturing	relationship stage change. End of relationship is also possible in second perspective
Radaev, 2003, Proceedings of CEPR/WDI Annual International Conference on Transition Economies	Trust in economic relations in Russian low-trust transition market	Standardized survey and in-depth interview	Formal rules are subject for intense formalisation. In order to confront high level of opportunism private contract enforcement methods are imposed as well as closed business networks. Business to business conventions substitute formal institutes
Ayios, 2003 Business Ethics: A European Review	Trust and personal level relations in western-invested strategic alliances in Russia	Semi-structured interviews of western and Russian staff (17 western organizations) 1996; case study in western company operating in Russia 1997	In strategic alliances developed in Russia trust is increased by functional competence transfer, interpersonal relations rather than monitoring and responsibility transfer. The competence determinants and motives are positively correlated with trust, while outgroup and monitoring are negatively correlated
Salmi, 2004 Proceedings of the 20 th IMP Conference	Institutional change forces (i.e. formal and informal rules) and their influence on network structures	Conceptual paper	New economical paradigm led to enhancing social relations in business along with corruption increase. Institutional rules for behaviour evolve in business networks
Wagner, 2005 European Journal of Marketing	Contemporary marketing practice research	Standardized CMP questionnaire 72 companies within 3 samples Moscow, St.Petersburg and Yaroslavl 2002	Marketing practices in Russia heavily underdeveloped compared to the international benchmarks, transactional approach is of high frequency and relevance for the Russian market. New possibilities and tools are not utilised.
Jansson, 2007 Industrial Marketing Management	Institutional influence on major characteristics	Conceptual paper	Different institutional context defines business strategy design and implementation. Different aspects of strategic orientation such as performance, suspicion and patience are prioritised due to institutional influence

Belaya, Hanf, 2011 International Business and Management	Power and coordination in supply chain management	40 telephone semi-structured in-depth interviews lasting from 15 to 60 minutes per respondent	Relations in supply chain are affected by variety of problems: quality of agricultural supplies; Russian management style and mentality; opportunism and absence of trust; administrative barriers, transport, logistics and infrastructure problems. Coercive or reward power might have superb effects on coordination
Puffer&McCarthy, 2011 Academy of Management Perspectives	Formal and informal institution development as the driver of business development	Conceptual paper	Present persistence of informal institutions and in the context of a formal institutional void could dramatically slow down economical development of Russia and remain source of some time as an unbalanced, corruption-ridden, natural resource-based economy
Komissarova, 2012 International Studies of Management & Organization	Business adaptation in crisis environment	A series of surveys, 500 companies sample in total	In crisis environment companies tend to cut their cost, with simultaneous transition to advanced thus more efficient marketing techniques. Existing relations are leveraged to hold competitive position, but it is a situational decision rather than strategic relationship management.

The first midterm results of transformation (Tretyak, 2003; Salmi, 2004; Ayios, 2003, etc) were represented in some studies, and finally the latest studies focus on the most recent changes in Russian management and interfirm relationships practices (Smirnova et al, 2011; Belaya, Hanf, 2011; Puffer, McCarthy, 2011).

The later studies (e.g. Ayios, 2003) were investigating internal transformation in the Russian economy and among other acknowledging “fundamental difference” (Ayios, 2003). The current culture of business relationships is combining newly acquired competences and rules, with the “part preference for network-based business relationship using old ties and informal activities” (Ayios, 2003). Specifically, regulation of interfirm relationships is subject to changing regulation of the economy in the whole, changes in business environment and level of maturity of managerial mentality of Russian businesses. Thus despite the traditionally high role of interpersonal relations in Russian economy (Salmi, 2004; Jansson et al., 2007), the ongoing economic transformation is leading to corresponding transformation in the principles, strategies and regulating mechanisms of business relationships.

New relationship building, instead of previously existing planning economy, has required substantial investments of time, resources and efforts, resulting in mutual learning and development of decentralized and mutually adjusted planning capabilities (Johanson, 2007). Besides the very fact that transition has supported building stronger managerial competences, existing research on Russian relationships and networks suggests switching from supplier to customer orientation (Tretyak, 2003; Farley, Deshpandé, 2005). At the same time, there are hardly any studies looking in-depth to the transformation of interfirm relationships. Based on existing literature, a general assumption is made that there are accumulated competences, knowledge and development of new capabilities.

This is quite a limited number of research papers focused on marketing practices in the Russian market. The researchers outline rather poor level of marketing overall with its simultaneous re-enforcement in business practice in general (Lehtinen 1996, Shifrin 1996, Wagner 2005). Besides marketing practices are the main topic of the papers reviewed they are not usually the primary research object. Significant attention is devoted to the impact of the external factors, such as economic crisis (Komissarova 2012), relationship marketing development and expansion (Lehtinen 1996), institutional environment and company internal capabilities development (Molz et al. 2009) etc. Authors are primarily focused on business adaptation opportunities to the changing environment (Tretyak, 2003) and corresponding change in the marketing toolkit both in the strategic and tactical level.

Marketing development is tightly connected with the changes in the Russian economy. Basic marketing tools from 90-es (Lehtinen 1996, Shifrin 1996) is gradually substituted by more complex toolkit which is usually copied from the international companies, entering the Russian market (Wagner 2005). Researches state that besides general progress 2008-2009 economic crisis appeared to be a substantial driving force for the marketing consolidation in companies and adaptation of the more complex and efficient marketing tools including Internet marketing (Komissarova 2012). Some basic marketing tools like segmentation allowed to cut costs de-marketing some unprofitable products and variety reduction.

There is also some significant transformation observed in the practice of interaction with other market participants. Earlier, in a stable environment, the relational approach is considered only as a supplement, not an alternative to the transactional marketing (Wagner 2005). According to the study the use of the relational approach has been the frequent among newly established companies as well as foreign businesses and joint ventures.

The drop in demand in the end user markets has led to the centralization of distribution channels and forming vertical coordination systems. In the field of inter-firm interactions business is focused on building closer relationships with key partners, while bringing to outsource various activities, including marketing. In addition, researches noted widespread horizontal partnerships, enabling companies to gain access to an extensive client base without significant investment.

Review of the work, despite their limited number, are very important for understanding the formation of marketing in Russia. However, these studies are fragmentary. Research findings are based on a fairly small sample and / or focus solely on the Moscow region, which greatly limits the interpretation and use of the results. Therefore, the papers reviewed illustrate the features of adaptation to external conditions of companies using a variety of marketing tools and techniques, but do not give a complete picture of the status of marketing practices. In addition, the lack of consistent marketing practices research methodology, which is clearly seen in these studies does not allow a fully assess and discuss the results.

RESEARCH METHODOLOGY AND SAMPLE DESCRIPTION

Classification scheme of marketing practices used in the project is based on a synthesis of academic research, revealing new content of modern marketing, based on the process. There were six areas of academic studies that highlight clear differences of RM from the TM. These areas include the following: a) research in service marketing, and b) inter-firm relationships and exchange (buyer-seller, resource dependence theory, the social exchange theory), c) distribution channel research (vertical marketing system, control mechanisms, the relationship in the channels) d) network structures, e) strategic management and value chain e) information technology research, both in intra- and inter-organizational relationships.

Based on content analysis of these trends we proposed 9 metrics to evaluate how firms respond to the market (5 of them were characterized relational exchange, 4 - management activities). Further on classical dichotomy TM - RM was presented with different types of practices - TM, DM (database marketing), IM (Interactive Marketing), NM (network marketing) and RM. Finally, based on the second analysis cycle in these research areas we performed "binding" of the meters and their values assigned to each type of marketing practices.

The empirical phase of the research involves the use of both qualitative and quantitative methods, and consists of three main stages. First, based on the analysis of the theoretical and methodological framework, a preliminary data collection was conducted in the course of in-depth interviews with representatives of the seven Russian companies to test the questionnaire "Modern marketing practices," and highlight the key factors in the model.

As a result, the managerial metrics were clarified, the key factors influencing the market orientation, the main characteristics and types of marketing practices. The questionnaire development was carried out in strict accordance with the generally accepted procedures [Churchill, 1979] and Russian law, in addition, back-translation of the questionnaire "Modern marketing practices" was carried out.

Second, after clarification of the model and questionnaire refinement we conducted quantitative research. The research sample includes 329 managers from cross-sectional sample of Russian companies from marketing departments that insures quantitative analysis applicability. In order to build general totality of the companies and financial data verification we are going to use SCRIN and SPARK databases on Russian business.

And finally after we conduct quantitative study an additional set of in-depth interviews would be carried out (10-20 companies) in order to clarify previous results and getting some insights for the data analysis.

Testing the questionnaire "Contemporary marketing practices"

Prior to the quantitative survey questionnaire was tested on seven respondents, representing the marketing department of Russian companies. In general, the participants agreed that the questionnaire "Modern marketing practices" can be used to describe the marketing activities of Russian companies. However, respondents noted that some concepts need to be clarified (eg, inter-firm cooperation and networking).

Based on the experience of conducting research on a sample of Russian companies working group of Russian researchers participating in the project, the questionnaire was further modified in order to improve the information component of the data collection. So, in the beginning of the questionnaire section we added the basic information about the respondent

companies, called the "company profile". The main purpose of "company profile" is the systematization and structuring of basic data on the respondent companies and the person responsible for completing the questionnaire. These data will help to structure the information about the study and the result set will be the basis for the description of the final sample for creating analytical reports and publications on the study. Additionally, the questionnaire included the contextual issues related to the characteristics of the company's strategy. Contextual questions include a question assessing the extent of market orientation and customer orientation of the company.

To check the quality of the final version of the questionnaire we used back-translation procedure, which is a common form of equivalence check for the measurement tools in the socio-economic research.

Translation into the original language or back translation is an essential step of quality insurance in the research work developing the scale questionnaire in a foreign language. With this widely used text comparison method we checked both the semantic content correctness of the of the final text, and the appropriateness of certain terms in context. This eliminates translation errors usually arising due to cultural differences, the limited knowledge of the non-native speakers, as well as the subjective style characteristics of the translator.

RESEARCH FINDINGS

Table 2. Actual use of performance measures by the companies from the sample (N=329)

№	Performance measurement	Almost never use		Sometimes use		Almost always use	
		N	%	N	%	N	%
1	Sales growth	22	6,7	28	8,5	279	84,8
2	New customers gained	28	8,5	49	14,9	252	76,6
3	Market share	78	23,7	63	19,1	188	57,1
4	Customer retention	78	23,7	69	21	182	55,3
5	Profitability	22	6,7	38	11,6	269	81,7
6	Customer satisfaction	82	24,9	65	19,8	182	55,3
7	Friends, follower, or likes in social media	225	68,4	34	10,3	70	21,3

CONTRIBUTION

In our study we made an attempt to bridge the gap in understanding fundamental marketing concepts in Russian emerging economy. Relationship marketing is an important concept in Russian market nevertheless due to certain cultural aspects and institutional underdevelopment relations in business environment are marked by significant negative effects. Business parties intend to use relations to avoid institutional regulations rather than extend institutional capabilities.

Basic marketing concepts are widely found in emerging Russian market though their impact on business environment as well as underlying mechanisms differ dramatically from those on developed markets. It implies that further conceptual research of Relationship Marketing in Russian market and metrics redesign are to be conducted.

The clarifications in research methodology performed, on the one hand, let the CMP methodology to reflect adequately the Russian marketing practice and on the other - can, in the future facilitate cross-country comparison research. Proper understanding of the practice and experience of companies in emerging markets gives a multidimensional picture of the trends in the development of marketing, its main development stages, evaluation criteria of the marketing activities that create incentives for the development of new customer-oriented business models. Therefore, investigation of "Contemporary marketing practices in Russia" is in line with current trends in the development and marketing is a systematic increment of new knowledge in developing management technologies and adaptation them to emerging markets.

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