

## **ABSTRACT**

Branding is a new phenomenon to people in Central and Eastern Europe. Their Communist past did not address concerns such as branding. Western companies doing business in those countries have to have a thorough understanding of the cultural dissimilarities to be able to understand the problem area. Volvo Truck Corporation was selected to serve as case company for the study. Central and Eastern Europe were represented by Hungary and the Czech Republic. The purpose of the study was to examine how the Volvo Truck brand can be strengthened in Hungary and the Czech Republic.

By conducting interviews on the two markets and applying culture and branding theory, conclusions were drawn regarding how Volvo Truck should manage their brand in Central and Eastern Europe. The assets that increase brand equity can be divided into given and variable assets, with the given assets being the most important and necessary to stay in business. However, to differentiate themselves from the competitors, Volvo needs to employ the variable assets and adjust them to the country culture. Four adaptable brand areas have been found, i.e. brand loyalty, brand association, product attributes and marketing communication. By effectively managing these tools Volvo Truck increases their brand equity and also the brand loyalty. Not only does this generate increased brand loyalty, but also new customers, and it thereby provides value to the Volvo Truck Corporation.

### **Key words:**

Brand management, Culture, Brand equity, Relationships, Central and Eastern Europe, Industrial brands, Volvo Truck Corporation.

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## **APPENDIX**

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# INTRODUCTION



# 1 INTRODUCTION

*This section introduces the thesis and explains the purpose and the research problems. It also clarifies the delimitations and presents an outline for the thesis.*

## 1.1 Background

The official fall of Communism came with the opening of the Berlin wall on the 9<sup>th</sup> of November 1989, even though the movement towards a free Europe had started much earlier. Decades before this historic event people in several nations within the Warsaw Pact had openly shown their dissatisfaction with the Communist system and its leaders. Two countries where there was a smouldering discontent were Hungary and the former Czechoslovakia; discontents which eventually resulted in revolts. As early as 1956, the Hungarian people revolted against the oppression by Communist leaders in Budapest. During the days between October 23 and November 4, people were marching in the streets of Budapest showing their resentment for a system that had robbed them of their freedom. A little over a decade later, in 1968, it was the people of Czechoslovakia's turn to show their discontent. People expressed their anger by spontaneously gathering together in demonstrations and distributing leaflets. Although both of the revolutions were brutally and bloodily knocked down by the countries' regimes, with the assistance of their comrades in the Soviet Union, it had at least led to a shake up within the Communist system (www.hungary.com, 991112 and Library of Nations, 1986).

Today, the transition countries in Central and Eastern Europe are increasingly market economy oriented countries aspiring for a closer integration on all levels with Western Europe. One main step towards this integration is the countries' applications for membership of the European Union. (www.riksdagen.se, 991112).

However, although the transition countries are opening up to the rest of the world, there are still major differences between eastern and Western Europe. Forty years of Communist thinking has left a significant mark in people's mentality and many Hungarians and Czechs are still left in the planned economy philosophy. One effect of the planned economy is that many people in Central and Eastern European companies do not have the same profit orientation and long term thinking that most companies in the western world have.

Also, people in transition countries are not used to such western phenomena as branding, since brands did not exist in the planned economy during the Communist era. Purchasing within the Eastern Bloc meant queuing for the few products offered in often empty stores. This implies that great challenges lie ahead for enterprises when it comes to introducing the people in Central and Eastern Europe to how brands should be handled. At the same time, brand management used in the western world cannot be directly transferred to the East. In order to achieve a satisfactory response from customers in this part of the world, the companies sometimes have to communicate their brand through other channels than they do in Western Europe. This is especially true for industrial brands, since industrial purchasing involves greater risks than the purchasing of most consumer products.

The emergence of brands, especially western brands, is an increasing phenomenon within the transporting business in Central and Eastern Europe. Before the revolution, the transport companies in these countries had only a few low quality domestic brands to choose between. However, with the opening of markets in Central and Eastern Europe and the fact that these countries' long haulage business with international transports all over Europe is growing, the transport companies in Central and Eastern Europe are becoming more familiar with global truck brands. In general, brand management within the truck business is already a complex task in the West, implying that brand management on these new markets is even more

complicated. This is due to the fact that the cultural setting is very different and the relative importance of the tools used in brand management is therefore not the same in Central and Eastern Europe as compared to the Western world.

The truck industry, world-wide as well as on Central and Eastern European markets, is characterised by the fact that the products are becoming more and more similar. To be able to gain a competitive advantage, a truck company must consider the possibility of employing assets that can distinguish their brand from others. This also requires an understanding for various country cultures and the attitudes on the market. By adapting to the country culture the company can build a brand with a competitive advantage.

## **1.2 Purpose**

Theories suggest that there are differences between consumer and industrial brands, implying that brands should be managed according to their specific characteristics. Furthermore, industrial brand management on emerging markets is even more demanding than brand management on mature markets. This is due to the fact that there are other prerequisites on emerging markets than those of mature markets, and also that current knowledge regarding brand management on emerging markets is inadequate. Volvo Truck is a company that manages an industrial brand on Central and Eastern European markets, and is used as a case study in this thesis. With regards to this background, a further examination of the subject is required and therefore the following purpose is formulated.

*The purpose is to examine how the Volvo Truck brand can be strengthened in Hungary and the Czech Republic.*

## **1.3 Problem formulation**

In order to fulfil our above stated purpose, we have chosen to formulate one main problem and divide it into three subproblems. The rather wide

problem thereby becomes easier to handle and investigate, and the work obtains a manageable structure. The main problem for this thesis is:

***How can an industrial brand be managed, successfully, in Central and Eastern Europe, considering the specific cultures of these countries?***

### **1.3.1 Research problems**

To thoroughly be able to fulfil the purpose and solve the main problem, three problem areas need to be examined. The first concentrates on the country culture and the second on how attitudes are formed by the country culture. The third problem area deals with the customers' perceptions of trucks in general and the Volvo brand in particular.

***How can culture explain the way people think and behave in Central and Eastern Europe?***

There are different prerequisites for managing a brand, depending on the market where the company operates. The first research problem concerns the cultural aspects of Central and Eastern European markets. It is necessary to understand the culture in a society, since it influences the customer's attitudes. Knowledge about their attitudes and background them provides the company with a competitive advantage because it makes it possible to operate according to this knowledge.

***How are the attitudes of customers influencing brand perceptions in the truck industry in Central and Eastern Europe?***

It is not only necessary to be aware of the background of the customers' attitudes, but also to determine the nature of these attitudes. An understanding of the attitudes supplies the company with a platform that facilitates brand management.

## ***How is the Volvo brand perceived by customers in Hungary and in the Czech Republic?***

To be able to manage a particular brand, knowledge about how that brand is perceived is necessary. The perceptions need to be relevant to how the competitors' brands are regarded in order to identify strengths and weaknesses of the Volvo brand.

Starting to describe the institutional setting enables an understanding of the attitudes in a society. The knowledge of customer attitudes gives a background to the prerequisites for brand management on particular markets, and facilitates the work with the strengthening of the brand. The three research problems thereby contribute to solve the main problem.

### **1.4 Delimitations**

The thesis will focus on brand management in Hungary and the Czech Republic. A limitation to the number of countries had to be made due to time and other resource restrictions. To be able to keep the content manageable, a limitation to only one product category was made, i.e. trucks. It is important to note that the Volvo brand covers a wider product range, and also the products that fall out of this investigation, affect the perception of the Volvo brand.

Even though the attitude also includes the purchasing behaviour, the intention is not to explain how the beliefs and feelings towards trucks result in an actual purchase, i.e. what the connection is between the affective and the conative component in the attitude.

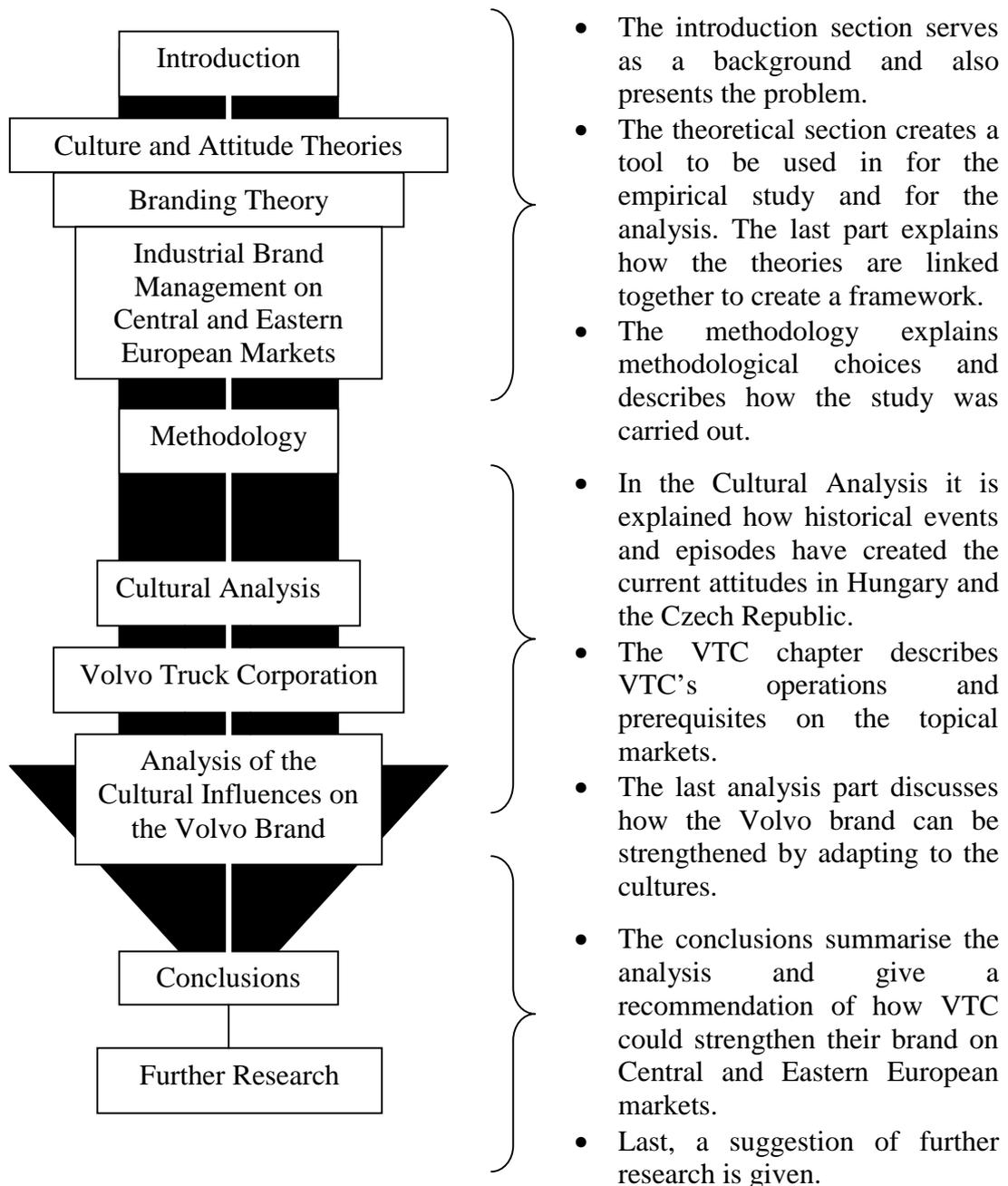
Another delimitation concerns the technical aspects of the truck. The focus will be on the customers' perceptions regarding the technical standard of the truck and the spare parts, and there will be no evaluation of whether those opinions are in accordance with actual quality or not.

The legal aspects will only be touched upon, and no thorough examination of the legal system for trademarks, copyrights and patents will be explored in this thesis.

## 1.5 Outline of the thesis

To facilitate the reading, the general outline of this thesis is presented in Figure 1.1. The outline summarises the set-up of the thesis and aims to provide an understanding for the content. The study is divided into eight main sections that sequentially lead to the final conclusions.

Figure 1.1: Outline of the thesis



# CULTURE AND ATTITUDE THEORIES



## 2 CULTURE AND ATTITUDE THEORIES

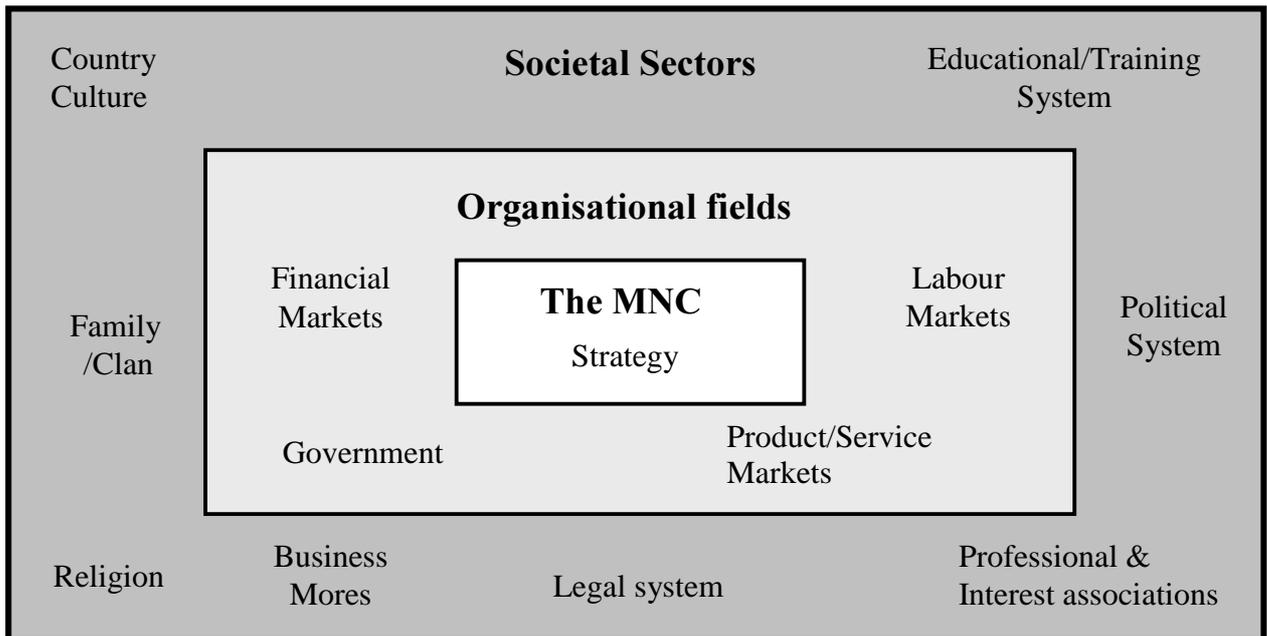
*In this chapter a theoretical framework for how to analyse attitudes influenced by country culture will be developed. The framework will be used to carry out the empirical study and consequently to make analytical judgements. To create this tool, theories that relate to culture and attitudes will be discussed.*

### 2.1 The Institutional Network Model

Each society is built on a number of institutions that form a certain context within which all activities in a society take place. In this context, companies make strategical and operational decisions that are more or less exclusively influenced by the institutional setting in which they are active. To be able to understand how companies act on a certain market, a thorough analysis of the institutional framework on that particular market needs to be conducted.

A tool that can be used in this context is Jansson's Basic Institutions Model. The model explains how the different institutions influence each other and the company, and suggests that the institutions affect the company either directly or indirectly. Looking at the three different rectangles of the Basic Institutions Model, the outer rectangle, containing the societal sector, can be viewed as a base which influences the institutions in the organisational sectors, that in turn is affecting the multinational company (MNC) in the centre of the model. The Basic Institutions Model is presented in Figure 2.1.

Figure 2.1: Basic Institutions Model



Source: Jansson, H, 1999

The institutions in the societal sector are on a country level, and by being linked to each other, form a specific cultural environment in the country. When the institutions in the outer rectangle develop and change, they also influence other things such as the organisational fields. That, in turn, affects the companies in the country. In other words, the institutions are interlinked with each other and together they have an impact on how the company acts on the market.

The institutional frameworks are different between countries, particularly between developed market and emerging market economies. So, if a company that originates from a certain institutional setting expands into another country with a different institutional setting, the company should, in order to be successful, adjust itself to match the institutions it represents with those of the domestic institutions of the host country (Jansson, H, 1999).

In the explanation of why people act the way they do, the first thing to acknowledge is the fact that behaviour seems to follow a certain pattern.

This pattern makes people act in a certain way in their everyday life, i.e. they are mentally programmed. The mental programming of individuals, which affects their general behaviour, is influenced by society, social groups and above all, the culture to which the individuals belong. Within these social groupings, people affect each other and a common social behaviour is developed. The behaviour that is formed and sustained during a certain period of time is then gradually transformed into collective behaviours. The organisation of this collective behaviour of the social groupings can be defined as an institution. These institutions prescribe specific rules, conventions and procedures that organise the people within it and their behaviour. These rule systems reduce people's perceived degree of uncertainty, since by following this repeated and determined behaviour of the institutions, it is more likely that the members will be accepted in that society.

## **2.2 Culture**

In the Basic Institutions Model, culture is presented as a specific institution. The cultural institution could, however, be viewed as the most fundamental institution, because not only is it a result of the other institutions, but it also continuously affects all the other institutions. Even though institutions all influence each other, culture is probably the institution that has the most drastic effect on all the other institutions. Culture also, depending on the definition used, is a rather wide concept that might explain the behaviour of individuals in a society.

### **2.2.1 What is culture?**

The concept of culture is used in a number of different disciplines and many different definitions have been formulated. Most authors, however, agree that culture is a learned phenomenon. A definition formulated by Goodenough states (Usunier, J.C, 1996:5):

*“Culture is a set of beliefs or standards, shared by a group of people, which help the individual decide what is, what can be, how to feel, what to do and how to go about doing it”.*

This definition reaches beyond national borders and implies that an individual can be part of any culture, and also belong to several different cultures. To put a national delimitation to culture can sometimes be misleading, since a country culture can only be defined in reference to other countries. Many countries are extremely diverse and sometimes the national borders are a result of political decisions where the decision makers did not take cultural aspects into consideration (Usunier, J.C., 1996).

Within relatively small countries like Hungary and the Czech Republic, one could expect that it is possible to find a certain amount of cultural homogeneity and this is mostly due to their communist background. Also the fact that the countries have a geographical closeness could be linked to cultural similarities. Hofstede suggests that nations that have existed for some time strive towards further integration through education and political systems, language etc. This does not mean however, that there are no ethnic, linguistic or religious groups that fight for their own identity. He states that the national level is one layer of culture and that it corresponds to certain of the different levels of depth carried out by different cultural manifestations. Hofstede claims that cultural differences manifest themselves at four levels, i.e. as symbols, heroes, rituals and values, where symbols represent the most superficial level and values the deepest (Hofstede, G, 1997).

### **2.2.2 Cultural dimensions**

The two researchers, Gert Hofstede and Fons Trompenaars, suggest that there is a limited number of universally shared problems that need to be solved no matter where people live. What distinguishes one culture from another is the way people solve those problems. To describe a culture, the

parameters that explain the universal problems could be used. In order to gain an understanding that is as adequate as possible, both of the authors' views will be presented.

#### *2.2.2.1 Hofstede*

Among the many different definitions, Hofstede has chosen to focus on the concept of culture as “the collective programming of the mind which distinguishes the members of one human group from another”. He suggests that culture is to humans collectively what personality is to an individual, and also that it is a set of common characteristics that influence a human group's response to its environment. There are four main dimensions that are considered to distinguish the differences between cultures (Hofstede, G, 1982) and this part is based on how Hofstede views cultural parameters;

1. Power distance
2. Uncertainty avoidance
3. Individualism/Collectivism
4. Masculinity/Femininity

#### *Power distance*

Power distance is concerned with the inequality of power that more or less exists in various institutions in a society, such as families, schools and particularly at work. Uneven allocation of power is one of the oldest concerns of human thinking, and humans share this dominant behaviour with many other species. According to Hofstede, inequality has three predicators: prestige, wealth and power, and in order to deal with this uneven distribution, societies have found different solutions to the matter by putting different weights on these three status variables. Some societies have sophisticated formal systems of dominance while others go to great lengths to de-emphasise dominance. Also, political systems, religious life and philosophical and ideological thinking in a country can be seen both as a background and an amplifier for power distance. Inequality can occur in

areas like physical and mental characteristics, social status and prestige, wealth, power and laws, rights and rules. Since it is obvious that inequality and power distance are very culturally dependent there should be a great caution in projecting experience from one culture or subculture to another.

In an organisation, inequality and the perception of the manager differ substantially depending on the culture of the society. The power distance has an important effect on the organisational structure, since it affects the degree of centralisation and the number of hierarchical levels in the organisation. It is apparent that an organisation in a country with high power distance has a tendency to prefer a greater centralised structure than organisations in low power distance countries. Other differences between high and low power distance cultures are, among others, that in a country with high power distance there is a tendency for a higher proportion of supervisors in the workforce and an autocratic style of management than in countries with low power distance. In the latter case, the management style is distinguished by a smaller proportion of supervisors in the workforce and a consultative relationship between superior and subordinate.

#### *Uncertainty avoidance*

This dimension involves measuring the extent to which people in a society tend to feel threatened by uncertain, risky or undefined situations. Humans try to cope with the uncertainty for the future through factors such as technology, law and religion. Technology is concerned with all human artefacts, law involves all formal and informal rules that guide the social behaviour, and religion copes with the unknown. Uncertainty avoidance is transferred and reinforced through, among other things, the family, the school and the state. Due to the fact that freedom involves uncertainty in the behaviour of humans, totalitarian political ruling systems like communism can partly be explained as an “escape from freedom”. These autocratic systems can be seen as a response to the anxiety that freedom creates in societies with low tolerance for these concerns. It is obvious that the rate of uncertainty avoidance in a society depends strongly on the

country's history as well as its political system, the population's education level and the legislation. However, uncertainty avoidance does differ not only between traditional and modern societies, but also among modern societies.

In studying organisations from this perspective, it is evident that organisations have different ways to manage uncertainty avoidance depending on what society they belong to. This management is done through technology, rules and rituals, and is influenced by the society's cultural characteristics. In other words, dealing with uncertainty means dealing with the issue differently in different cultures. For example, organisations will acquire and use technology differently and for different reasons.

In organisations where uncertainty avoidance is high, organisations often promote stable careers. This can be explained by the fact that employees in high uncertainty avoidance societies often have a greater willingness to stay in the company, since they are more anxious about the uncertainties in the future. For example there are also differences in the resistance to change, where high uncertainty avoidance organisations tend to have more emotional resistance to change than in organisations with low uncertainty avoidance. There is a fear of failure in the cultures with high uncertainty avoidance, and motivations and achievements are determined in terms of security.

### *Individualism/Collectivism*

Individualism versus collectivism reflects the relationship between the individual and the collective group in society. Hofstede's definition states:

“Individualism pertains to societies in which the ties between individuals are loose: everyone is expected to look after him or herself and his or her immediate family. Collectivism, on the other hand, pertains to societies in which people, from birth onwards, are integrated into strong, cohesive in-

groups which, throughout people's lifetime, continue to protect them in exchange for unquestioning loyalty.”

In other words, the dimension is concerned with how people live together, and where individuality is seen as superior and a source of well being in an individualistic society. It is interpreted in the opposite way in a collectivistic society, where it can be seen as a selfish and immoral behaviour. The society and its culture are very much affected by this element, since it has a great impact on such things as people's decisions and how they value relationships with other people and groups.

Whether the society, and thereby the organisation, is distinguished by individualism or collectivism, this dimension chiefly affects the relationship between the employee and the organisation. Companies with a collectivism culture are often characterised by particularistic relationships that are based on personal trust as a basis for the moral nature of work and business life rather than contractual transactions, which is common and promoted in individualistic societies. Also, it is more common that promotions and other rewards are often given to the whole team in collectivistic societies than in individualistic societies.

### *Masculinity/Femininity*

A society characterised by masculinity is a culture that is different in many ways than that of a society that is characterised by femininity. Masculinity represents features like hostility, competition, toughness and orientation towards results and strong achievement motivations, while femininity represents modesty, cooperativeness, nurturing, tenderness and equality orientation.

This dimension affects an organisation in the respect that, for instance, masculine cultures “live in order to work” whereas the feminine cultures “work in order to live”. The differences between cultures distinguished by masculinity versus femininity are important to the companies, since this

affects things such as how conflicts in the organisation are resolved, that is, whether they should be solved by through combat or compromise. Also, it has an effect on how various types of motivation can be used, i.e. should the organisation use an achievement/goal approach which is more masculine, or a welfare/socially oriented one that is more feminine.

#### *2.2.2.2 Trompenaars*

Trompenaars has identified seven dimensions of culture, where the first five involve relationships with people and the other two relationships with time and nature. This section is, when nothing else is stated, based on research presented by Trompenaars in “Riding the waves of culture” (Trompenaars, F, 1996).

#### *The universal versus the particular*

In a strongly universalist culture, personal relationships should not interfere with business decisions and rational, analytical thinking as well as impartial professionalism are regarded as being the ideal standards. The culture is based on rules and implies equality in the sense that all persons falling under the same rule should be treated the same. People living in such a culture are unwilling to make exceptions to the rule system, as they are afraid that the system might collapse if they do. In the particularist culture, on the other hand, people that one has a personal relationship with, one must sustain, protect or discount, regardless of what the rules say. The different views of the two orientations could sometimes result in a lack of understanding between people from different cultures. A universalist will not trust a particularist since he thinks that a particularist will only help his friends, whereas a particularist would not trust a universalist as he would never help a friend.

Universalist	Particularist
<p>Focus is more on rules than on relationships.</p> <p>Legal contracts are readily drawn up.</p> <p>A trustworthy person is the one who honours their word or contract.</p> <p>There is only one truth or reality, which has been agreed to.</p> <p>A deal is a deal.</p>	<p>Focus is more on relationships than on rules.</p> <p>Legal contracts are readily modified.</p> <p>A trustworthy person is the one who honours changing mortalities.</p> <p>There are several perspectives on reality relative to each participant.</p> <p>Relationships evolve.</p>

### *Individualism and Collectivism*

This dimension is almost identical to the one with same name used by Hofstede, and so a further explanation is not required. Trompenaars does however warn about oversimplification of collectivity and individualism since they are heterogeneous concepts.

Individualism	Collectivism
<p>More frequent use of "I" form.</p> <p>Decisions made on the spot by representatives.</p> <p>People ideally achieve alone and assume personal responsibility.</p> <p>Vacations taken in pairs, even alone.</p>	<p>More frequent use of "We" form.</p> <p>Decisions referred back by delegate to organisations</p> <p>People ideally achieve in groups which assume joint responsibility.</p> <p>Vacations in organised groups or with extended family.</p>

### *Affective versus neutral cultures*

In neutral cultures, people do not show their feelings as obviously as people in affective cultures. This does not necessarily mean that members of a neutral culture have fewer feelings than members of an affective culture, but they do keep their feelings under control. Cultures that are more affective, require that feelings be signalled more loudly to be registered at all. When there is a highly emotional approach, the individuals are seeking

approval through a direct emotional response, aiming for emotional consensus. In neutral cultures on the other hand, the parties would like to come to agreements by agreeing on each other's reasoning.

Neutral	Affective
Do not reveal what they are thinking or feeling.	Reveal thoughts and feelings verbally and non-verbally.
May (accidentally) reveal tension in face posture.	Transparency and expressiveness release tensions.
Emotions often dammed up will occasionally explode.	Emotions flow easily, effusively, vehemently and without inhibition.
Cool and self-possessed conduct is admired.	Heated, vital, animated expressions admired.
Physical contact, gesturing, or strong facial expressions often taboo.	Touching, gesturing and strong facial expressions common.
Statements often read out in monotone.	Statements declaimed fluently or dramatically.

### *Specific versus diffuse relationships*

Some cultures are specific, meaning that the relationships are one-dimensional. Claims can only be put to the other party within the area where the relationship is concerned, i.e. a specific relationship concerns only business. The opposite of specific is diffuse, and a within a diffuse relationship, claims and expectations regard areas that do not fall into the original strings of the relationship, i.e. people are both friends and business partners.

In specific cultures, people use a very direct way of speaking, while a direct approach in a diffuse culture can be an insult. The reason for this is that people in diffuse countries are concerned about not losing face, which happens when something that is considered to be private is made public. In

diffuse cultures it is necessary to avoid private confrontation since it is impossible to not take things personally there.

Another outcome of the two different ends of this cultural parameter is that for people living in diffuse countries, work life and private life are not separated to the same extent as in a specific society. This is because in diffuse countries everything is connected and building relationships is very important.

Specificity	Diffuseness
Direct, to the point, purposeful in relating.	Indirect, circuitous, seemingly, aimless forms of relating.
Precise, blunt, definitive and transparent.	Evasive, tactful, ambiguous, even opaque.
Principles and consistent moral stands independent of the person being addressed.	Highly situational morality depending upon the person and context encountered.

#### *Achieving or ascribing status*

Some societies accord status to people as a result of their achievements, while other societies use other factors, such as age, gender, etc. for ascribing people status. The former is called achieved status and the latter ascribed status. Most literature states that a society where status is ascribed is a sign that that country is only recently developed, or even underdeveloped and that ascribing status is not stimulating the economy. The problems that can arise from cultural differences in the respect of how status is gained appear mostly in negotiation situations. If the negotiating parties view status differently, the party from the achieving culture often becomes impatient since the ascribing party needs to ask someone at the mother company for approval before closing a deal. This causes the ascribing party to become offended because he has problems accepting the fact that the counter party might be younger than he is, since in his perception, a younger person is unlikely to be as competent as an older one

(Trompenaars, F, 1996). In ascriptive cultures, achievements are less an individual than a collective matter. The organisations in these societies justify high power distance and resulting hierarchy as a way to get things done (Gatley, Lessem and Altman, 1996). Worth mentioning, however, is the fact that Trompenaars states that it does not matter whether someone is of ascribed status as a consequence of achievements or other factors, since if you have a certain status you will automatically bring about success.

Achievement-oriented	Ascription-oriented
Use of titles only when relevant to the competence you bring to the task.	Extensive use of titles, especially when these clarify your status in the organisation.
Respect for superior in hierarchy is based on how effectively his or her job is performed and how adequate their knowledge.	Respect for superior in hierarchy is seen as a measure of your commitment to the organisation and its mission.
Most senior managers are of varying age and gender and have shown proficiency in specific jobs.	Most senior managers are male, middle-aged and qualified by their background.

### *Perceptions of time*

When discussing the perception of time, there are two issues that are of particular significance, i.e. what relative importance cultures give to the past, present and future, and also whether the view of time is sequential or synchronic. In sequential cultures time is viewed as a line and it is important that everything is done in the right order, and as a result the queue-system and sticking to the agenda is of utmost importance. For someone from a synchronic culture it is much more natural to do a lot of things in parallel and punctuality is not crucial.

<b>Sequential</b>	<b>Synchronic</b>
<p>Only do one activity at a time. Time is seizeable and measurable.</p> <p>Keep appointments strictly; schedule in advance and do not run late.</p> <p>Relationships are generally subordinate to schedules. Strong preference for following initial plans.</p>	<p>Do more than one activity at a time. Appointments are approximate and subject to “giving time” to significant others.</p> <p>Schedules are generally subordinate to relationships.</p> <p>Strong preference for following where relationships lead.</p>

### *How we relate to nature*

There are two basic relations to nature, i.e. the inner-directed orientation, meaning that nature is and should be controlled by humans contra the outer-directed orientation that suggests that man is a part of nature and should go along with it. The outer-directed societies see an organisation as a product of nature that owes it development to the environment and to a favourable ecological balance.

<b>Internal control</b>	<b>External control</b>
<p>Often dominating attitude bordering on aggressiveness towards environment. Conflict and resistance means that you have convictions. Focus is on self, function, own group and own organisation. Discomfort when environment seems out of control or changeable.</p>	<p>Often flexible attitude, willing to compromise and keep the peace. Harmony and responsiveness, that is sensibility. Focus is on “other”, that is customer, partner, and colleague. Comfort with waves, shifts and cycles if these are natural.</p>

How we are mentally programmed to deal with the different cultural parameters is what distinguishes one culture from another. The mental

programming that decides how the population in a society generally acts in certain situations is also the foundation for how the attitudes of each individual are formed. Knowledge about a certain culture facilitates the understanding for attitudes in that particular culture.

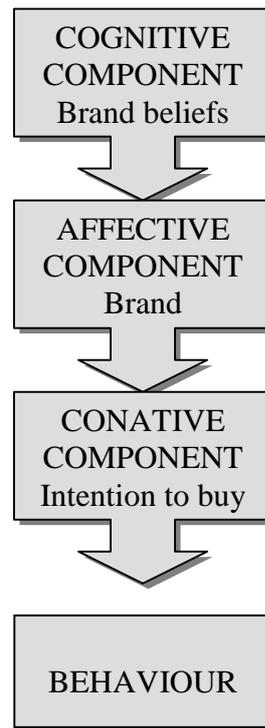
### **2.3 Attitudes**

Both attitudes and culture are learned phenomena and since culture is the set of beliefs that determines how people think and act, it is closely related to attitude. The main difference between the concepts of attitude and culture is that attitude describes mental programming on an individual basis, whereas the culture describes the collective behaviour. The most frequently used definition of attitudes was formulated over 50 years ago by Gordon Allport, who wrote (Assael, H, 1995:266):

*“Attitudes are learned predispositions to respond to an object or class of objects in a consistently favourable or unfavourable way.”*

To understand attitudes is especially important when dealing with products that have a high involvement in the purchasing decision. Products with a high involvement are, among other things, products where there is a high financial risk involved. According to Assael, attitude consists of three components. These three components affect each other so that the consumer first becomes aware of the product in order to be able to form an opinion regarding it. Then, this opinion optimally leads to a purchasing decision. Assael presents a model that describes how the three components of an attitude influence the consumer's behaviour (Assael, H, 1995).

Figure 2.2: Three components of attitudes



Source: (Assael, H, 1995)

*The cognitive component:* This component includes the consumer's awareness and knowledge about the product and is also referred to as the thinking component. The component is important since it influences how the consumer evaluates the product. In marketing research, the cognitive component is usually studied by letting the consumer rank brands according to different product attributes. The consumer's beliefs are thereby discovered, and it is possible to detect strengths and weaknesses of the brand in relation to competing brands. It is important to understand what value the consumer puts on different product attributes, since one person could place a high value on a certain attribute, whereas another places a much lower value on the same attribute. When the consumers place different values on certain product attributes, they will have different attitudes towards the brand even though they share similar beliefs regarding it. How the consumers place a value on a product attribute could be dependant on a number of different circumstances, such as cultural background.

*The affective component:* This part of the attitude represents the consumer's overall evaluation of a product, and is the primary determinant for intended behaviour. According to Assael, this is what is commonly called an attitude, and it is measured by letting the consumer rate the product from "poor" to "excellent" or from "prefer most" to "prefer least".

*The conative component:* This component refers to the consumer's intent to buy and also to the actual purchasing behaviour. Assael states that the difference between intent to buy and actual purchase is smaller than one might think.

When marketing a product, it is possible to either focus on the cognitive component, trying to influence the consumer's beliefs, or to concentrate directly on the affective part of the attitude. The former strategy needs to be more informative, whereas the latter is relying on the possibility of evoking positive feelings by using such things as symbols and imagery. The feeling oriented approach has been used frequently during the last two decades, since products often have such similar and standardised attributes, and the only way for the marketers to persuade the consumer is therefore to rely on the affective part of the consumer's mind. A third way of influencing the consumer's behaviour is to appeal directly to the third attitudinal component, by elaborating with the price.

According to Engel et.al, the attitude is formed by stored information, experience and evaluation of different alternatives, and as some feelings, opinions and reactions are repeated, the attitude is stored in the mind of the individual. This means that the individual becomes programmed to act in a certain way, and therefore attitude has two functions (Engel, J, Wales, G, Warshaw, M, 1975):

1. To provide the individual with a base for his or her decision-making.
2. To contribute to stability and productiveness for the individual.

A clear understanding of the customer's attitude provides the marketer with an advantage, since makes it possible to affect the attitude. For products that entail a high involvement in the purchase, attitude is of especially high importance for the purchasing decision. There are three main determinants of degree of involvement connected to the purchase of a certain product, i.e. personal, product and situational factors. A high involvement occurs when the product is perceived as enhancing self-image, when the purchase and use of the product means some kind of risk, and/or the situation changes, if, for example, the product is no longer in fashion (Engel, Blackwell and Miniard, 1995).

### **2.3.1 Critical reflections of cultural and attitudinal theories**

To facilitate the construction of a tool for cultural studies and analysis, theories of both Hofstede and Trompenaars have been used. Even though the parameters sometimes overlap, an understanding of both theories supplies the researcher with better prerequisites for making a complete cultural study. Hofstede brings up the crucial parameter of uncertainty avoidance that, to our previous knowledge, is significant in Central and Eastern European countries. However, he has not conducted research on the markets in question, and if only his theory is used, there is the chance that important matters will be overlooked. Furthermore, Trompenaars' theory equips the researcher with tools for discussing personal relationships that are important in Central and Eastern Europe. In order to avoid repetitiveness, the parts of the two respective theories that appear to best apply to the problem will be chosen so as to formulate questions, and analyse thereafter. There will be a further discussion regarding what parameters that will be given special attention in the Cultural analysis part.

The study requires a tool to investigate culture. Trompenaars and Hofstede supply the researcher with a theoretical tool that can be used to describe culture according to different cultural parameters. However, the parameters cannot be used to explain how cultures evolve. The purpose of Jansson's theory consequently is to gain an understanding of how institutions

influence culture, which in turn affects particular product markets. The basic institutions model will serve as a background in the analysis.

The literature regarding attitudes is focused on consumer goods, and it is important to keep in mind that the purchasing behaviour for consumer goods and industrial products is not identical. When purchasing industrial products, it is not only the personal attitudes of the purchaser that is of importance, but also factors that are out of the purchaser's control, such as company policy. Another factor that separates industrial purchasing behaviour from consumer behaviour is that for industrial goods, the personal relationships between the buyer and the seller are much more important, and the product attributes are not necessarily the most crucial aspect. The differences between consumer and industrial brands will be further discussed in part 3.5 Industrial brands. It is, however, important to understand the feeling that the customer has towards a company and its products, and this is captured in the attitude towards the brand.

# BRANDING THEORY



### 3 BRANDING THEORY

*Brand management concentrates on how to create positive attitudes towards a certain brand and also to distinguish the own brand from those of the competitors. This part is written in order to describe how using different measures that increase brand equity could strengthen a brand. To be able to do this, an explanation of the brand as a concept is required.*

*In the context of branding theory it is important to acknowledge the fact that most branding literature today deals with consumer branding. In order to distinguishing the traditional branding theories from a theoretical framework that is more applicable to industrial products like trucks, a description of industrial brands will be made. Also, to be able to detect differences in how brands should be managed globally in comparison with a specific market, a final chapter will examine global branding.*

#### 3.1 What is a brand?

According to Aaker, “a brand is a distinguishing name and/or symbol (such as logo, trademark, or package design) intended to identify, the goods services or either one seller or group of sellers, and to differentiate those goods or services from those of competitors. A brand thus signals to the customer the source of the product, and protects both the customer and the producer from competitors who would attempt to provide products that appear to be identical (Aaker, D, 1991:7).”

To strengthen the brand and improve the positioning of the brand in the mind of each existing or potential customer and also by the general public in the society, the brand equity needs to be increased. Aaker uses the following definition of brand equity (Aaker, D, 1996:7):

*“Brand equity is a set of assets (and liabilities) linked to a brand’s name and symbol that adds to (or subtracts from) the value provided by a product or service to a firm and/or that firm’s customers.”*

According to Aaker, brand equity can be divided into five major asset categories that together create brand equity.

1. Brand name awareness
2. Perceived quality
3. Brand loyalty
4. Brand associations
5. Other proprietary brand assets (patents, trademarks, channel relationships etc)

In order to understand the background of brand management, all the important categories of brand equity will be explained below. By improving and working with each of the assets that create brand equity, the brand will be strengthened and an understanding of each of the categories therefore facilitates the use of the theoretical framework as a tool in the analysis. The following section is based on theories explained by Aaker in *Building Strong Brands* (Aaker, D, 1996).

### **3.1.1 Brand name awareness**

Brand awareness is concerned with the strength of a brand’s presence in the consumer’s mind. One part of this awareness is about brand recognition, and it reflects the consumer’s familiarity with a brand obtained from past exposure. Much research done within this area shows that even though the consumer does not know when or where the brand was seen or heard, he still has more positive feelings towards a brand that is familiar and prefers it over a brand that is completely unknown. This indicates the significant power brand recognition has. The consumer interprets brand exposure as a signal that the company is concerned with its products, since he believes

that companies would not spend promotion money on “bad products”, i.e. brands that are often exposed are considered to be “good products”.

Brand recollection is another important aspect of brand awareness, and a brand is said to have “recall” if it springs to the consumer’s mind when its product class is mentioned. The recall of a brand can be the decisive factor for the product to be put on the shopping list or a chance to bid on a contract. Finally, the brand name dominance, which is the ultimate goal for a brand, is when the consumers can only recognise a single brand. Here, it is especially crucial for the company to have their brand legally protected, because this ultimate success can be tragically lost if the brand name becomes such a common label for the product and is not protected.

Today, when the marketing activities from the companies are becoming more and more intense, it is very difficult and costly to build superior brand awareness. However, this fact makes it even more crucial for the companies to take brand awareness seriously, since brand recognition and recollection can substantially enhance the company’s brand equity.

### **3.1.2 Perceived quality**

Due to the fact that many companies consider quality to be one of their chief values and frequently include it in their mission statement, it is obvious that perceived quality is a key strategic variable today. Perceived quality is also important from the aspect that, among all brand associations, only perceived quality has been shown to drive financial performance. In fact, perceived quality is generally the heart of what the consumers actually are buying and in that sense, it is the fundamental measure of the impact of brand identity. It can be defined as a measure of “goodness” that affects all the elements of a brand. In general, if the perceived quality improves, so do the other elements of the consumer’s interpretation of the brand.

In order to reach perceptions of quality, the quality claim has to have substance. It is crucial for the company to understand which factors of

quality are important for the target customers, so as to be able to create the quality required. However, producing a quality product or service is not the only part of the matter, perceptions must be created as well. This can be explained by the fact that perceived quality does not always equal actual quality.

### **3.1.3 Brand loyalty**

Brand loyalty is a very important asset, since, in general, the more brand loyal customers a company has the higher the company's expected sales and profits. A company with few brand loyal customers is more vulnerable and has more difficulties in predicting its sales and profits. Also, it is commonly known in business life that it costs less to keep an existing customer than to try to attract new ones, which explains why brand loyalty is so crucial. Customers with high brand loyalty also function as an entry barrier towards competitors because these customers are very reluctant to change brands, so if the competitors want to acquire them, they have to spend a lot of money and effort in order to succeed.

In order to have better control over the customers and to receive tactical and strategical insights when building a strong brand, the customers' brand loyalty can be divided into five different segments:

1. The non-customers - those who buy competitor brands or are not product class users.
2. Price switchers - those who are price-sensitive
3. The passively loyal – those who buy out of habit rather than reason.
4. Fence sitters – those who are indifferent between two or more brands.
5. The committed

When the different segments are identified, the company can improve their brand loyalty by attracting the customers that are not price switchers and

try to tie the fence sitters and the committed more to the brand. Also, the company has to keep in mind that more effort and activities have to be invested in the passive loyal and the committed customers, since these important segments are often a bit neglected and taken for granted. The brand loyalty can be supported by activities like, for example, customer clubs and frequent buyer programs, enabling the company to tie the customer closer to the brand and also to show the customers that the company cares about them.

#### **3.1.4 Brand associations**

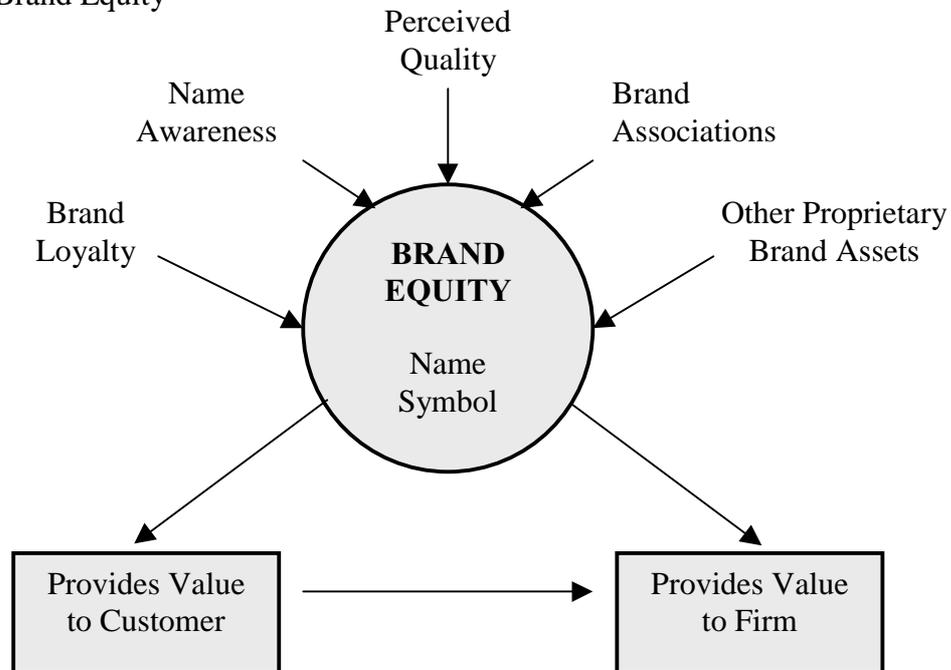
Brand associations are concerned with how the customers associate with a brand, i.e. what product attributes or product symbols that the brand stands for in the customer's mind. It is important for the company to know how they want their customers to perceive their brand, and most essentially, that the customers association with the brand and what they believe that it stands for, is positive. Brand associations are often effected by the brand identity and the company has to develop and build on its brand identity in order to create a strong brand. We also believe that country of origin is a factor within this context that is of utmost importance. This will be further discussed under 3.6. Global brands.

#### **3.1.5 Other proprietary brand assets**

The last asset of brand equity concerns proprietary brand assets, and it involves protecting the brand from competitors' attempts to undermine and destroy the company's customer base and brand loyalty. These proprietary brand assets include patents, trademarks and channel relationships. The protection of a brand can involve such things as trademarks that protect the brand equity from competitors who might want to confuse customers by using a similar name or package. It can also be a distribution channel that is controlled by a brand due to its past of brand performance (Aaker, D, 1991, Aaker, D, 1996).

Aaker has developed a model that describes the components that build brand equity and how this factor affects the value provided to the customer and the firm (Aaker, D, 1991).

Figure 3.1: Brand Equity



Source: Aaker, D, 1991:17

The model implies that the brand provides value to both the customer and the firm, but it does not explain the difference in the perceived value. The theory is therefore complemented with what role the brand is playing to the customer and to the firm.

### 3.2 The different functions of the brand

A brand has different meaning and provides different value to the actor, depending on which actor's perspective it is seen from. Here, the focus is placed on the brand owner's and the consumer's perspective of the brand, since these are the actors that are of interest for this thesis. Other actors on the market that the brand has important functions for are the legislator and the competitor. This section is based upon the view presented by Melin (Melin, F, 1997).

### **3.2.1 The brand owner**

From the brand owner's perspective, the brand has several important functions:

- Firstly, the brand has role as a carrier of information, i.e. a carrier of rational data concerning the product's functional characteristics such as the product's contents, price, quality etc.
- Secondly, having the exclusive rights to a brand gives the brand owner the possibility to build up a unique brand identity. The creation of a brand identity can be considered a sophisticated form of marketing and this identity is communicated through investments in brand creation promotion that are based on emotional arguments.
- Thirdly, the brand functions as a positioning tool in order to distinguish the product from others on the market.
- Fourth, the brand functions as a competitive tool. A strong brand is a powerful tool against competitors, and it also allows the brand owner to communicate directly to the consumer without going through an intermediate, i.e. a strong brand means a strong negotiating position towards actors in the distribution chain. This is one of the most important functions of a brand.
- Fifth, a well-known brand can be employed as a base for introducing new products; here the brand owner can exploit the brand name by using either "brand expansion" or licensing.

### **3.2.2 The Consumer**

Also from the consumer's perspective, the brand has several important functions:

- Firstly, the brand has the role of being a source of information. The consumer can, by using the brand as a reference source, compare the different branded products' prices, quality and function with each other in a clear and simple way.

- Secondly, the brand gives the consumer the possibility to familiarise himself on the market. When the consumer has finally decided upon which brand he prefers and makes repeated purchases of the product, the transaction costs are reduced. In other words, the brand is both a time and cost saver for the consumer.
- Thirdly, the brand can be seen as a guarantor. Even though a brand is not necessarily equal to products of high superior standard, it does guarantee products with an even and consistent quality.
- Fourth, besides the fact that a brand guarantees an even and consistent quality, it functions as a risk reducer in a wider perspective. The purchasing of products like clothes, cars and drugs often involves a high amount of risk, such as social risk, financial risk and/or physical risk. By choosing a well-established and well-known brand, the consumer can reduce this perceived risk factor substantially.
- Fifth, the fact that the consumer perceives the brand from both a rational and emotional view, means that the brand can be said to have a symbolic meaning, a fact that is of high importance for the brand's image. The importance of an image is particularly crucial in connection with the purchase of exclusive branded products, where the product's brand is extremely important. It is important both for the product's image, but also for the buying consumer's image in the way the consumer wants to be perceived of others, i.e. the consumer's image towards its surrounding. In other words, a brand can be a mean of self-fulfilment and a way to be socially accepted.

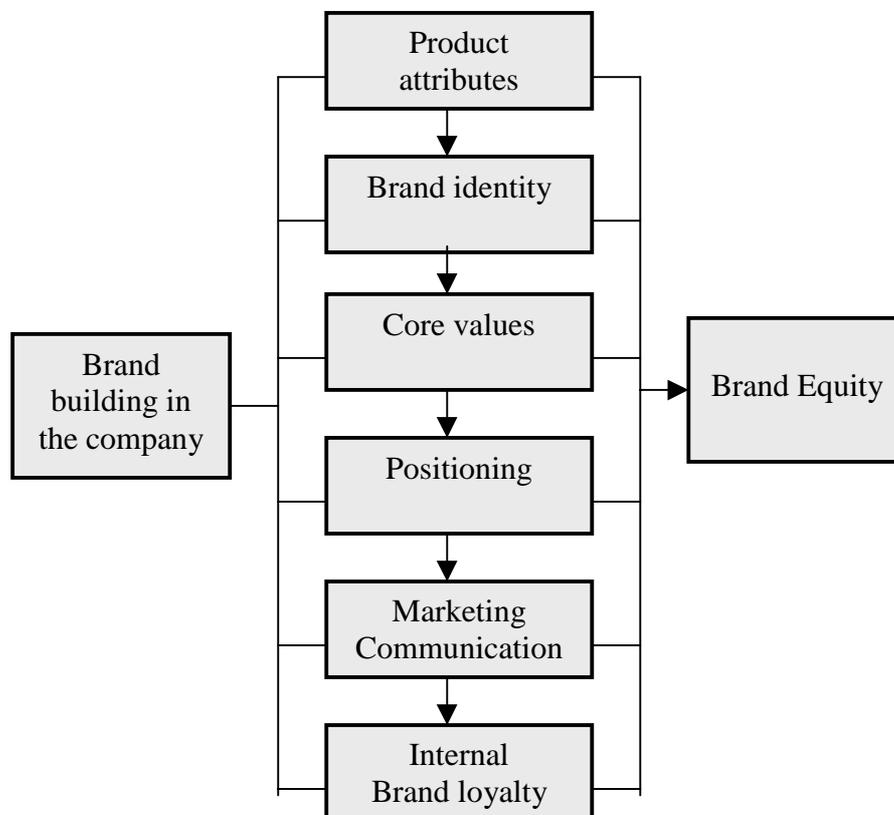
It has now been discussed how brand equity, according to Aaker, is created and how it provides value to the two crucial actors in a business relationship. Aaker's theory is limited compared to the theory developed by Melin. To increase the comprehensiveness of the research and analysis

tool, Aaker's view is therefore complemented with theory developed by Melin.

### 3.3 Building strong brands

Melin has a slightly different view than Aaker on how brand equity is created. One of the main differences between Aaker and Melin is that Melin makes the concept wider and also includes the product and the competitive situation. The branding mix that is developed by Melin and presented in figure 3.2 is a complement to Aaker's brand equity model that was discussed earlier. Melin has, by using concepts from the branding literature created a model that describe how to build and sustain a brand successfully. Those concepts represent activities that are part of the integrated development of a brand. Unless otherwise stated, the following discussion is built upon the theories of Melin (Melin, F., 1997).

Figure 3.2: The branding mix



Source: Melin, F, 1997

### **3.3.1 Product attributes**

Product attributes are concrete signs of a product that provides the customer with a functional value. One of the most important product attributes when building a brand is consistent product quality, but also the packaging, colour and logo are considered to be of great importance. The role of the product attributes is to individualise and visualise the product. One of the main problems with the product attributes is that they are easy to copy.

### **3.3.2 Brand identity**

The concept of brand identity includes what the brand stands for, what provides it with meaning and makes it unique, i.e. it gives the product added value. A brand includes product characteristics and a set of other factors that give the brand an identity. This is a relatively new concept, but since the differences between products in a certain category tend to decrease, brand identity has become a central issue (Melin, F, 1997). The strongest brand identities often include emotional benefits and this adds richness and depth to the experience of owning and using the brand, which in turn makes the brand stronger. To provide the customer with value though, the product also needs to have a functional benefit. Another extra value is added if the product also provides a self-expressive benefit that communicates the self-image of the user (Aaker, D, 1996).

### **3.3.3 Core value**

The core value is the link between the competitive advantage, consisting of the product's attributes and the brand image, of the product and its positioning.

### **3.3.4 Positioning**

Positioning is the process where the company tries to get a specific position in the consumer's mind, which leads to brand awareness and that in turn, creates brand loyalty (Melin, F, 1997). When positioning the product, the company must build the position on a competitive advantage, which is

achieved either by offering lower prices than the competitors or by offering more benefits to justify the higher prices (Kotler, P, Armstrong, G, 1994).

### **3.3.5 Marketing communication**

According to Kotler, the marketing communication is traditionally said to consist of advertising, promotion, PR and personal selling. The four tools that together create the promotion mix are differing in efficiency depending on the product type. For industrial goods, personal selling and sales promotion are the most important tools.

### **3.3.6 Internal Brand loyalty**

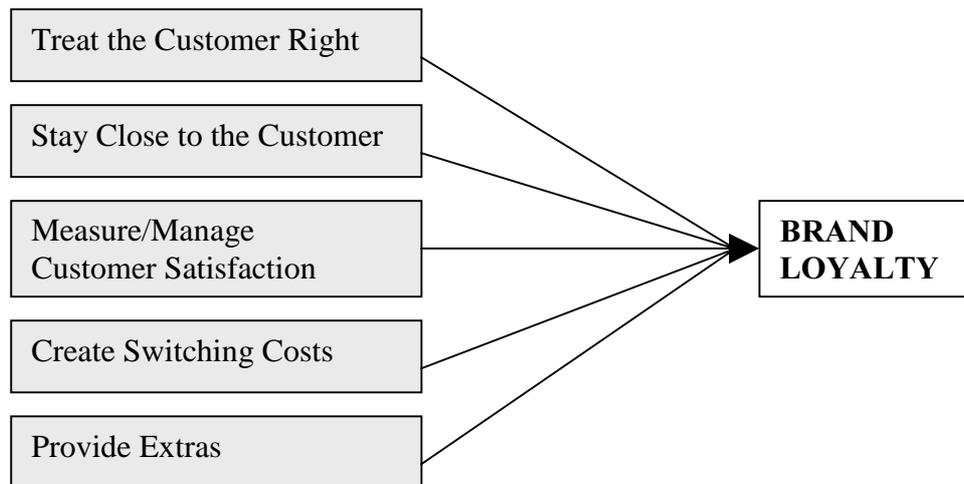
To make the customers remain loyal to a brand, the company also needs to be loyal. This means that the company has to be consistent in everything that the brand represents, i.e. the product attributes, brand identity, core values and positioning. The advantage of internal brand loyalty over time is that it results in an ownership of a position in the minds of the customers, which makes it almost impossible for competitors to attach themselves to the same position. The consistency also enhances the power of the position by owning an identity symbol that makes the brand identity easier to understand. The strong well-known identity symbol leads to cost advantages since it is less expensive to communicate than a new identity.

## **3.4 How to create and achieve brand loyalty**

In Aaker's model, which describes how brand equity is created, brand loyalty is presented only as a mean. This way of looking at brand loyalty is not quite sufficient, especially in an industry that is characterised by that information and opinions most probably partly are spread through word of mouth. A loyal customer logically has a positive perception of the brand and therefore shares this judgement with other actors in the business. Loyal customers can consequently be seen as a mean to increase brand equity, as well as a goal that each company should strive to accomplish.

According to Aaker, due to the fact that changing brands requires effort, especially when the decision involves a high risk, and customers do not like to admit that their prior decision was wrong, one more or less has to actually do something wrong to make the customer change brands. In fact customers rationalise to justify prior decisions. Furthermore, the author means that if you follow five basic rules, it should be fairly easy to keep customers. The customer needs to be *treated right*, which basically means treated with respect and avoiding rude, uncaring and unresponsive behaviour. Furthermore all employees at a company need to *stay close to the customers*, which can be done by letting all employees work with direct customer contact for a couple of days per year, for example. Thereby the customers' voices are more easily heard and it is communicated to both the organisation and the customer that the latter is highly valued. The customer satisfaction can also be actively *measured/managed*, so that the company learns how and why the customers' attitudes are changing. Brand loyalty is also partly secured by *switching costs*. Those can be enforced by a company by helping the customer adjust their processes or work to the product supplied, so that a product of another brand would not be suitable without a change in the work process. Another way of creating switching costs is to introduce a reward system, like the ones that for example is used by many airlines, rewarding the customers that utilize your products frequently. *Extra services*, that could be an explanation of a procedure something as simple as an apology, also serve to increase brand loyalty. A model that clarifies how brand loyalty is achieved is presented in Figure 3.3.

Figure 3.3: Creating and Maintaining Brand Loyalty



Source: Aaker, D, 1991

Brand loyalty is important in all industries, since marketing theories have always implied that it is easier to keep a customer than to attract a new one. In certain industries that are also characterised by the fact that the relationship between the company and the customer is especially long lasting, brand loyalty becomes even more central. The relationship between a customer and the selling company is usually quite long lasting since the product, when all dimensions are included, also contains service and after sales. A loyal customer can therefore contribute with revenues not only as a result of the actual purchase, but also as a result of the use of the product (Aaker, D, 1991).

Throughout the theory chapter it has been indicated that there is a difference between brand management for consumer goods, compared to industrial goods. To highlight the differences, an examination of industrial brands is required.

### 3.5 Industrial brands

This chapter is written, not only to acknowledge, but also to understand the differences between consumer branding and industrial branding. It must be

clear that all consumer branding strategies are not directly transferable to industrial markets.

To be able to define the differences first of all, a distinction between consumer products and industrial products has to be made. McDowell, Doyle and Wong define industrial products, as “products used in manufacturing that are not marketed to the general consuming public”. Both goods and services are included here, as are capital goods and consumable items (McDowell, Doyle and Wong, 1997:26). So, in other words, industrial products are bought by other companies to produce their own output. Also, the buying decision process is often much more complex on industrial markets, since it usually often involves more actors than on consumer markets. The purchasing of industrial products means meeting largely functional needs and thereby the decisions are very likely to be more rational within this field. However, there are similarities, for instance, emotional influences do play an important role on both industrial markets and on consumer markets (Hague, P, Jackson, P, 1994). Industrial purchasing often involves more risks and therefore, factors like image, branding and good reputation have probably an even higher importance on industrial markets than on consumer markets. Most consumer purchases involve less risk and effects fewer people and factors than a purchase for a company.

According to Hague & Jackson there are three different factors that particularly influence most industrial buying decisions, i.e. quality, price and delivery. It is important to understand how the buyers value these three factors. There has to be a thorough knowledge about the customers' requirements regarding the quality, price and delivery in order to know which of the factors to that should be emphasised.

The reason for the importance of creating successful brands on industrial markets is that a well-reputed industrial brand creates trust and confidence, factors that are often crucial in this environment. Due to the fact that

industrial branding is often concerned with close linkages between two organisations, the industrial brand should function as a symbol for a strong and ongoing relationship between customers and suppliers. For the customer on the industrial market, the feeling of comfort with the brand together with a trustful friendship with the supplier's personnel is highly valued. However, deep-rooted trust often takes a long time to build, since confidence and trust for a supplier is based on repeated use and honest behaviour.

Hague & Jackson are weighting in the importance of brands versus personalised business, giving an example where a manager that was operating a fleet of Volvo trucks was asked why he had chosen this particular make. His reply was "I do not buy Volvo, I buy the dealer". His answer highlights the importance of personal relationships in this context, since even though Volvo is considered to be a superior truck, the dealer had done a better job selling himself. This example also stresses the less beneficial fact that a brand can be overshadowed by the friendship between a buyer and a salesman, leaving the supplier's business vulnerable to any change in the dealership. In other words, a too close connection between the sales representative and the buyer could be more restraining than favourable. In the long run, there needs to be a balanced mix in the usage of personal relationship and the rest of the branding mix, to create brand equity (Hague, P, Jackson, P, 1994).

Also, the use of other high valued brands in a company's operations can have great importance for the company's reputation. In other words, if the company uses premium brands, it is very likely that the company's own status increases and thereby they can attract more customers.

### **3.6 Global brands**

There are also differences in how a brand should be managed globally, compared to a particular market. Global branding implies that there is a difference not only between brand management concerning consumer and

industrial goods, but there is also a difference between how a brand should be managed on different markets.

Managing brand images globally is often a complex task, since buyers are not global themselves. Also, the buyers do not generally buy a product for the sake of it being global. Most of the time the global availability of a brand is not the determining factor for the buyers' purchasing decision, i.e. they do not care if the brand is available in the rest of the world or not. The problem of adaptation versus standardisation of a globally sold brand arises and the question is how should these two factors be weighted in order to create a successful branding mix?

According to Usunier, the globalisation process has more or less been forced on buyers and that the crucial factor of cultural differences is often ignored. In the global branding process it is important to acknowledge cultural differences that function as natural barriers and influence both the consumer behaviour and its environment. The ignorance of the cultural aspects can explain many failures of globalisation strategies of brands (Usunier, J.C, 1996).

On the other hand, the development of the world's needs and desires are becoming more and more homogenised and along with that, arguments for a more standardised brand. It seems like ancient differences in national tastes and modes of doing business are becoming less important than before (Levitt, T, 1983). Another fact promoting standardisation is that the company can benefit from economies of scale, since extensive brand image adaptation to every new market is very costly and time consuming. However, probably the most important aspect in this area is that the standardisation of the brand world-wide is capturing the core value and the brand identity. Too extensive brand adaptation can lead to the product being interpreted as less reliable and trustworthy. Also, the positioning of the brand is a critical factor in the global branding context. As stated by Kapferer, a brand cannot be an expensive premium product in one market

and a mainstream product in another, since this can also reduce the credibility of the brand. The price level positions the brand in terms of perceived quality, performance and prestige (Kapferer, J-P, 1996).

Globalisation of a brand can become less problematic if the brand is totally built into a cultural stereotype. In other words, if the brand is associated with the collective image that reflects the traditional view of a nation, an image that is positively interpreted by the rest of the world, it is easier to standardise the brand identity in a more trustworthy way globally. An example of this is that German brands such as Bosch, Siemens, Mercedes and BMW are often associated with robust performance and quality, while the Italian food brand Barilla is benefiting from the traditional Italian image of tasty cookery (Kapferer, J-P, 1996). In Sweden brands like Ericsson, Volvo and Saab embody the Swedish image of good technical quality and punctual delivery worldwide. Factors like political freedom, the degree of economical and industrial development, and the quality of technology and design, are substantially influencing the purchasing of foreign products. This is particularly true within the industrial segment, where the buyers consider products from nations with a positive political and economical image, more desirable than from countries with a poorer image of these factors (Usunier, J.C, 1996). It is obvious that a brand should try to exploit the unique edge and positive image that it's nationality may bring about, since this can certainly simplify the global branding process (Kapferer, J-P, 1996).

### **3.7 Critical reflections on branding theory**

Most branding theories concentrate on consumer branding, and to build a tool to research and analyse industrial brand management, the consumer theories required a complement of limited available theories about industrial branding. Furthermore it was necessary to point out the particular issues in global branding, since that relates to the problems branding faces in different cultures.

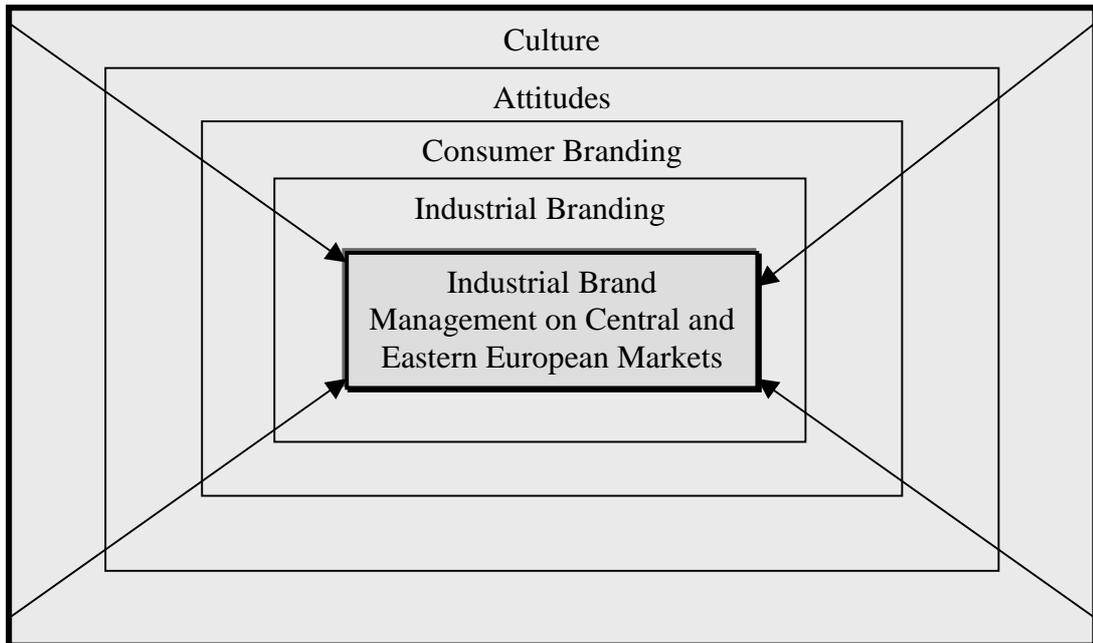
The reason for employing two different theories regarding how brand equity is created, is that neither Aaker's, nor Melin's way of viewing brand equity is sufficient as a tool for analysing industrial branding in transition economies when presented separately. The reason is that Aaker excludes the substantial and concrete parts regarding how to strengthen a brand, i.e. the product and the competition. Melin on the other hand is treating the abstract part of brand equity rather ignorantly. The two models, therefore, serve as complements to each other. However, the theories sometimes overlap. This is most obvious when discussing the concept brand association used by Aaker and brand identity used by Melin. The two concepts are not identical but to avoid being repetitive, and to make a distinct analysis only brand association will be discussed.

It is obvious that global branding is a delicate task, particularly in the field of standardisation versus adaptation of the brand. Furthermore, the understanding of global branding is particularly important when managing a brand on Central and Eastern European markets, as this task requires a particular understanding of how to balance standardisation versus adaptation in conjunction with the specific cultural setting. The ideal situation would be a consolidation of these two variables. Even though standardisation brings about many advantages and it is important to have a consistent brand image worldwide, the cultural difference's impact on consumers' beliefs and attitudes toward a brand cannot be ignored.

### 3.8 Choice of theories

*To facilitate the understanding for the theoretical framework that serves as a tool in the empirical section, an explanation of the choice of theories and how those theories are linked together will be presented below.*

Figure 3.4: Illustration of the development of the theoretical framework.



Source: Own elaboration.

To be able to make some conclusions regarding how a brand of an industrial product could be managed at a specific market, it is necessary to create a theoretical framework that combines cultural and branding theories. The purpose is not to come to conclusions regarding branding in general, but to discuss industrial branding in particular. To cover all areas that this thesis includes, it was necessary to build certain theories on each other in order to create a focus that is at industrial brand management at Central and Eastern European Markets.

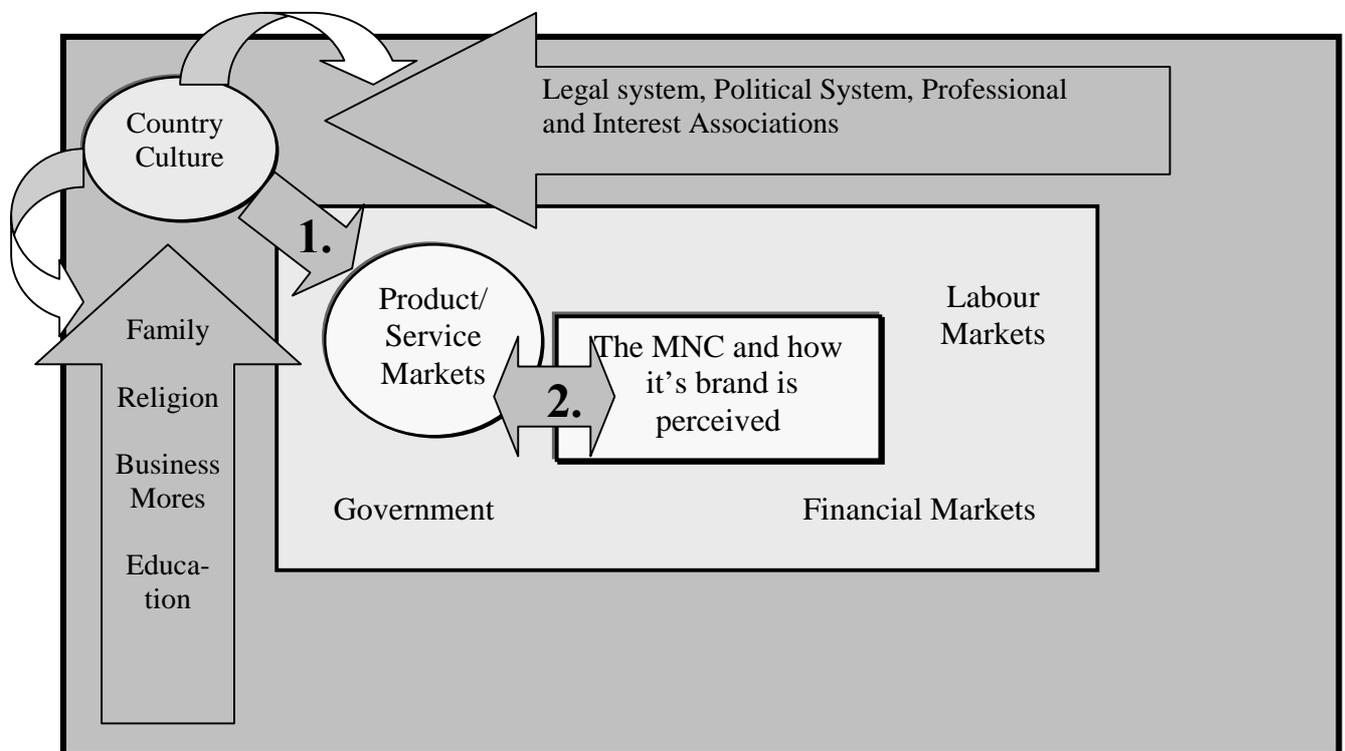
It was natural to start with a cultural focus, since culture is a societal parameter that influences all other factors in a society. The aim was to form an understanding of how the attitudes towards a brand have developed and

attitudes derived from the country culture serve as a natural link between the culture and the perception of a brand. The second layer of theory therefore consists of theories about attitudes. It was also necessary to use a layer approach to branding theories, as theories about consumer branding only partly describe industrial branding. Consumer branding does not point out that there should usually be differences in how different markets should be approached, so to emphasise this fact, theories about global branding are included.

### 3.9 Linkages between culture and branding

To simplify, it could be argued that the theoretical framework consists of two main parts, culture and branding. Even though those parts are presented separately, they are dependant on one another when discussing how a brand should be managed at a particular market. A separate section will be devoted to highlight the connection between the two theoretical parts.

Figure 3.5: The country culture's influence on branding.



Source: Jansson, H, 1999 (modified)

The country culture and the other institutions in a society are constantly affecting each other and together they form a collective mind that could be captured in and explained by the country culture. The arrow marked as number one above emphasises the influence that culture has on a particular market and the actors in this market. The general set of beliefs that is specific for each country, is naturally also the base for the particular attitudes at a certain product or service market. Some of the general attitudes in a society are especially important to a specific product market and those attitudes can be explained with regards to some cultural parameters. All general attitudes are not of equal interest to a particular product market though, and consequently not all cultural parameters are as important to explain the attitudes at this market.

The attitudes among the actors in a certain business area are the foundation for how an attitude towards, and the perception of, a certain brand are formed. The actors in a particular market form a sub-culture that affects the individual or corporate attitudes in the same way as the country culture influences the sub-culture. Attitudes on the market where a company acts have severe effects on how a company should and could act. This is due to the fact that the company has to adjust their behaviour to the customers' attitudes. The connection between the product market and a particular company and the perception of this company's brand, is marked out with the second arrow in the figure above. The reason the arrow is pointing in two directions is that it is not only the present attitudes on the truck market that is the base for how a brand is perceived. The company also constantly influences the attitudes on the market by communicating the brand in different ways.

# METHODOLOGY



## 4 METHODOLOGY

*The methodology explains the choices we have made regarding research strategy, research design and data collection. In each section, relevant available choices are discussed, in order to clarify and motivate the choices we have made. The description and motivation regarding why we have conducted the study the way we did also supplies the reader with an understanding for how the results should be evaluated. It is concluded with an evaluation of the validity and reliability of the study.*

### 4.1 Research Strategy

When choosing research strategy, several things should be considered. These include what kinds of questions need to be answered, what degree of control the investigator has over the behavioural events and whether the study focus on contemporary or historical events. Yin discusses five different research strategies and suggests which strategy should be used depending on the characteristics of the study (Yin, R, 1994).

Figure 4.1: Relevant situations for different research strategies.

<b>Strategy</b>	<b>Form of research question</b>	<b>Requires control over behavioural events</b>	<b>Focuses on contemporary events</b>
Experiment	How, why	Yes	Yes
Survey	Who, what, where, how many, how much	No	Yes
Archival analysis	Who, what, where, how many, how much	No	Yes/no
History	How, why	No	No
Case study	How, why	No	Yes

Source: Yin, R, 1994

Since we need answers on questions regarding issues that are not directly observable, but are a part of people's minds and thoughts, we need to ask "how" and "why". We will have no control over behavioural events and furthermore we will study a current problem where the events take pace now. With regards to those conditions we have chosen to conduct a case study.

## **4.2 Case study research design**

The research design is the fundamental framework of the research that explains how the data that can answer the research problems will be collected. A well-designed study ensures that the collected data is complying with the objectives of the study (Kinnear, T, Taylor, J, 1996). To fulfil the purpose of our thesis, we find it necessary to first select a suitable case company. We also need to identify what type of research we will conduct, to be able to set the goals for the study in order to understand the characteristics of the data required. After identifying what kind of data is necessary, we need to decide upon whether it is most suitable to collect a quantitative or a qualitative material and how this material will be collected. Thereafter suitable samples need to be selected in order to obtain the information required.

### **4.2.1 Case Company**

A pilot case for a study can be chosen for various reasons. It could be that the site could be geographically convenient, or it provides a vast amount of documentation and data, or that it represents the most complicated of all related cases, etc. (Yin R., 1994)

When we first decided to investigate the subject, industrial branding on emerging markets, we had to start looking for a suitable industry and company within this context. The company should preferably be a company based in Sweden with operations on an emerging market and a company that needed assistance in form of an investigation on how they could strengthen their brand. The selection of Volvo Truck Corporation

gave our study the interesting approach we had been looking for, i.e. a Swedish company with a globally well-known brand, but that needs to be strengthened on Central and Eastern European market. Volvo Truck represented a company that could supply us with material that covered our problem and therefore serves as an adequate case company.

#### **4.2.2 Type of research**

Marketing research can be classified into three different types, i.e. exploratory, conclusive and performance-monitoring research. The type of research that is most suitable for the situation is decided by where in the decision-making process the company is. This also decides the objectives of the research. The exploratory approach is used when the previous knowledge of the subject is very limited and the research is characterised by flexibility, to be able to capture also unexpected findings. It helps the researcher to identify alternative courses of action and encourages innovativeness. A conclusive research on the other hand, supplies the company with information that can serve as a base for evaluation of already set courses of action. Performance-monitoring research is used to explain the outcome of a certain marketing programme (Kinnear, T, Taylor, J, 1996). The case study can be used to conduct all types of researches (Yin, R, 1994).

The aim of our thesis is to come up with innovative ideas regarding how to strengthen an industrial brand on Central and Eastern European Markets. The information regarding how this could be done is limited, and there are no obvious courses of action to evaluate, nor any previous action to measure. Therefore, we have decided to use an exploratory type of research in our thesis.

#### **4.2.3 Qualitative versus quantitative data**

The fact that there is a lack of theories explaining how an industrial brand should be managed in Eastern Europe leads to a strategy that must employ an inductive research strategy. An inductive research creates new

hypotheses instead of testing already existing ones. For this type of research a qualitative approach is needed. A qualitative research usually involves a study in the setting where the phenomenon is carried out, and is commonly used when the researchers aim to find out about other cultures and when they want to understand the people in that culture (Meriam, S, 1998).

The alternative to a qualitative research is quantitative research, which intends to measure different parameters of a phenomenon and explain them numerically. A qualitative method, on the other hand, explains the reality with words and aims to explain how different parameters in a phenomenon are interconnected (Meriam, S, 1998). We consider the attitudinal perception of a brand to be influenced by the culture, where the customer acts, and therefore find it logical to choose an approach that can describe how the different parameters relate to each other. With this background, we decided to use a qualitative research strategy and this will be explained below.

### **4.3 Data collection**

What sort of data and also how it is collected depends on what type of study being conducted. Data collection can be divided into two major areas, primary data and secondary data. Within this context, Merriam is discussing three different data collection techniques for a case study research. These techniques include conducting interviews, observing and analysing documents. The author is implying that it is common for this type of study to use one and preferably two, of these methods. The first two forms of data collection gather first-hand information, while the third is concerned with data that has been produced for other reasons than for the specific study, i.e. secondary data. (Merriam S., 1998)

In our study, we have mainly conducted interviews and analysed documents in order to find the relevant information. However, the third method, observation is also used, especially in the investigation of the

cultural aspects, where it has been used as a kind of confirmation for the information we received from our interviews.

#### **4.3.1 Primary data**

Primary data is defined as new data that is gathered to help solve the problem at hand. (McDaniel, C, Gates, R., 1996)

Regarding interviews, the most frequently used technique is a person-to-person interview. However, other forms like group interviews can also be made. An observation takes place in an informal situation and also implies a firsthand encounter with the factors studied rather than a second hand opinion. (Merriam, S, 1998)

To be able to collect necessary information, it was important for us to conduct interviews with customers, Volvo employees and other persons of interest in Hungary and the Czech Republic. This enabled us to receive firsthand information, which was particularly important concerning the customer's opinion.

In an interview, the interviewer can choose to use open-ended questions, where the respondent can reply in her own words, or close-ended questions where the respondent is asked to choose from a list of answers (McDaniel, C, Gates, R., 1996). In our interviews we used open-ended questions, since we believed that the nature of the subject called for the interviewees to be able to express their perceptions and opinions freely, rather than choosing answers from a list. The idea with the exploratory research approach is to find new information and the questions should therefore not be restrictive. One of the problems, however, with open-ended questions is that the answers can be rather extensive and thereby it can be difficult to write everything down. In order to solve this problem we made notes and recorded all the interviews. This prevented us from missing important comments and misinterpreting our notes.

In order to obtain as accurate answers for the study, we had prepared three different interview guides, all with questions that were directly derived from the theoretical framework. We believed that it was important to have one specific interview guide for the customers, one for the Volvo employees and one for the people in the different cultural institutions, since we wanted to gain somewhat different information from each of these groups. The interview guides are presented in Appendix I.

In Hungary we conducted eight customer interviews, and in the Czech Republic six customer interviews. The customers we interviewed represented different customer segments in order to collect as comprehensive material as possible. The customer interviews in the Czech Republic were complemented with two interviews with drivers, as previous interviews had led us to the conclusion that their point of view might also be of interest. We interviewed the Managing Directors of Volvo Truck in both Hungary and the Czech Republic and complemented their views with interviews with sales staff in the respective countries. Furthermore, we interviewed two employees at the Swedish Trade Council in Budapest, the second secretary at the Swedish Embassy in Prague and a journalist, stationed in Prague, at the Norwegian newspaper “Dagens Näringsliv”. The Swedish Trade Council in Prague recommended the Norwegian journalist to us, since he is knowledgeable within the area of Central and Eastern European culture and economy.

#### **4.3.2 Secondary data**

Secondary data are pieces of information that already have been collected previously and only might be relevant to the study. The fact that the secondary material is not always exactly suitable and applicable to the specific study conducted can be a problem, and sometimes it can also be difficult to value the reliability of a secondary source (Lekvall, P, Wahlbin C, 1993).

According to Merriam, the analysis of documents includes the mining of data from public records, personal documents, physical material, on-line data sources etc. The author also states that even though these data sources sometimes may be fragmented or do not perfectly fit into the conceptual framework of the research, they can still be very useful for the study (Merriam, S, 1998).

The secondary sources we have used in this thesis contain books, articles, dissertations and the Internet. We have also obtained figures and other kind of company information, in forms of copied slides, newsletters and other written material, from Volvo Truck Corporation in Sweden, Hungary and the Czech Republic.

In the Theory chapter, we used an early publication of Hofstede's "Culture's consequences – International differences in work-related values". In this publication, the cultural parameter of time was not discussed. However, by also using the theories of Trompenaars, this area has still been covered.

The data that have been used in the cultural analysis chapter has both the character of secondary and primary data, since we believe this approach has enabled us to obtain the most valid information. We first used secondary data, in the form of books, articles and Internet sites, in order to acquire the necessary background for both our main thesis work and our interviews. After the completion of the interviews we have also used the firsthand data that we gained, which has both confirmed our existing information and filled the gaps.

### **4.3.3 Sampling**

It is important that the samples selected for examination in a research are representative of the topic studied, otherwise there is a significant risk for biases in the final result. It is not only the quantity of the samples that is important for a valid study, but also on what grounds the samples have

been selected (Lekvall, P, Wahlbin, C, 1993). Samples can be either randomly drawn or conducted in a non-random way. According to Dahmström, the random samples are superior when there is a high demand for precision. Occasionally, time and matters of convenience do not motivate a random sampling (Dahmström, K, 1991). According to Lekvall and Wahlbin, sometimes selecting samples on a convenient basis is done instead of using a random approach. However, this does not mean that this kind of approach is used out of laziness, instead it is often done due to the cost and time restrictions of a study (Lekvall, P, Wahlbin, C, 1993).

Regarding selection of countries, we choose a non-random sampling since we needed a limited number of countries that were representative for Central and Eastern Europe. The selection of Hungary and the Czech Republic was also done on the basis of time limits, the extensiveness of the thesis and on requests from Volvo Truck. Although these two countries' societal and economical conditions are ahead of other countries' in the region, we still believe that they can function as illustrative samples in the context of this study. This is mainly due to the fact that the countries that are defined as Central and Eastern European have a commonality in that they are former communist countries. They all obeyed Moscow, and it is very likely that these countries will eventually undergo the same kind of development as Hungary and the Czech Republic, but at a different pace.

Regarding the geographical sampling within these countries, we selected the countries' capitals in this sampling basis due to our time and costs limits. Even though it is likely that there could be differences between the urban and rural areas in these countries concerning the truck business, we still believe that our study in Prague and Budapest is sufficient in order to come to a satisfactory result.

The respondents were selected to create a representative and comprehensive picture and the method used was non-random. The careful selection was done on the basis of having the whole spectrum of opinions

from all the customer groups. In order to get a broader opinion within this subject, we also evaluated the importance of interviewing employees at Volvo and persons at cultural institutions in Hungary and the Czech Republic. Within these groups, however, we had to use a convenient approach, since we could not freely choose who to interview and when, due to the time limits and the availability of interviewees.

#### **4.4 Validity and reliability**

To evaluate a research it is common to use the concepts validity and reliability. According to Yin, three different measures are used to evaluate a case study, i.e. construct validity, external validity and reliability (Yin, R, 1994). Merriam, on the other hand discusses the three concepts internal validity, reliability and external validity (Merriam, S, 1998). Also Yin uses the concept internal validity, but in a different context. Internal validity to him is if a causal relationship can be detected. This type of validity will not be evaluated here since it is only relevant for explanatory or causal studies. Otherwise, the two sets of concepts are very similar since both authors argue that reliability considers if the same result would be the outcome of a repeated study and external validity regards whether or not the result could be generalised.

The concept of internal validity used by Merriam, and the concept of construct validity applied by Yin, also have similarities. Construct validity focuses on the construction of the research, such as the instrument for the investigation, whereas internal validity aims more generally at measuring if the researcher is capturing what is really exposed to him or her. No matter if the focus is on the actual construction of the investigation or of a more general character, the same issues will be evaluated, i.e. if the researcher is measuring what he or she intends to measure. Below, we will discuss each of the concepts in relation to our study.

#### **4.4.1 Construct/Internal validity**

There are a number of strategies a researcher can use to improve the construct and internal validity (Merriam, S, 1998, Yin, R, 1994). We have used four of them.

1. Other people should be consulted regarding the construction of questions, definition of concepts, etc.
2. The researchers and investigators can use many sources or methods to collect the information required. This is called triangulating methods, and if successful the findings support each other.
3. The researchers can ask for other colleagues to comment on the findings throughout the work.
4. The researchers should thoroughly describe how they came to their conclusions to facilitate easier understanding.

To improve the construct validity, we developed our interview guide directly from our theoretical framework. This was to ensure that we would ask questions that really were relevant to our problem. The interview guide was discussed with our supervisor in order to avoid asking irrelevant questions and so that relevant questions were not forgotten. We also discussed what was meant by the questions in order to minimise the risk of asking leading questions or questions that could be interpreted in more than one way. We also consulted an employee at Volvo Truck who is working professionally with market investigations. We had discussions regarding the same issues that we had with our supervisor. The origin and the development of the interview guide, points at construct validity in our results.

To collect our material, both about cultural aspects and industry specifics, we have triangulated methods. Information about the country cultures has been confirmed by secondary material, as well as interviews and observations. Furthermore, we have been two people to discuss the findings in cases of obscurity.

Regarding the material concerning the attitudes towards truck brands in Hungary and the Czech Republic, we have also used triangulation in the sense that we have not only interviewed the customers directly, but also confirmed the findings with people at Volvo that are constantly in contact with the customers and therefore have a certain understanding for their opinions. As mentioned before, to minimize the risk for misinterpretations we both taped the interviews and took notes during them. This ensured that we could later discuss what the respondents had said, and also that we did not miss any important information and thereby interpreted the findings falsely. Something that could have influenced the internal validity negatively is that, in some cases, an interpreter was used. The interpreters were not professional, but employees at Volvo Truck. It is possible that the interpreters put some of their own evaluations into the questions and answers. Some of the respondents might not have been completely honest, for fear that their honest answers might influence their relationship with Volvo Truck. We did however inform the respondents that their answers would be treated confidentially and we paid attention to any sign of the respondents being dishonest.

Throughout our stay in Hungary and the Czech Republic, we discussed our findings with experienced staff at Volvo Truck in the respective countries. The general character of our results equalised with their experiences even though they were not aware of all the details.

Our methodology chapter and the presentation of the results and the analysis facilitates the readers' understanding of how we came to our conclusion.

The methods we have used to improve the internal validity should have enhanced the fact that we do measure what we think that we measure, and want to measure. The main problem regarding the internal validity is that in some cases we used an interpreter. How that affected the internal validity is

out of our control, but we hope that the instructions we gave influenced the matter in a positive way.

#### **4.4.2 Reliability**

It is difficult to discuss reliability in case studies, since the world is not static. Whether you reach the same result on another occasion or not is therefore not relevant. Furthermore it is impossible to isolate parameters in a case study, to be able to measure a phenomenon independently of the context. On the other hand it is not necessarily the uncovered truth that is most interesting, but rather an understanding of how people experience their reality (Merriam, S, 1998). Our aim was to study the attitudes towards truck brands of the customers in this particular industry and to put this in the context of the country culture. As we were interested in a societal phenomenon, the results we got cannot be replicated.

This does not mean, however, that the reliability is low. Some of the measures to achieve internal validity are also relevant for the reliability. Factors that, according to Merriam, point at reliability and we have used are that we have explained the theory behind our study and used method triangulation. According to Merriam, it could also be argued that there is reliability if there is a consistency in the findings from different respondents (Merriam, S, 1998) and this is something that we have detected in our findings.

#### **4.4.3 External validity**

To be able to generalise the findings, there needs to be an equivalence between the sample and the population and there also needs to be an internal validity (Merriam, S, 1998). We believe that our study fulfil these requirements. There are, however, according to Merriam, different opinions regarding whether it is possible to generalise from a case study or not. This is because the aim is to understand specifics and not general opinions shared by a wider public. However, the deep knowledge offers possibilities to explain also other occasions, even though the findings should be

regarded as guidelines and work for context bound extrapolation, instead of generalisation. It is up to the reader to judge which results can be used in another setting.

There are, however, some measures that a researcher can take to increase the possibilities to generalise. There should be a thorough description of the situation, so that that the reader will be able to compare the situation of the study with that situation to which the findings should be applied. The description should also include an explanation of how representative the case is. Furthermore, the use of more than one case increases the generalisation possibility (Merriam, S, 1998). We have made a rather extensive explanation of the context in the country cases and therefore believe that it should be achievable for the reader to judge if the situation could be extrapolated to another setting. We have made the case study in both Hungary and the Czech Republic and believe that the findings that are valid for both countries are better objects for generalisation than those that are country specific.

# CULTURAL ANALYSIS



## 5 CULTURAL ANALYSIS

*This chapter will describe and analyse the cultural factors that should be considered in order to employ successful industrial brand management on Central and Eastern European markets. Country culture is formed by various factors like geography, religion and history, and since the culture is permeating the whole society's way of thinking and thereby the people's actions and attitudes, it is crucial to know and understand how the society functions and the people within it. This fact is particularly true in the context of brand management. As discussed earlier, brand management is concerned with influencing people's attitudes towards a brand, and since attitudes are influenced by the society's culture there is a necessity for a cultural analysis of Hungary and the Czech Republic in this study.*

The chapter has been divided into three main parts where the first part describes main important events in Hungary's and the Czech Republic's history. To highlight the impact the communist system had and still has on societies, the second part has been entirely devoted to describing the communist period. The evolvement of Hungary and the Czech Republic's national cultures is then concluded in the last part of this section. Due to the fact that all interviews are confidential, no specific references are given.

With the assistance of the theories of Hofstede and Trompenaars, the last part aims at scrutinising the different cultural parameters that are most likely to be important to recognise in order to employ successful brand management within these countries. The third part ends with a conclusion that identifies what key words that are especially central in the next chapter, the analysis of the cultural influences on the Volvo brand.

### 5.1 Historical background of Hungary and the Czech Republic

*The purpose of this part is to lay a foundation for the cultural understanding of Hungary and the Czech Republic. By examining certain*

*parts of these countries' history a better insight for the collective mind of the society today can be reached. The both countries' history will first be described separately and then parallels will be drawn in order to highlight the similarities and differences between the countries.*

### 5.1.1 History of Hungary

Figure 5.1: Map over Hungary



Source: [www.odci.gov](http://www.odci.gov), 991016

Hungary, as a country, has gone through many transformations during the centuries; it has experienced eras of greatness and times of great defeat, where each epoch's influence has affected the country's borders and its inhabitants. Even though the Hungarians have experienced times of greatness, the countries' history during the last four hundred years has mostly been characterised by invasions and oppression, a fact that can explain the collective minds of the people today. Taking this into consideration, it is no wonder that the national anthem describes the Hungarians as "people torn by fate" (Library of Nations, 1986 and [www.fsz.bme.hu](http://www.fsz.bme.hu), 991016).

Despite the fact that the Hungarians are a mixture of various ethnic groups originating from, among others, the Huns and Avars, Magyars, Slavs,

Tatars, Turks, Romanians, Germans, Jews, Gypsies, they do not have an identity crisis. They know how they are and they are proud of their long, but dramatic history (Richmond, Y, 1995).

Between 1000 and 1526 Hungary was an independent kingdom, although the period was characterised by both internal and external turbulence. Under the reign of Matthias I, in the 15<sup>th</sup> century, Hungary became a great power, ruling territories like Bohemia and Schlesien with Vienna as residential city. During this era, Hungary was not only ruling a large part of Europe, but also had a prosperous political, cultural and economical life. The Hungarians, as the proud and nationalistic people they are, remember this period of greatness and independence quite well. The fact that the Hungarians have actually been a great power once, ruling others instead of being ruled, seems to be an important factor for them (Sugar, P, Hanák, P, Frank, T, 1990 and Interviews).

However, in the 16<sup>th</sup> century, the invasions of the country started. First it was the Turks that attacked Hungary in 1526, and in 1699 Hungary came into the hands of the Habsburgs. Between 1699-1867 Hungary was ruled from Vienna as a kind of colony, which severely hampered Hungary's economical recovery. However, in 1848 the Hungarian revolution and the war of independence towards the Austrian monarchy began. The revolution led to the Compromise Agreement in 1867 with Emperor Francis Joseph, making Hungary and Austria a double monarchy (Sugar, P, Hanák, P, Frank, T, 1990). This revolution is another event in the Hungarians history that is, to a large extent, remembered and acknowledged by the people, which highlights the Hungarians' yearning for freedom.

In 1918, the Hungarians once again faced defeat and misery, when Austria-Hungary found themselves on the losing side in the end of the First World War. Due to this event, the double monarchy was dissolved. The peace time after the war was very hard for the Hungarians, and in 1920 the country was forced to give up more than two-thirds of their territory and

three fifths of the population. Due to the so-called "red" and then the "white" terror during the post war period many Hungarians, particularly Jews, fled from the country (Sugar, P, Hanák, P, Frank, T, 1990 and Interviews).

During the 1930s, Hungary was approaching Germany, both politically and economically. With German support, Hungary was able to take back lost territories like Slovakia, Transylvania and Vojvodina. This close connection between the countries also led to the fact that Hungary joined the German side in the Second World War, and thereby were defeated once again. In the peace negotiations, Hungary belonged to the Soviet sphere of interest, and in 1949 the country became a "people's republic". Once again the Hungarians found themselves in the hands of hard and uncompromising oppressors, and pretty soon it became obvious that Russians' methods were also going to change the already worn out Hungarian society. Due to the fact that the Soviet influenced period has affected the country and the people in such a devastating way, permeating the whole society, the communist period of the Hungarian history will have a part of its own (Library of Nations, 1986 and Sugar, P, Hanák, P, Frank, T, 1990).

## 5.1.2 History of the Czech Republic

Figure 5.2: Map over the Czech Republic



Source: [www.odci.gov](http://www.odci.gov), 991016

The Czech Republic is another country within the former Eastern Bloc that has undergone many transformations during the centuries. The Czechs have also experienced oppression from different rulers, and there are a number of historical events in the Czech history that have influenced the society and the collective mind of the people today.

The ancestors of the Czechs were the tribes that settled in Bohemia and Moravia in the fifth century. Although the Czechs have mainly been influenced by the Austrian and the Germans, they do belong to the Slavic people. Also, when discussing the history of the Czech Republic, it is important to recognise that even though the Czechs and the Slovaks are many ways similar, and have a related history, they are two different people, and this chapter will focus on the Czechs and their past (Richmond, Y, 1995).

From the 16<sup>th</sup> century to 1989, the Czech lands were almost exclusively controlled by some other state and this has led to the fact that the Czechs today put great pride in their freedom. One of the most important eras in the Czech history began in 1526 and went on for more than 300 years. This was when the Habsburgs controlled the land. During those years Catholicism was firmly reinstated, German became the official language in most business endeavours, and politics were controlled from Vienna. In the middle of the 18<sup>th</sup> century, nationalism was reborn in Czech and a movement towards independence developed with Tomáš Masaryk by the turn of the century (Nollen, T, 1997).

In October 1918, Masaryk founded Czechoslovakia, and he has become something of a national hero, since he represents freedom for the first time for a long period of time. The time between the two World Wars was a very prosperous time for Czechoslovakia and the country ranked among the most industrialised, economically advanced, and with the one of the most advanced parliamentary democracies in the whole of Europe (PriceWaterhouseCoopers, 1999).

However, in the Munich agreement in 1938, Czechoslovakia was broken up and German, Polish and Hungarian claims on parts of the country were acknowledged. In March 1939, a separate Slovak state was established, controlled by Nazis and this was followed by an immediate invasion of the Czech lands by Germany. After the Second World War, however, most of former Czechoslovakia was restored as a democratic state. The Second World War was followed by a period when the Communist Party came to grow very strong, and in 1948 the non-communist parties resigned from the coalition after unsuccessful attempts to force the Communists from power. This was a beginning of a forty years period that led to a significant rearranging of the society and the mentality of the people, a period that will be especially described and explained in the communist part of this chapter (Nollen, T, 1997 and PriceWaterhouseCoopers, 1999).

### **5.1.3 Historical comparison**

As already mentioned, both Hungary and the Czech Republic have a long history of being puppet states in one way or another to various different rulers. In hindsight of their history, it is easy to understand the Hungarians' and the Czechs' nationalism and the feeling of pride they have today for their newly liberated nations. During the centuries, these people have been forced to constantly adapt to the various artifices and regulations that the present ruler has come up with.

Before the Communists came into power, there have been two main nations that have affected the Hungarian and the Czech society substantially; namely the Austrians and the Germans. Both Hungary and the Czech Republic became, by force, incorporated into the Habsburg Empire and thereby had to adapt to the Austrian culture. After the liberation from the Austrians, a short period of freedom was experienced before the countries once again became invaded, this time by the Germans and the Nazis.

The Germans have also had an impact on the Hungarian and the Czech culture, and still have, to a larger extent than the Austrians. It seems as if, even though both the Hungarians and the Czechs have a sort of love-hate relationship with their big and powerful neighbour in the West, they prefer the Germans to the Austrians. One factor that could explain this is the fact that Germany is both Hungary's and the Czech Republic's largest trading partner, making them quite dependent on the Germans, whether they like it or not. Here, it seems like it is the Czechs that dislike the Germans and what they stand for the most, and implying that the Czechs are German oriented makes them quite offended (Nollen, T, 1997 and Interviews).

## **5.2 The Communist period in Hungary and the Czech Republic**

*In order to understand the great impact a political system like the communist system has on a society and the mentality of the people within it, a special part of this chapter has been devoted to describing and explaining Hungary and the Czech Republic during the communist period. The Communist system was above all built on fear, which has had a destructive effect on the Hungarian's and the Czech's collective mind, injuring the two societies substantially. Due to the fact that the Communists managed to leave significant marks in the in Hungarians and Czechs mentality, the societies are still struggling to break free from it. This is an ongoing process that will take a long time and require a lot of effort.*

### **5.2.1 The first decade of communism – the Stalin era**

After the incorporation into the Soviet communist sphere, both Hungary and Czechoslovakia underwent a complete transformation into Soviet puppet states. Here, the Soviet Union had a harder time to bring Czechoslovakia under their absolute control, than they had with Hungary. This can be explained by the fact that the Czechs had experienced a period of democracy before the Second World War when the country was prospering, and therefore the leaders of Czechoslovakia made serious attempts to keep the country within the Western sphere. These attempts were, however, abruptly and violently ended. In order to make an example, several party officials were executed after a show trial in 1952, a demonstration of power that became common in the post-war Soviet bloc. The fact that the Soviet Union had more difficulties incorporating the Czechs into a new political system, compared to Hungary, highlights the Czechs' relatively high resistance towards changes. Today, this high resistance to change has become an obstacle for the communist deprogramming in the Czech Republic, which could be one main explanation for the fact that they are lagging behind the Hungarians in the western integration (Library of nations, 1986).

During almost a decade, Hungary and Czechoslovakia underwent Stalin's terror and the local communist machinery experienced his agents' brutal methods in their struggle to tighten Soviet's control over its satellite countries. The agriculture was ruthlessly collectivised, all industries came under state control and the Soviet Five Year Plan with all its implications was implemented. Within a few years, both Hungary and Czechoslovakia had a planned economy designed and imposed by Moscow (Library of Nations 1986).

These Five Year Plans meant a central planning system that was characterised by an unwieldy bureaucratic and autocratic system. The state enterprises, and thereby its directors, were responsible for delivering a certain quantity of outputs to the appropriate ministry according to the Plan, nothing more and nothing less. These Five Year Plans were founded on communist political priorities, and they thereby did not promote profitable or effective thinking. The laws of supply and demand, in the western definition, did not apply at all in the Eastern Bloc.

As a consequence, the Communist countries suffered a constant shortage in supply of products, and empty store shelves were a rule rather than an exception. Many times people had to queue up for hours in front of the stores in order to buy a piece of bread, and often they still came home empty handed. In other words, people were happy with what they could get, i.e. choosing among different brands was unthinkable and the western phenomenon of branding did not even exist. An obvious effect derived from the planning system is the fear of being short of something, a fear that still is present in the Hungarians' and the Czechs' minds today. The people are still trying to avoid this uncertainty of not having all that they need (Holden, N, Cooper, C, Carr, J, 1998 and Interviews).

One positive thing with this system, though, was the fact that the prices for the products that did exist were low. All people in the communist countries were forced to have a job, the health care was free and people could afford

to buy the communist produced products. Today, however, the market economy has led to substantially increased prices and therefore the people with low salaries or no income at all have difficulties buying these products.

As mentioned before, during the first decade of communism, Hungary and the Czech Republic experienced Stalin's terror. Stalin has been known as "the man of steel" and his cruel and vicious ruling methods were feared throughout the Eastern Bloc. These methods' intentions were to break down the trust between the people, which eventually made them modest and dependent on the Communist authorities' arbitrariness. In Hungary, for example, opposition was dealt with in the best Stalin methods by the notorious state security police force, ÁVO, who conducted midnight arrests, brutal questionings and cellar executions as specialities (Holden, N, Cooper C, Carr J, 1998, Library of Nations, 1986 and Interviews).

### **5.2.2 The decades of the revolutions and bloody defeats**

When Stalin died in March 1953 the conditions in both the Soviet Union and the puppet states improved substantially. However, it would soon become quite clear that the satellite countries still had to stay in Moscow's leash and were not permitted to leave the Warsaw pact, established in 1955. Nevertheless, the discontent with the harsh communist system led to revolts in both Hungary and the Czech Republic.

In Hungary the old conservative communist leader, Mr. Mátyás Rákosi, was replaced by a more liberate leader, Mr Imre Nagy. However, due to his reform friendly leadership Mr Nagy became dismissed in 1955 and Hungary was under the threat of attaining Stalinists ruling again. The discontent with the Communist leaders that followed, together with revolutionary movements in the Eastern Bloc, led to the Revolution in Hungary in 1956, an important event in the Hungarian history. By that time, Mr Nagy had retained his position and argued for a withdrawal from the Warsaw pact. This was too much liberation for the rulers in Moscow,

and military troops were sent to Budapest. Both the Hungarian revolution and Mr Nagy received a bloody end and more than 200,000 Hungarians fled to the West before the borders were closed. (Sugar, P, Hanák, P, Frank, T, 1990, Library of Nations, 1986 and Interviews).

Twelve years later, in March of 1968, it was Czechoslovakia's people's turn to express their discontent with the communist system. The reformer Alexander Dubcek became the President and he tried to combine socialist economic principles with democracy using the slogan "Socialism with a human face". The actions were not looked upon with blessings by the authorities in Moscow, since they feared that the reforms would spread eastwards. When they did not manage to convince Prague to stop the reforms, the Warsaw Pact tanks invaded Czechoslovakia. This period is called the Prague Spring and the outcome was that Czechoslovakia had no alternative but to conform to Soviet standards. In the aftermath of revolution, the Prague Spring participants received reprisals in forms of job losses, exclusion from the Communist party and placements under surveillance. Suddenly half a million Czechs became "non-persons" and secret policemen and government censors were back in business. The trust for the authorities continued to be undermined and people were afraid to officially resist or to criticise the system, since they knew they could expect serious reprisals from the secret police, which had a register of dissidents and informers in the society as a help (Library of Nations, 1986).

### **5.2.3 The last decades of communism – movements towards liberation**

Even though the revolts ended in bitter defeat, the Hungarians and the Czechs still continued to search for the means to obtain more breathing space from the Soviet Union. In this sense, it is obvious that the Hungarians' and the Czechs' pride and struggle for freedom was so strong that they just tried another path to gain freedom, a more peaceful and cautious path than the revolutions had been (Library of Nations, 1986).

During these decades, it was Hungary that managed to gain the best political and economical achievements, being the success story in the Eastern Bloc. Even though Hungary's new leader, Mr Kádár, had been supporting the invasion of Soviet troops during the revolution, he adopted a more liberal approach when his power had been consolidated. In 1968, "the New Economic Mechanism" decentralised the Hungarian production. This led to that the Hungarian industry acquiring features of free determination of prices and market economy. Hungary was characterised by the so-called "goulash communism" and was called "the happy barrack in the camp" (Library of Nations, 1986 and Interviews).

In accordance with the liberation tendencies in the Soviet Union in 1985, Hungary obtained more space for reforms and in 1989, the Hungarian Communist Party abolished itself. The new funeral of the hero from the Revolution in 1956, Mr. Nagy, was another reason for the communist's resignations. The communists were afraid that a new revolution in connection with the funeral and in order to save themselves they started to negotiate with the opposition. Hungary was declared republic on the 23<sup>rd</sup> of October in 1989 and the spring after Hungary had its first free elections (Library of Nations, 1986 and Hansson, W, 991108).

In Czechoslovakia, there was still a small dissident reform group remaining from the Prague Spring period, and in 1977 their statement of democratic principles and human rights known as Charter 77 appeared in West German newspapers. The original manifest was signed by 243 persons like artists and other prominent persons, and by 1985 nearly 1200 Czechoslovakians had signed the charter. However, the dissident in opposition to the government and the independent activities were fairly limited to a small segment of the population. In other words, the Communist party in Prague was more successful in preserving the system after the revolution and made more attempts to keep it than the Hungarian communists did (Library of Nations, 1986, Nollen, T, 1997 and [www.lcweb2.loc.gov](http://www.lcweb2.loc.gov), 991119).

However, with the fall of the Berlin Wall and Gorbachev's open distance taking from the invasion of the Warsaw Pact in 1968, the Czechoslovaks gained more legitimacy in their struggle for freedom, and among other things, the Velvet Revolution emerged. The revolution was led by Václav Havel, who was also elected president in the first free elections in 44 years, i.e. July 1990. His thoughts were at that time nothing but appreciated by the people and he was considered to be somewhat a national hero (Nollen, T, 1997).

#### **5.2.4 Coping with freedom**

Even though Stalin died almost fifty years ago, he and his followers' wicked deeds still make themselves remembered in the former communist societies and the collective minds of the people within it. During the nineties both Hungary and the Czech Republic have been struggling with the different consequences of events that occur in the transformation from a planned economy ruled by fear, to a market economy with a democratic government. In this respect, Hungary has come further than the Czech Republic, although the Czechs are also coping quite well with their relatively newly won freedom (Holden, N., Cooper C. and Carr J., 1998, and Interviews).

Hungary formally changed its political system on the 23<sup>rd</sup> of October 1989, when the country went from being a socialistic "people's republic" to becoming a parliamentary democracy. There are two main reasons that the transformation of Hungary, from a communist country to democracy, went so well and peacefully. Firstly, the Hungarian people had a quite long time to adapt themselves to a new political and economical system compare to other countries in the Eastern Bloc, i.e. they were relatively prepared when the Berlin wall fell. Secondly, there has been an extensive privatisation of the Hungarian state owned companies and banks, and the Hungarians that had good business ideas were able to lend money. Since there were no violent demonstrations for freedom in 1989 in Hungary (which was the case in many other Eastern Bloc countries) no batons were used, nor were

shots fired during the last days of communism either. The Hungarians did not see meaning in celebrating the fall of Communism, since Communism, for them, had been dead for a long time.

Even though Hungary is one of the countries that has developed most successfully after the communist fall, the transformation has not been completely painless. For example, at least twenty per cent of the population has experienced a decreased standard of living and the rift between the classes in the country is growing (Hansson, W, 991108 and Interviews).

In Czechoslovakia the decade began with the fact that the Czech and the Slovak parts of the country did not completely agree politically, and the need for a split urged after the elections in 1992. The market oriented party in coalition with the Christian Democratic Party gained the most votes in the Czech lands, and the national party HZDS, arguing for a slower pace in the economic reforms got a clear majority in the Slovak Republic. Long negotiations therefore led to the formation of two independent states in 1993, and the Velvet Revolution went into the books as one of the most peaceful revolutions in history (Nollen, T, 1997).

Due to the communist leaders' eagerness to "preserve status quo" in Czechoslovakia, the Czechs were not as well prepared for market economy and all its consequences as the Hungarians were. One reason that the Czech Republic is lagging behind Hungary in its economical development, is that the privatisation of the state owned companies has not succeeded as well as expected. The biggest mistake within this context is the fact that the Czech banks, up until recently, have still been in the hands of the state. However, one positive fact is that the Czech Republic has had significantly lower unemployment than many other former communist countries, although this has caused the Czech state to be short of funding. Due the fact that the economical development has not been as successful as expected, the Czech people still have shared opinions regarding what political string is preferred. The positive feeling of freedom in 1989 is blurred by the fact

that the social clashes are continuously increasing and that a large part of the population has a much worse reality today, than during communism (Hansson, W, 991106, [www.lcweb2.loc.gov](http://www.lcweb2.loc.gov), 991119 and Interviews).

### **5.3 Conclusion of Hungary's and the Czech Republic's cultural development**

*The national culture of a country is, as was already discussed, influenced by different historical events and evolvments. This part will highlight and conclude that the different periods of Hungary and the Czech Republic's past, explain the countries' national culture today.*

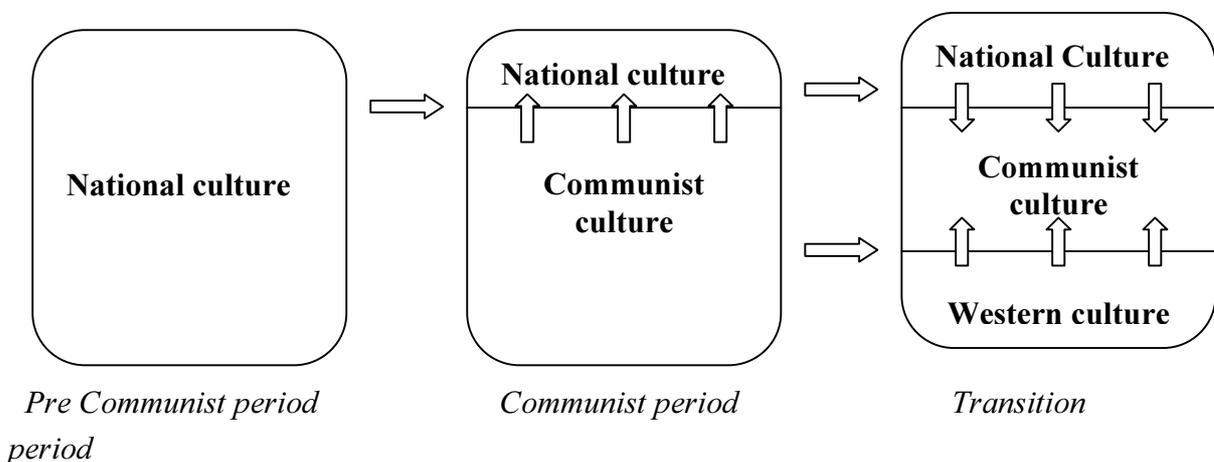
A conclusion that can be drawn from the cultural analysis of Hungary and the Czech Republic's pasts is that the culture of a society evolves over time. In this development some parts of the culture disappears naturally or by force, while other parts accelerates and develop into other shapes. Both Hungary and the Czech Republic have, due to their dramatic historical background, national cultures that have been strongly influenced from various cultures over the centuries. However, these outside influences escalated when the Communists came into power, and with forty years of communist ruling, the Hungarian's and the Czech's national cultures were very much inhibited and destroyed. Due to the fact that the system's mission was to erase their satellite state's own manners and customs in order to turn all the people into "homo Sovieticus", it is no wonder that an extensive part of Hungary's and the Czech Republic's previous national culture came to naught.

In the transition period that Hungary and the Czech Republic find themselves today, efforts are made in order to cut loose from the ties that their cultures have with the communist past. It is probably going to take a long time to do this, although, these two countries have been lucky enough to not become too damaged by the system, compared to other countries in

the former Eastern Bloc, leaving them not too tainted for a recovery within the foreseeable future.

As Figure 5.3 illustrates, the transition period that Hungary and the Czech Republic belongs to at present, is moving from a communist influenced culture that, to a certain extent, still had elements of the previous national culture, towards new national culture. Within this transition period, the original national culture, together with a more western influenced culture, are continuously pushing out the communist culture in order to evolve into a new national culture. However, since the communist culture made great efforts to push out the national culture, the affect on the societies was so severe that there will continue to be influences from the communist culture for a long period of time. However, the new national culture will eventually shake of most of its communist past and turn into a modern, more westernised culture that still has important elements from the countries' previous national history.

Figure 5.3: Cultural evolution



Source: Own elaboration

## 5.4 Cultural analysis

Not all cultural aspects are of equal importance to how relevant attitudes are formed at the truck market in Hungary and the Czech Republic. As mentioned, the most severe impacts from the background of those countries

derive from the fact that the two countries have been ruled by several invaders, where Soviet, as the last invader, managed to change the society from top to bottom in line with the communist system. What the Soviet system meant concretely was described in the previous section, and this part consequently aims at analysing cultural parameters with regards to the communism and other historical events of particular importance. In this part, the aim is to link together causes and consequences, in order to be able to analyse how the causes of the history affects peoples' attitudes towards brands today.

Experiences in Hungary and the Czech Republic have shown that there are five cultural parameters that explain attitudes and behaviours that are relevant to this study. Also, other parameters could have been used as analysis tools, but to maintain a certain focus, only the five most significant cultural parameters will be analysed. The parameters that are chosen as a base for the analysis are Uncertainty avoidance, Power distance, Individualism versus collectivism, Universalism versus particularism and Specific versus diffuse relationships. It could be argued that also other parameters are of importance, but to reach a deep, rather than wide analysis, a limitation regarding the number of parameters was made. For example, the parameter regarding time could have been included. However, the most important aspects of the excluded parameters are brought up in the context of the included parameters. Unless stated the following analysis is based on interviews and conclusions drawn from the previous cultural analysis part.

#### **5.4.1 Uncertainty avoidance**

The Czech and Hungarian history is characterised by a lot of uncertainty, not only in the past but also in recent history. The sources of uncertainty that have influenced the people in those countries are though the communist system and the rapid changes that have followed after the fall of the communism. It should not be neglected though, that also the many periods when those countries have been controlled by other states have also

contributed to the uncertainty in the countries. A consequence of the many occupations is that the people have such a desire for freedom, a circumstance that contributes to uncertainty avoidance as freedom offers own control. However, the communist system taught people certain ways to handle uncertainty and this is still deeply rooted in the minds of people. This means that the uncertainty that derives from the recent changes in the society is handled in the same manner as during the communist era.

The rapid changes in the society since the fall of the communism have led to people having problems with long-term planning. It is hard to foresee what will happen next month or even tomorrow and most people therefore use a short time perspective.

Another source of uncertainty regarding the near future situation was the Five Year Plans. The system caused a shortage of food and goods, and people bought what was in the stores even though it might not have fulfilled their demands completely, for fear of not getting anything the next day. People were more or less forced to act on a day-to-day basis and this rooted the short-sightedness even deeper. There was not only a lack of supply in general, but also a lack of branded goods. This has led to people in the former communist countries being unused to brands and having little understanding for the fact that one of the functions of a brand is that it represents and guarantees a certain standard.

The Five Year Plans also made the people forget about qualitative approaches since the system advocated a certain amount of output, but did not measure the quality. People in former communist countries are aware that products produced during the communist era did not have as high quality as products produced in the west. Most Czechs say that the Communist way of doing business is only a memory, but the regime has had a severe effect on the mentality of the Czech people and also on their way of doing things. Quality, efficiency and customer service were concepts that practically did not exist from 1948 to 1989, meaning that the

Czechs are still relearning about those business techniques (Nollen, T, 1997). Products originating from western countries do, as a consequence, represent high quality to people in Central and Eastern Europe.

The fact that Central and Eastern Europeans are not used to brands and at the same time consider western made products to represent quality has led to the fact that the country of origin is at least as important as the brand itself to people in this area. To them, a western originating product offers a guarantee that reduces the uncertainty.

Short-sightedness does, though, create uncertainty, as it leaves the future that is beyond the planned period blank. The approach of being short-sighted is therefore both a way of handling uncertainty and a source from where it derives. The impossibility to plan and control what would happen in the future, increased the importance of personal relationships. This was due to the fact that trust in one and another reduced uncertainty and increased the possibility of influence and thereby also control. Short-sightedness was not the only reason for the increased importance of personal relationships though, but this sprang from many sources. The importance of personal relationships will therefore be particularly examined when discussing universalism versus particularism.

#### **5.4.2 Power distance**

The fact that autocratic leaders from various cultures throughout the centuries have ruled both the Hungarians and the Czechs indicates that the power distance between people and leaders was already high when the Soviet Union entered the scene after the Second World War. With the central planning system and its entire means, Moscow managed to continue to keep the power distance high between the rulers and the people. In the state owned enterprises, the workers tasks were only to carry out the orders they were given and were not supposed to think for themselves. This has had a serious impact on the Hungarians' and the Czechs' working mentality today.

Many companies in Hungary and the Czech Republic still have a high hierarchical structure with an autocratic style of management where the manager's orders are unquestionable. A consequence of these unquestionable orders is that it is not uncommon that employees in these countries agree on executing the manager's order, but do something else instead. Furthermore people partly lost their ability to think for themselves, as they were only supposed to execute orders. The managers in the communist system did not encourage their employees to take initiatives above the completion of the production goal and many people in Hungary and the Czech Republic therefore still do not see the meaning of taking initiatives and doing anything above the concrete orders they receive.

In the Czech Republic the people have respect for authority, but that does not stop some of them from talking behind their manager's back and only doing what they are supposed to in the presence of the authority. Also, the power distance in the country can be said to be high, since some Czechs believe that important business deals should only be a matter for the highest managers in the company. Sometimes high managers refuses to deal with representatives from another company that are lower ranked. This highlights the importance of talking to the right person when conducting business.

Another possible outcome of a high hierarchical management is that the employees regard the superior as a controlling mechanism. Taking this into consideration together with the fact that within the communist system there was an extremely extensive and feared controlling organisation; it is no wonder that the Hungarians and the Czechs today still, to some extent, fear the control from superiors. As a consequence, it can be difficult for a manager at a Hungarian or Czech company to have the employees to confide in him or her. It is common that the people in these countries do not always trust their manager, since they think that the manager only wants to check upon them, and this only makes things worse. In other words, to avoid eventual punishments from superiors, the eagerness to share information is low.

However, management systems influenced by Communism is changing, and especially in Hungary, the more westernised companies have adapted a westernised management style. The Czechs are lagging behind in this respect, which could be explained by the fact that many companies have been controlled by the government longer than in Hungary, where the privatisation of the companies has come further.

Another development within the management context, which Hungary in particular has experienced during the last decade, is that people in high positions, both in the political and business life, are getting younger. Hungary's Prime Minister for example is only thirty-eight. This transformation of power could be a consequence of Communist leaders and managers in the former state-owned enterprises having had a harder time adapting to the fast changes in the new market economy environment. A new, younger generation of western oriented, well-educated yuppies (which is a positive word in Hungary) with a university degree, language skills, and a career has emerged. There is a big distance between the yuppies and the more common Hungarians. The yuppies show their status by buying expensive western premium brands, which makes the gap between them and others even more obvious. These yuppies also have better knowledge of brands and are trying to imitate the western way of life by purchasing western premium brands (Library of Nations, 1986, Hansson, 991108, and Interviews).

In this respect, the Czech Republic is quite different and people in high positions are generally much older than in Hungary. There are also more former communists in power in the Czech Republic than in Hungary. This could be a result of the Czech Republic being under harder communist ruling than Hungary, and therefore, together with the slow privatisation, the younger generation has not had the same career possibilities. An important outcome of this seems to be that, particularly within the larger companies,

the Hungarians and Czechs have different ways of looking at how to conduct business.

Titles are another way to distinguish the distance in power between people. In both Hungary and the Czech Republic titles are important and frequently used, which highlights class differences and power distance between people. However, regarding classes in the society, a difference can be discerned between Hungary and the Czech Republic, where it seems like the class differences are higher and more accepted in Hungary than in the Czech Republic. This could be another result of different communist ruling systems that affected the countries during the last decades before the fall of the Berlin Wall.

Also, the Czechs have different mentality regarding showing success and wealth than the Hungarians. In the Czech Republic it is not appreciated when someone brags about his/her wealth and success, i.e. the mentality is that one should not think or say that he or she is better than anyone else. In Hungary, on the other hand, it is much more accepted. The wealthy and powerful Hungarians show their status by driving an expensive car. These differences can also be a way to determine whether the society is of collectivistic or individualistic art, which will be continuously discussed in the following part.

### **5.4.3 Individualism versus collectivism**

During this study, two kinds of collectivism have been discerned, i.e. voluntary collectivism and forced collectivism. Due to the countries' communist past both the Hungarians and the Czechs have experienced forced on collectivism. Examples of this are the collectivisation of agriculture, which forced people to cultivate the land as cooperatives, and the need to join a Communist club in order to get anywhere in the Communist society.

The voluntary collectivism has many times unified people out of free will in the resistance towards different invaders' oppression. As mentioned before, it seems like both the Hungarians and the Czechs have had a strong longing for freedom throughout the centuries, and a way to gain that has been to group together in order to be stronger. As a consequence, there have been several revolutions in both countries' histories and the nationalistic feeling runs deep in both the Hungarian and the Czech collective minds. One example of this is that many Hungarians are supporting the national campaign, buying domestic produced goods, by wearing the Hungarian pin that symbolises this campaign. It seems that foreign companies supporting the domestic production are appreciated.

However, both the Hungarians and the Czechs are still proud of their countries and their societies. They do not have the same need to come together in the present democracies as they had during dictatorships. The values within a market economy are built upon an individualistic philosophy, a contradiction to the Communist system, where everything was supposed to be done in groups.

It seems like the real societal mentality that existed in Hungary and the Czech Republic before the communists' collectivist indoctrination is becoming more and more visible today. The Hungarians are known for being entrepreneurial by nature, and great accomplishments by individuals within areas such as the academic field is strongly encouraged by the society. As for the Czechs, they refer to their Bohemian inheritance, meaning that they want to decide upon their way of living.

Nevertheless, the communist past in Hungary and the Czech Republic has led to some people being left in the system, and they expect the state to take care of them. These people have a hard time adapting to the new, more market oriented system, where the people have to act on their own in order to get anywhere, and many people that have not managed to cope with this successfully are bitter and want the old system back. This development has

also, as mentioned above, led to increasing class differences in both Hungary and the Czech Republic.

#### **5.4.4 Universalism versus particularism**

There are many factors that have led to people relying on personal relationships rather than rules and regulations. The corruption during the communist regime has planted the idea into the minds of people that rules and regulations could not be trusted. However, knowing the right people and managing relations in an appropriate way will help to solve problems and reach the results desired. For the relationships to serve their purposes, people regard it as important that promises are kept and that there is trust and honesty in the relationship.

As discussed previously, there was a shortage of supplies, due to the Five Year Plans and one way of getting the goods anyhow, was to take advantage of personal relations. People could, through the right connections, get hold of goods through alternative sources. The system was not transparent and bribing was a common way to facilitate transactions. Bribing is still part of Central and Eastern European societies and is one of the more tangible relics from the communist regime.

Also, repression, terror and fear have caused people to avoid uncertainty by forming close personal relationships. The particularistic society meant that people built a security network through personal relationships and guarding friends and family applied more as rules than the legislated law system. Nowadays, there has been a rapid change in the legal system in order adjust it to the market economy, but the fast changes are not always aligned with reality and the legal system is therefore still not completely transparent. There are many customs left from the communist regime and this strengthens the peoples' beliefs that personal relationships are important.

The business mores in Hungary are not always compatible with Western standards. However, the corruption in Hungary is relatively low compared

to other countries in the former Eastern Bloc (Hansson, W, 991108). The grip of the communism was more powerful in the Czech Republic and as a consequence the importance of personal relationships is higher there. According to Trompenaars, research from America suggest that “universalism is a feature of modernisation per se, of more complex and developed societies” (Trompenaars, F, 1996). This could further explain why Hungary appears, on a scale, to be further from particularism than the Czech Republic is. This, however, does not imply that Hungary is a universalist society, since the importance of personal relationships there is also high. On the other hand it confirms that communism had a strong impact on societies and that economic development does not automatically erase the traces of the regime.

#### **5.4.5 Specific versus diffuse relationships**

The fact that both Hungary and the Czech Republic are particularistic societies underlines the importance of personal relationships. To be able to understand, take advantage of, and manage personal relationships in those countries it is necessary to understand the characteristics of the relationships. The importance of personal relationships implies that the characteristics of them also differ slightly from relationships in societies where they do not have the same importance. Another factor that affects the characteristics of the personal relationships is the fact that they serve as a way to avoid uncertainty. The multi-dimensional socialising with another person, results in a thorough knowledge of how that person acts and thinks in different situation and this also reduces uncertainty. As both relationships as such and diffuse relationships aim at reducing uncertainty on Central and Eastern European markets, the parameters may sometimes overlap.

Hungary and the Czech Republic are particularistic societies because they are trying to reduce uncertainty by increasing the trust that derives from a personal relationship. This is, as discussed before, to exchange the security that a universalist society gains from rules and regulations with security as

a result of trust in a relationship. Particularists argue that getting to know people at a private level, i.e. mixing business with pleasure, facilitates the understanding and possibility to predict how the other party will act in certain situations. To the people in Hungary and in the Czech Republic, it is therefore important to get into the private sphere of the other party, to convince themselves that the other person is not hiding anything. To be able to trust persons in a business relationship, in all respects, is probably the basic reason for why relationships have a diffuse character.

People do not only rely on rules and regulations, but expect their personal relations to solve their problems. If there is a problem to be solved or if something unexpected happens in a business relationship it is easier to come to agreements if there is trust and a close personal relationship. To develop trust requires not only getting to know people outside the business buildings, but it also requires time. Once the trust is built, though, it facilitates business and doing business in the way that is custom in Central and Eastern European countries. An outcome of the emphasis on trust in the business relationships is that many deals are made without written contracts.

During the communist era, negotiations, or planning, were handled by the state and people are therefore not used to negotiations. Furthermore, they do not use the same methods as western companies when finding partners to do business with. To the people in those countries, personal chemistry is even more important than it is in the west and they like to consider their business partners friends. This might also be caused by the fact that people, in at least Hungary, are emotional and like to talk on all different occasions. A personal relationship to the business partner means that it gives opportunity to express oneself in that relationship.

## **5.5 Conclusions of the cultural analysis**

The cultural analysis presented above functions as a background and a tool for the next chapter of the thesis, the analysis of cultural influences on the

Volvo brand. In this conclusion there will be an identification of certain keywords that are of special importance for successful industrial brand management in Hungary and the Czech Republic, key words that will be applied in the analysis in the next chapter.

### **5.5.1 Key words for the cultural parameters**

How people look upon risks and how they cope with these risks affects the actions of a society. The means avoiding uncertainty is the most important cultural parameter in this study, since it permeates the whole society in Hungary and the Czech Republic. It has a severe affect on the collective mind of the Hungarians and the Czechs and how they act on a daily basis. The two main concerns regarding uncertainty avoidance in the analysis of the truck markets in Hungary and the Czech Republic, are the customer's short-sightedness and their emphasis on personal relationships as a means to avoid risks.

*Keywords for Uncertainty avoidance:*

Short-sightedness and Personal relationships
--

How high the power distance is in a society has an effect on the hierarchical structure in both the society and in the companies within it. In both Hungary and the Czech Republic the power distance is rather high compared to many Western European countries. However, there are main differences in the power structure between Hungary and the Czech Republic, where Hungary has a higher societal power distance than the Czech Republic. Within the truck industry in Hungary and the Czech Republic, it is important to know who to talk to in the organisation in order to close a deal. Also, the awareness of how the truck buyers in these countries attract their customer by showing status is a valid fact to understand within this context.

*Keywords for Power distance:*

Hierarchy and Status

Whether people act in groups or by themselves has a substantial impact on a society. In Hungary and the Czech Republic three major forms of this cultural parameter have been discerned, i.e. forced collectivism, voluntary collectivism and individualism. Important knowledge for acting in the truck industry in Hungary and the Czech Republic today is to understand that the customers want to be treated more on an individualistic basis than they were used to during Communism.

*Key phrase for Individualism versus Collectivism:*

Treat the customers on an individualistic basis.

This cultural parameter determines whether the society focus more on rules than on relationships or vice versa. Due to the Hungarians and the Czechs historical background, their societies are now of a particular character, where the people reduce their uncertainty by relying on relationships rather than rules and regulations. This is another very important parameter for this study, since it is a means to explain why personal relationships are so important within the truck industry in Hungary and the Czech Republic. Within this context it is also important to emphasise the fact that keeping promises to the truck customers is a necessity if the truck supplier wants to continue to operate on these markets.

*Keywords for Universalism versus Particularism:*

Relationships and Keeping promises

The character of people's relationships in specific cultures clearly separates their working life and private life, whereas the line between these two lives are not as strict in the diffuse cultures. Both Hungary and the Czech Republic belong to diffuse societies, where it is important to have a thorough knowledge of the person in order to trust him or her. Regarding the truck industry in Hungary and the Czech Republic, the relationships with the truck customers have to be on a personal basis in order to create the trust needed for conducting successful business. Here, the best way to create this thorough knowledge of a person is by mixing business with after work hour activities.

*Keywords for Specific versus Diffuse relationships:*

Multidimensional Relationships and Mixing business with pleasure

# VOLVO TRUCK CORPORATION



## 6 VOLVO TRUCK CORPORATION

*To get an adequate understanding of the background of this thesis it is necessary to have an understanding of the internal set-up of Volvo Truck, since the company will serve as an object of the case study.*

Volvo Truck is part of the Volvo group, which had sales in 1998 that amounted to USD 14 billion and about 52 000 employees. This means that Volvo Truck accounts for 55 per cent of the Group's turnover. The company started truck operations in 1928 and is one of the leading brands on the truck market. The global operations are supported by ten production facilities that serve more than 120 markets. Volvo's main markets are Europe, and North and South America, but to increase the global presence, the company is now setting up operations on Emerging Markets like Central and Eastern Europe, India and China (www.volvo.com, 991109).

### 6.1 Volvo Truck Corporation in Hungary and the Czech Republic

Volvo has not been well represented on the Hungarian and the Czech markets until quite recently. The company opened a workshop in Hungary in April 1999, and built facilities for internal marketing and sales operations in the Czech Republic in 1997.

There are large external differences between the prerequisites for how the operations in the two countries can and should be developed. To understand the internal set-up in two countries that are rather representative of Central and Eastern Europe, we hereby give a brief description of Volvo Truck's operations in Hungary and the Czech Republic.

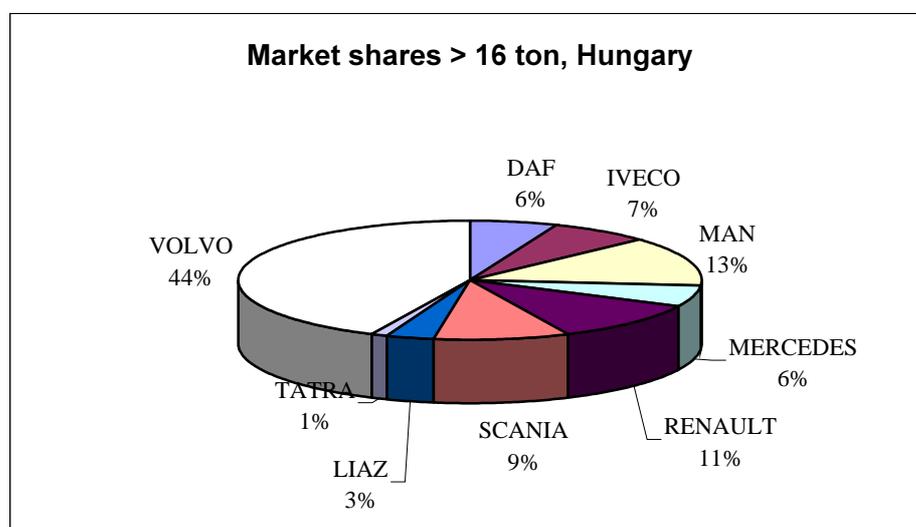
#### 6.1.1 Volvo Truck Corporation in Hungary

Volvo Truck started their contacts with the Hungarian market when they received a deal from Pepsi-Cola five years ago. A prerequisite for the deal was that Volvo establish a certain service network in the country and since

then, the presence of Volvo Truck in Hungary has increased continuously. A major break-through on the Hungarian market came in 1998 when Volvo Truck received a large order from the recently privatised transport company Hungarocamion. This meant a step forward, not only at the Hungarian market but also on other Central and Eastern European markets, as Hungarocamion is one of the dominating transporting companies in Europe.

Volvo Truck Hungary employs 55 people. There are around 2 500 Volvo trucks in Hungary, spread over a couple of hundred customers with 650 of the trucks located in Budapest. Between January and September 1999, Volvo Truck Hungary sold 409 units, resulting in a market share of 44 per cent (Magnusson, U, 1999). The market shares on the Hungarian truck market are presented in Figure 6.1.

Figure 6.1: Market shares at the Hungarian market for trucks over 16 tons.



Source: Internal Volvo material

All salesmen are located in Budapest, but the service spots are spread throughout the country. In the workshops they serve either local trucks or trucks coming from other places. Volvo is looking for key positions for their operations, meaning places where a lot of transports are passing through.

Figure 6.2: Volvo Truck's presence in Hungary



Source: [www.volvo.com](http://www.volvo.com)

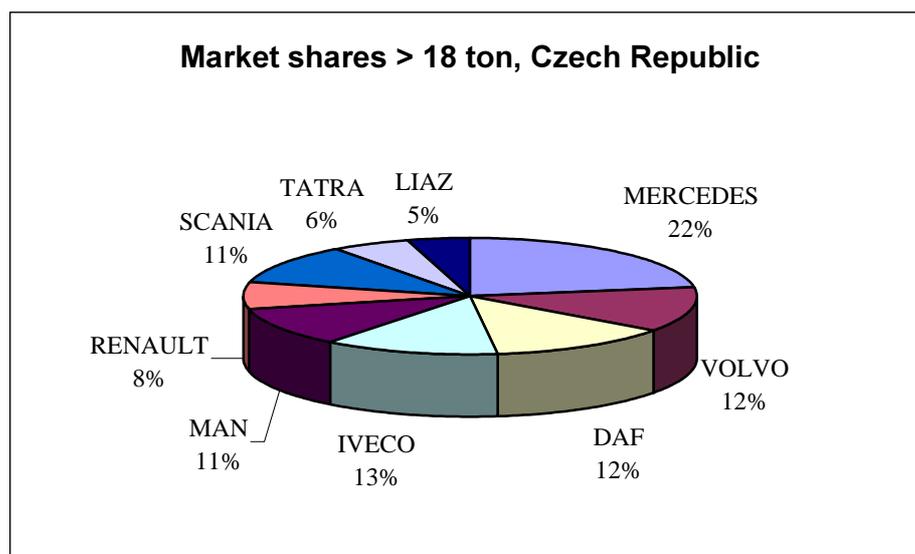
### 6.1.2 Volvo Truck Corporation in the Czech Republic

Volvo started to work on the Czech market in 1972, when there were discussions regarding how Volvo could strengthen the Czech TIR fleet. The negotiations were carried out between Volvo Truck and the Czech government and the deal resulted in Volvo becoming the first international truck manufacturer on the Czech market. Volvo became highly regarded on the Czech Market since the cooperation between the Czech Ministry of Foreign Affairs and Volvo Truck was very satisfactory. This good reputation is also a result of Volvo selling personal cars in the country for more than thirty years (Internal Volvo material).

In 1991, Volvo Truck formed their first agreement with a reseller in the Czech Republic, i.e. they made the Czech company PEMA their authorised representative in the country. Today, Volvo Truck has six partners in the Czech Republic, but the relative importance of the partners is decreasing, in terms of sales. Since 1997, Volvo Truck has established their own sales organisation in the Czech Republic. The strategy since then has been that people employed by Volvo Truck make all deals. They might not physically sit in the office, but they are Volvo people, serving only Volvo Truck, and they have no conflicting interests. This increases the possibility of keeping control over price, distribution and knowledge level of the staff.

Volvo Truck in the Czech Republic presently has 42 employees and will have over 50 after the year 2000. There are about 2 500 Volvo trucks present on the market and they are owned by approximately 1 200 customers. This implies that most Volvo customers in the Czech republic are rather small companies and there is no clear tendency showing that companies have started to merge, at least not to any serious extent. There has been a continuous increase in sales during the last years, and the number of sold units between January and September 1999 were 219. This has resulted in Volvo Truck having a market share of around 12 per cent in the segment where the company is most competitive, i.e. trucks over 18 tons (Knoph, A, 1999). This is shown in Figure 6.3.

Figure 6.3: Market shares at the Czech market for trucks over 18 tons.



Source: Internal Volvo material

One of the most critical criteria for evaluation by the customer is the service net that the supplier can offer. The service net in the Czech Republic is well developed and Volvo Truck is represented, as shown in Figure 6.4, at eight locations in the country.

Figure 6.4: Volvo Truck's presence in the Czech Republic

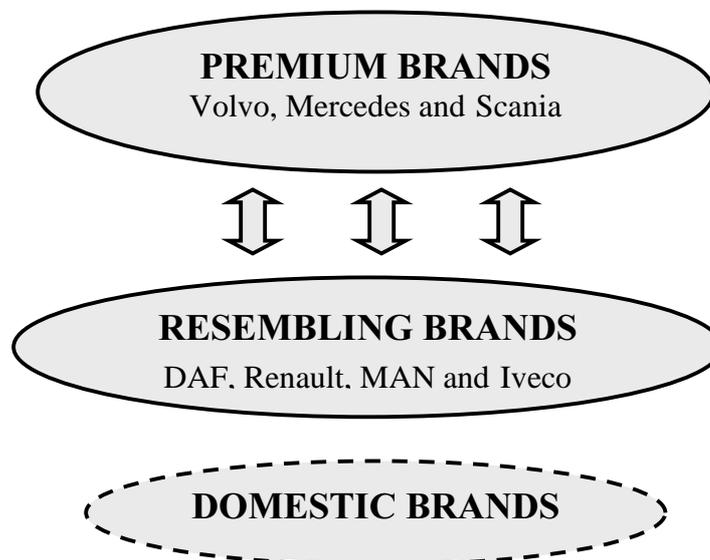


Source: [www.volvo.com](http://www.volvo.com)

### 6.1.3 Competitive situation

To facilitate the understanding of how the brands are positioned at the Hungarian and Czech markets, the positions are illustrated in Figure 6.5. The positioning is evaluated according to perceived quality and the result is based on findings from customer interviews.

Figure 6.5: Positioning of truck brands in Hungary and the Czech Republic



Source: Own elaboration

Mercedes, Volvo and Scania are positioned as premium brands in both Hungary and the Czech Republic. Scania is not as well-known as the other

two brands due to the fact that they are not associated with personal cars and do not have the same presence. DAF, Renault, MAN and Iveco are positioned in a group that is considered to be below the premium brands. The third group of truck brands are the domestic brands that are far below the others.

The distance between the premium brands and the brands in the second group is considered, by the customers, to be shrinking continuously. The quality of the brands in the second group is increasing and the prices of the premium brands are decreasing. At the moment, at least the headquarters of Volvo do not regard the brands in the second group to be direct competitors. With the present trend in development, the brands in the second group can become a threat to the premium brands in the future.

The customers regard the domestic brands to be far below the premium and resembling brands. As an increasing amount of transports becomes international and the standard requirements are increasing, the domestic brands are, with their current quality, no option for a transport company that wants to drive internationally. When Hungary and the Czech Republic are approaching the European Community, the domestic truck brands will be forced to increase their standards if they do not want to lose their position completely. The question is if they have the know-how and skills to achieve this without input from any of the international truck manufacturers. In the Czech Republic the domestic brands have a market share of eleven per cent, whereas in Hungary they only have a market share of four per cent. The Hungarian economic development and integration with Western Europe has come much further than in the Czech Republic. With this background, it could be argued that the domestic brands are likely to lose their position and more or less vanish unless they find a way to catch up, regarding technological and environmental standards.

The main difference regarding the competitive situation in Hungary and the Czech Republic is that in Hungary it is Renault that seems to be the brand

that has the shortest way to go before being accepted as a premium brand and in the Czech Republic it is DAF. The latter has a large market share in the Czech Republic and as a result of high volume can gain acceptance.

#### **6.1.4 Market development**

This section is based on interviews with Volvo customers and employees. There has been a change regarding the direction of the transports of the customers. During the past years the transporters that used to head for the Russian market have turned their activities westwards and lately also towards the Balkans since that area requires reconstruction after the war. Most companies believe that the Russian market will be a subject for the future. Many companies therefore keep a small share of their operations on the Russian market since they feel that they need to keep it due to its size.

The new market focus means that the competition among the transport companies at the Czech and Hungarian markets has increased. All companies are competing for the same and decreased number of assignments. Another reason for the increased competition is that many MNC's have entered the markets and one Hungarian customer described the MNC's as "very disturbing". The competition not only derives from the MNC's in Hungary and the Czech Republic, but also from transporting companies in other European countries. The reason is that most transporters who use premium brands focus on cross-border transports and they consequently compete for European customers that need transports across borders. The domestic brands on the other hand are used for domestic transports.

A trend that is to be noticed in both Hungary and the Czech Republic is that the customers demand more logistical solutions, and the transporting companies are therefore developing their operations so that they involve more planning of the transports. The customers of the transporting companies ask for complete solutions and compare prices. An outcome of

the more logistical approach to business is that the transporting companies need larger trucks.

#### 6.1.4.1 Differences in customer structure

The customer structure in Hungary and the Czech Republic are differing. The number of small companies appears to be higher in the Czech Republic than in Hungary, and in the Czech Republic the customer structure is more diverse than in Hungary. In the Czech Republic there are five main customer segments, whereas the Hungarian customers can be divided into three groups. The customer structure in Hungary and the Czech Republic is presented in Figure 6.6.

Figure 6.6: Market segmentation

<b>Hungary</b>	<b>The Czech Republic</b>
<ol style="list-style-type: none"> <li>1. Small companies with 2-4 trucks</li> <li>2. Middle-scaled companies with 30-40 trucks.</li> <li>3. Big companies with 80-100 trucks.</li> </ol>	<ol style="list-style-type: none"> <li>1. One-man companies with only one truck.</li> <li>2. Family companies where the whole family is involved in the business.</li> <li>3. Middle-scaled companies with 5-10 trucks.</li> <li>4. Large companies with 30-35 trucks.</li> </ol>

Source: Own elaboration

In Hungary, the big companies have started to acquire the middle-scaled companies and the trend suggests that the middle-scaled companies will be very few in the future, whereas the market will be dominated by big transporting companies. The small companies that survive will probably be used as subcontractors. In the Czech Republic, on the other hand, it is the middle-scaled companies that are the most stable and they are growing gradually.

The reason the customer structure is so dissimilar in the two countries most likely originates from that the economic development has progressed with different speed in Hungary and the Czech Republic. It is therefore not unlikely that the Czech transporting companies will face a similar development as the Hungarian companies. The transporting business is cost-conscious, and to be able to offer the best technology to competitive prices the transporting companies are dependent on a certain volume.

## **6.2 The Volvo brand**

The three core values; quality, safety and environmental concern, are the foundation for the global strategy, and they are communicated through the Volvo brand world-wide. The Volvo strategy is standardised and the idea is to basically use the same means and measures worldwide. An example of the standardised strategy is that Volvo has a global sponsorship program where they sponsor golf and sailing. One of the principal driving forces is the volume-oriented approach, where achievements are measured as a percentage of return on fixed assets. Another important issue that severely influences the work on each market is the strategy to have as few units in stock as possible (Magnusson, U, 1999).

Even though the brand should consistently represent the three core values, it is important to keep in mind that concepts might have different meaning to people from various societies. It is also likely that the core values do not have the same relative importance to all customers. Among Volvo's three core values it is especially quality that is a concept into which many values could be put. The reason for this is that it is a concept that is hard to measure and can be measured in many ways. This means that even though the core value quality needs to be communicated to all customers, without exceptions, there might be a difference regarding what is the most appropriate way for it to be communicated, depending on target population.

# ANALYSIS OF THE CULTURAL INFLUENCES ON THE VOLVO BRAND



## **7 ANALYSIS OF THE CULTURAL INFLUENCES ON THE VOLVO BRAND**

*This analysis aimed at drawing conclusions regarding what affects the cultures in Hungary and the Czech Republic have on the truck customers' perceptions of the Volvo brand, and how these perceptions can be used to strengthen the brand. By recognising and understanding these perceptions, Volvo can gain knowledge of how they should employ the different assets of a brand in order to create a competitive tool, thereby increasing the brand equity. This chapter will examine what parts of the brand need to be standardised and what parts should be adapted specifically to the Central and Eastern European truck market. It will focus on the assets that can be adapted to these markets, differentiating Volvo from other brands.*

*The chapter is built upon interviews conducted in Hungary and the Czech Republic, together with the findings of the cultural analysis chapter. Acknowledged due to confidentiality matters, no specific references will be given in this part.*

### **7.1 Standardisation versus adaptation**

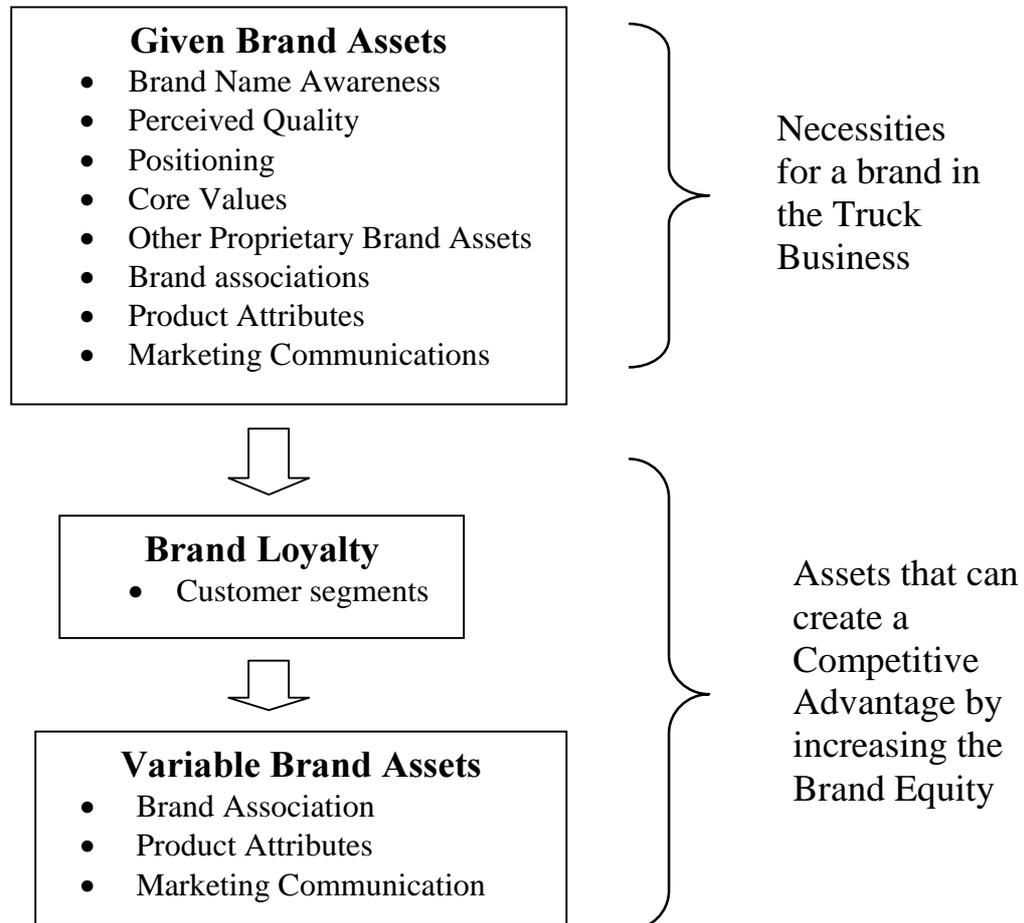
The first fact to acknowledge regarding the assets of a brand is that they are all given assets in order to create a successful brand. In other words, the assets are necessities and therefore cannot be left out. Secondly, after recognising this crucial fact, the next step is to acknowledge which of these necessary components of the brand needs to be globally standardised and which need to be adapted to the local culture. Even though the standardised global brands assets are, as implied, as important as the more variable assets, the focus in this study is on the assets that are adaptable. By recognising these adaptable variables and how they should be employed successfully in conjunction with the country culture, Volvo can strengthen its brand by differentiating itself on the truck market in Central and Eastern Europe.

The empirical study covered all assets that can create brand equity, however, as mentioned, the focus in the analysis will be on the adaptable assets. One main finding that supports the study's focus on adaptable assets rather than on standardised, is that the standard and technical features of the premium brands are becoming more and more alike. The evaluation of the tangible, technical product attributes based on interviews proved that customers had problems separating Volvo, Mercedes and Scania from each other in terms of these attributes. These functional assets are not only the most important to customers, but also an important issue for the truck suppliers. The reason why companies need to pay attention to these functional values is that a communicated high image needs to be supported by high quality in the tangible product attributes in order for the customers to perceive the quality as high. However, even though the tangible product attributes are the most important to truck customers, they are easy to copy and nothing that a truck company can use to differentiate itself.

The section Given brand assets will have a brief discussion on the parts of the brand that are fully standardised and why they cannot be used as a differentiating tool. A separate section will then highlight the structure and importance of brand loyalty on these markets. Finally, the rest of this chapter will be dedicated to discussing the brand assets, brand association, product attributes and marketing communication. Even though these assets are partly given and partly variable, they will, due to the importance of their variable parts, be discussed in the section variable brand assets. The reason for this is that these variables are found to be the most appropriate tools to solve the main problem. The focus will be on what parts of the assets that could be adapted and how it should be done to strengthen the Volvo brand in Central and Eastern Europe.

Figure 7.1 illustrates the issues that this analysis is built upon and explains the sequence in the presentation of the assets that create brand equity.

Figure 7.1: Classification of Brand Assets



Source: Own elaboration

## 7.2 Given brand assets

The main reason that brand name awareness cannot be used as a foundation for competitive advantage in comparison with other premium brands, is that all customers are fully aware of the truck brands in the industry. What could be used as a competitive advantage is brand name association, but then not in the sense of association with given assets, but with variable assets.

Perceived quality is another asset that cannot be used as a differentiating instrument towards Volvo's main competitors, since all the premium brands are perceived as high quality with little or no difference. Also, perceived quality is one of the brand assets that is most important to have standardised globally, since varying perceptions of a brand's quality can lead to a reduction in the credibility of the brand.

Standardised within the Volvo brand are also the core values that are globally communicated through all channels. The core values themselves are not objects of adaptation, but in how they are communicated. Advertising is a tool that can also be copied and, as a marketing communication form, should only have a supporting or informative function. As mentioned before, brand name awareness is already almost complete in the truck industry, and advertising does, as a consequence, lose the function of increasing awareness. How to communicate the advantages Volvo can offer in conjunction with the core values on Central and Eastern European markets will be further described under marketing communication.

Positioning is another brand asset that has to be standardised globally. The background for this, as explained by Kapferer in the global brand chapter, is that a brand must be positioned the same on all markets, otherwise the brand's credibility can be reduced. Volvo's position among the top brands negates the possibility of using this asset as a differentiating tool.

Regarding other proprietary brand assets, this study has discovered that truck companies in Hungary and the Czech Republic have problems coping with pirate spare parts that exist on these markets. Legislation is not sufficient enough to protect the original spare parts, but most importantly, the general praxis within these countries agree with pirate copies, making the problem extremely difficult to solve. Today, the pirate companies have to be seen as competitors to the truck companies on a lower level. Addressing this issue does not give Volvo a tool to differentiate its brand.

As mentioned, brand association, product attributes and marketing communication will be discussed in the section variable brand assets in order to high-light their special role compared to the other brand assets.

### **7.3 Brand Loyalty**

Brand loyalty is crucial when managing an industrial brand on Central and Eastern European markets because it could be considered as both a way to create brand equity and as a company objective. First, the obvious reason behind wanting brand loyal customers is they will always buy the brand of a certain truck manufacturer, meaning that the company will have to put in little effort to get the deals. It is also because brand loyalty and a unified fleet create switching costs. Switching costs derive from gradual changes in brands that lead to the customer no longer taking advantage of economies of scale, since there would be a transition period when the fleet would be diverse. The switching costs tie a loyal customer with only one brand in the fleet to that particular truck manufacturer, meaning brand loyalty works like a positive spring and increases the brand loyalty by itself. Brand loyalty is therefore a win-win situation for the truck manufacturer and the customer since the truck manufacturer becomes the primary supplier, and the customer can take advantage of the positive outcomes of having only one brand.

Second, brand loyalty can lead to a new generation of customers through positive word of mouth association. The truck business in Hungary and the Czech Republic is characterised by one's reputation being spread through word of mouth, and opinions about the different truck brands circulate among purchasers and drivers. There are many examples of customers who have been recommended to buy Volvo, or they themselves have recommended Volvo.

#### **7.3.1 Customer segments**

To be able to reach the goal of increasing the share of brand loyal customers, it is necessary to have an understanding of how different

customers act. Consumer behaviour can be categorized as being non-customers, passively loyal, brand loyal, fence-sitters or switchers. For this study, the brand loyal customers, the fence-sitters and the switchers are of interest, since it is, to some extent, possible to fit the customer segments of the Czech and Hungarian truck industry into these three behaviours. However, a complete generalisation of the customer segments cannot be done. The description therefore will have the theoretical concepts as point of departure. The reason for non-customers not being analysed is that the focus was on already existing customers of Volvo. Due to the fact that truck purchases concern high involvement, passively loyal customers are rare and therefore not of high interest for this study.

#### *7.3.1.1 Brand loyal companies*

The brand loyal customers are generally those who have a rather large number of trucks in their fleet, i.e. the middle-sized and large companies in Hungary, and the large and fleet companies in the Czech Republic. A large fleet motivates having only one brand since the consistency offers opportunities to take advantage of economies of scales. The customers in this group have established businesses and can survive the ups and downs in the business. They have the ability to view their operations in a longer time perspective than that used by the smaller customers, and are detailed in the planning of their operations.

There are two main reasons why the customers in this group are loyal. First, they realise that they can take advantage of economies of scales regarding spare-parts and after-market. Not only can purchasing larger amounts of spare-parts result in lower price per unit, but also the mechanics in their own work-shops can specialise on a certain type of truck and thereby become more skilled in how to repair it in cases of break-downs. Also when the customers are not repairing the broken-down trucks themselves, this customer category means that having only one brand has advantages. It means that they get “everything under one roof” and this is a struggle that can be detected in many areas of the truck business.

The second reason why they try to create a unified fleet is to communicate a consistent image to their customers. This is main difference between consumer and industrial brands is that selling an industrial brand often means that the sale is not to the end-user. It is, according to many of the respondents, important to have a certain image of the truck and apparently not only to have high status brands, but also to have a consistent image that is supported by a unified fleet. A mix of premium brands could support high image, but consistency in the image could not.

Some large customers consider personal business relationships to be an important outcome of, and reason for, brand loyalty. They regard economies of scale and a unified image of the fleet to be important, but are also strongly influenced by the particular society. Other large customers regard personal relationships as obstacles for professional negotiations, and are brand loyal because financial conditions imply that brand loyalty is favourable. The financially driven customers are generally managed in a westernised way or even controlled by western companies.

Small companies can also be brand loyal. Their loyalty, however, could be said to derive from reasons other than reasons of large companies. Brand loyalty among small customers is a consequence of the particularistic and diffuse society, where the customers try to avoid uncertainty through diffuse relationships. The small customers have not been as influenced by western culture as bigger companies, and to the smaller companies relationships are important. They reduce their uncertainty by getting involved with the company at a personal level and they want to be able to consider business partners as friends.

*Brand loyal customers are usually large or middle-scaled. Some of them are loyal as a consequence of applying universal rules, emphasising the economic policy. Others are loyal partly because of the economic advantages, but are also characterised by a preference for relationships.*

### *7.3.1.2 Fence-sitters*

The second group of customers, when classified according to brand loyalty, are the fence-sitters. Those customers are indifferent regarding the brands they have in their fleet, or believe that they have advantages in different areas. They have made the strategic decision to have two or three brands in their fleets and are thereby able to play the truck manufacturers against each other, i.e. bargaining power. This kind of negotiation style requires a rather large fleet. A truck manufacturer would not consider lowering the price for a small deal, but would for a big deal because of revenue that could be generated in the after market. It is common that customers use the brands for different purposes, having one share of premium brands and one of a brand that is considered to be of slightly lower quality but has better purchasing price. Some customers then use the premium brand for international transports and the other brands for domestic transports, whereas other customers do not separate the brands in terms of use. Domestic brands are not used to play the manufacturers against each other, but are part of the fleet since they have not been replaced by a new truck yet.

It is rather common that Volvo Truck customers, classified as fence-sitters, have Volvos and Renault in Hungary and Volvo and DAF in the Czech Republic.

The goal should be to convince the fence-sitters to commit themselves to only one brand through the following argument. The costs, split on the trucks entire lifetime becomes lower if the customers uses the effects of economies of scales. The customers that have a long-term perspective on their operations in Hungary and the Czech Republic are very concerned about the costs and often measure them as for example cost per kilometre. The customers with a more short-sighted perspective are more concerned about immediate expenses like purchasing price.

*Fence-sitters are generally large or middle-scaled companies that trust relationships rather than rules, to solve conflicts. By having several suppliers, they can engage in the relationship that is currently most appealing.*

### 7.3.1.3 Switchers

The third category of customers are those that buy trucks offering the best conditions when they are purchased. This purchasing behaviour is most common among small, domestic customers. The two factors most important to this group is that the purchasing price is favourable and maybe even more important is that the truck can be delivered immediately. They are buying the truck for a certain purpose and usually have a customer of their own that is waiting to employ them as soon as the truck is delivered. This group is further characterised by small customers that are operating on a day-to-day basis. They are not able to foresee their situation in advance and are dependant on fast delivery. These customers are more affected by the booms and busts in the country economy. Since the Central and Eastern European Markets are unstable, they are unable or scared to make forecasts. The time perspective of switchers is shorter than brand loyal customers or the fence-sitters. One way to make them change their behaviour is to assure them that uncertainty could also be reduced, using a long-term perspective. The future becomes more predictable when employing personal relationships characterised by honesty and trust.

The fact that small customers generally switch between brands does not mean that they consider relationships to be of little importance, but that price is superior relationships.

Most theories argue that it is pointless to put any effort into customers that switch between brands and look only for the best price. On those markets, however, where structural changes among the customers are underway, it could be worth it also to work on the switchers that are generally the

smaller companies. The reason for this is that they are likely to be acquired by other, presumably larger, transport companies in the future and will contribute with a number of trucks to the acquiring company's fleet. There have been examples among the respondents in Hungary where the acquired company has convinced the acquiring company to buy the brand they had in their fleet. The ongoing structural change on the market might then lead to a former switcher being acquired by another company and influencing future decisions, turning them into fence-sitters.

*Switchers are generally small customers that avoid uncertainty, by using a short-term time perspective.*

### **7.3.2 How to create brand loyalty**

As discussed in the theory chapter, brand loyalty is, according to Aaker, achieved through five measures. When trying to create brand loyalty, either tangible or intangible assets can be employed. Previous discussions have explained the importance of focusing on the intangible assets. Three assets that focus on intangibles and at the same time increase brand equity are brand association, intangible product attributes and marketing communication. Part of marketing communication is personal selling and through that tool, the means that create brand loyalty can be employed. How to create brand loyalty with intangible assets will therefore be discussed under marketing communication.

## **7.4 Variable brand assets**

It has been possible to detect three brand assets that can partially be adapted to the specific country culture. Within each of these assets, there are also aspects that are standardised. Therefore, as mentioned above, the focus of the analysis will be on what can be adapted.

### **7.4.1 Brand association**

As stated by Aaker, brand association is concerned with what the brand stands for in the customers' mind and it is important that this association is

positive. Due to the fact that the brand association affects the identity of a brand, Volvo Truck has to manage and develop the associations of the Volvo brand successfully in order to create a strong brand. Concerning Volvo Truck's customers in Hungary and the Czech Republic, they have, in many ways, a standardised association of the Volvo brand, an association that is more concerned with the given assets of a truck brand.

However, most customers do not associate the Volvo brand only with the truck and its features, but also with a specific sales person. This has to do with the importance of personal relationships in these countries. The Volvo brand is also, to a certain extent, associated with its country of origin - Sweden. Another issue within this context is that brand association on industrial markets is not only a matter between the buyer and the seller, but that the buyer has positive association with the brand. If this is not the case, the truck buyer can have difficulties attracting customers. The association with the country of origin and the sales person should be paid special attention to, since they can be used as adaptive variables that the company can employ in order to differentiate itself on the Central and Eastern European market.

#### *7.4.1.1 Standardised associations of the Volvo brand*

The most common brand association of the Volvo brand within this is context is reliability. Even though this is something that Volvo is associated with world-wide, it is important to remember that the content of the word reliability is cultural specific. In Hungary and the Czech Republic reliability is equal to a truck not breaking down, which probably varies from a West European's understanding of reliability. The main difference is that people in Central and Eastern Europe have fresh memories of the communist period, where the low quality of the products was a rule rather than an exception. Due to the planning system with goals based on quantity instead of quality, the trucks produced in the Eastern Bloc often broke down and were continuously being repaired. To customers in Western Europe that have not experienced communist quality, these factors are

taken for granted. This explains why reliability in Hungary and the Czech Republic equals few break downs.

Despite this fact, reliability must be seen as a given brand association on these markets and cannot be used as a superior instrument for strengthening the Volvo brand. This is because Volvo's main competitors, Scania and Mercedes, are also associated with reliability. As discussed above, other features associated with the Volvo brand cannot be ignored since they are crucial for a successful truck brand. A truck brand on these markets has to be associated with features like quality, design, low fuel consumption and comfortable cabs in order to be considered premium brands. However, since this study is focusing on how Volvo can use features that differentiate the Volvo brand from others, these standardised associations will not be discussed any further.

#### *7.4.1.2 Brand associations as a value to the customer's customer*

One main difference between consumer brands and industrial brands is that industrial products are bought mainly to be used in the buyer's own operation. As previously mentioned, this means that the associations with the buyer's brand also depend on the associations that the brands used in the buyer's operation. Even though this is a given fact within this context, it is however, essential to recognise this due to its importance for the association of a truck brand. It is also vital to distinguish the differences between Western and Eastern Europe. This subject will be used as background and not as a differentiating tool.

On the markets in Central and Eastern Europe, companies that have western premium truck brands are associated with high status, which distinguishes them from the companies that drive only domestic truck brands. This fact highlights the differences between Western Europe and Eastern Europe, since it is easier to achieve high status in Hungary and the Czech Republic, due to the much wider range of truck brands of various standard in Central and Eastern Europe.

Owning premium brand trucks in Hungary and the Czech Republic communicates that the company is solid, since they can afford an expensive truck. As discussed in connection with power distance in the cultural analysis, having a truck that is associated with high image is a means of demonstrating to others in the society one's success, which is a way to attract customers. However, there is a main difference between Hungary and the Czech Republic, because it is more acceptable to show off one's success in Hungary than it is in the Czech Republic. In Hungary the biggest status symbol is a car, which is why this concept can be more extensively exploited. In the Czech Republic, on the other hand, it appears that a company should be more cautious being extravagant. One Czech truck customer mentioned, that it could be a disadvantage for a company to come with a new and shining truck to their customers. It could give the impression that the company is making too high profits at the expense of their customers. This attitude derives from the collectivism during the communism, when everybody had the same standard. Due to the fact that not all their customers saw the connection with reliable premium branded trucks and deliveries on time, it had to be explained for them in order to avoid this negative perception. An issue that highlights the people's short sightedness and also their lack of understanding of the fact that one of the functions of a brand is that it represents and guarantees a certain standard.

Buying from a company that uses premium brands in their fleet is also a way to reduce uncertainty for the buyer's customer. Doing business today in Hungary and the Czech Republic is very much connected with risk taking, which will be further discussed below, buying from a company that has reliable trucks is a means for the end customer to reduce this uncertainty.

#### *7.4.1.3 Association with country of origin*

As discussed in the global brand chapter, if the brand is associated with the positive image that its nationality may bring about, the brand can exploit this association as a unique differentiating edge. Even though the

association with country of origin is a feature that should be globally standardised rather than locally adapted, it should still be used as a differentiating tool, since it gives the brand a natural protection towards copying. The motive for this is that it is only companies from that specific country that can capture upon a country's specific national image. Here, the national image has to be interpreted as positive by the rest of the world in order to increase the brand equity.

Customers in Central and Eastern Europe have experienced low quality that products produced in the former Eastern Bloc, had and to a large extent still have. The primary concern regarding the brand's country of origin today is if the brand is from the Western world or from Eastern Europe. Here, the western brands have an advantage in comparison with the brands produced in Central and Eastern Europe.

However, the people in Central and Eastern Europe also have an ability to differentiate western European countries from each other, and can discern differences in products produced in different Western European countries. In Hungary and the Czech Republic, premium brands mainly originate from Germany and Sweden. Both German and Swedish products have the advantage of being positively associated with superior technical products that have high quality and are reliable.

The Germans have a geographical advantage and is also the largest trading partner for both Hungary and the Czech Republic, which makes the German impact considerable. However, due to their less flattering, historical past, they are not particularly appreciated by the Hungarians and the Czechs. Many of the respondents described the Germans as arrogant and strict.

Sweden has the disadvantage of being more distant geographically and therefore lacks the natural closeness to Hungary and the Czech Republic. Despite this fact the Hungarians and the Czechs have a high and positive

opinion of Sweden in general. Swedes also have the reputation of being calm, well mannered and good at keeping promises, characteristics that this study has found to be important in a business relationship in Hungary and the Czech Republic. Furthermore, many of the Czech respondents mentioned that they can easily relate to the Swedish mentality. Even though most employees at Volvo in Hungary and the Czech Republic are natives, the top managers are from Sweden, highlighting the importance of the character of Swedes. It could be argued that it is not only Volvo that can use Sweden as an association, since Scania has the same advantage. However, if Volvo is first to strongly emphasise its country of origin, a first-mover advantage could be gained within this context.

#### *7.4.1.4 Association with the sales person*

Industrial purchasing often involves more risks than purchasing consumer products. The purchase of industrial products like trucks is a large investment involving high risk, especially in unstable markets such as Hungary and the Czech Republic. As mentioned in the cultural analysis chapter, the uncertainty avoidance in Hungary and the Czech Republic is generally much higher than in the west. This implies the importance that Hungarian and Czech truck customers associate the truck they are purchasing with security.

In order to deal with this high risk purchase, many truck customers in Hungary and the Czech Republic have a close business relationship with the sales person. This is a way of coping with uncertainty avoidance and can be explained by the fact that Hungary and the Czech Republic belong to particularistic societies, where people solve uncertainty by employing relationships rather than rules and regulations. These relationships have mostly a diffuse character, i.e. the uncertainty is further reduced through the thorough knowledge of the person. Due to the importance of business relationships in Hungary and the Czech Republic, the matter will be thoroughly discussed in the section on marketing communication.

In the industrial theory section, Hague & Jackson give an example of a manager of a Volvo truck fleet who explains that he chose Volvo truck due to the dealer and not just because it is a Volvo. This fact was confirmed by the interviews in Hungary and the Czech Republic. In other words, the truck customers do not only associate the Volvo brand with the features of the truck, they also associate the Volvo brand with the sales person.

Another reason for strong brand association with the sales person rather than with the product itself can be explained by the fact that the truck customers have often had problems to see specific differences between the premium branded trucks. Instead, the truck customer focuses on the truck sales person and associates him with the brand.

The concentration on the sales person rather than the total image of the brand has both positive and negative aspects. The positive aspect is that even if a customer becomes dissatisfied with the truck, they are more likely to stay with the brand if they associate the brand with the sales person rather than the product. The association with a brand becomes more personal and is therefore more difficult to let go. Some respondents have verified this fact and mentioned when they were dissatisfied with a Volvo truck, but due to the personal relationships they have stayed with the brand. However, this close personal connection often leads to the customer holding the sales person personally responsible for the truck, possibly being negative.

Another negative aspect is if the association with the sales person is too strong, the brand loyalty can shift from only concerning the association with sales person and thereby no other brand assets. This is something acknowledged in the industrial branding theory, where the recommendation is that the brand should not be overshadowed by the friendship between the customer and the salesman. This kind of situation is not healthy for the brand or the brand owner, since it makes the brand equity and the company more vulnerable. Also, if the sales person decides to leave the company he

might take some of his customers with him, since the brand for them is so strongly associated with this sales person. This is a vulnerability that the brand owning company should be aware of, and in order to shift the focus from one salesman, the brand association focus should be on several people in the sales force, i.e. multiple brand association. The customer could still have one main contact person in the company and at the same time have closer relations with other sales peoples. This could be done by introducing the customer to employees that could serve as “stand-ins” for the main contact person.

This combination would lead to a larger focus of the brand association on the whole organisation and thereby the brand owning company would become less vulnerable. It will be more difficult for the salesman to see the truck customers as his own and the probability that he takes them with him if he leaves becomes smaller. In order to extend this brand association on the whole organisation, other parts of the company can be included. For example, closer relationships between the truck customers and the workshop staff could be developed, a suggestion that is further discussed in section on service and support.

#### **7.4.2 Product attributes**

The abstract variables that are unique and difficult to copy are often more concerned with how it is offered than with what is offered. Due to the fact that this study aims at giving the Volvo brand a competitive edge towards its competitors, the focus of the discussion will be on how these variables can be used to distinguish the Volvo brand from other brands. Even though there are several important variables, the study has been limited to the most important variables within this context.

##### *7.4.2.1 Service and support*

The purchase of a truck does not only involve the vehicle; the supplier also has to be able to provide a satisfactory service with easy access to spare

parts. The service function together with the after sales market is one of the main areas where understanding what features should be offered is vital.

An effective service network is a compulsory part of the truck business to customers world-wide, since breakdowns can cause severe losses of income for companies. In other words, service has the purpose of reducing uncertainties and risks. The reduction of uncertainty is, because one striving for security, of special importance in Hungary and the Czech Republic. Also, the poor road conditions in both Hungary and the Czech Republic makes a sufficient service net essential.

In order to gain a competitive advantage concerning service, it is important to understand what features, additional to those compulsory, are particularly important for the truck customers in Hungary and the Czech Republic. By recognising these culturally dependent features, a truck supplier can create and offer a service that is adapted to the truck customers' special needs in Central and Eastern Europe. Another thing to acknowledge by the truck supplier in order to address specific customer needs, the service needs between the long haulage companies and the local transport companies in Hungary and the Czech Republic may sometimes differ. The basic differences between these two types of customers are the usage of different kinds of vehicles and therefore the wear and tear is different, which requires service to be adapted to the specific vehicle involved.

The features customers often brought up regarding service were the importance of flexibility, presences and short lead times. Flexibility concerns the ability to adapt to the specific customers' needs by finding the particular service solution requested. However, flexibility is a compulsory feature demanded by truck customer world-wide, the differentiation lies in recognising what specific needs the customers have in Central and Eastern Europe. A first step in this differentiation should be to acknowledge the different service needs that long haulage and local transport companies

have. Another flexibility is to understand that the smaller truck customers in Hungary and the Czech Republic are very price sensitive and therefore not as impatient in waiting for spare parts as the larger truck customers. The larger customers are often prepared to pay a little extra for fast delivery.

Regarding presence, a truck company should have an extensive service net in the country where it operates. This would communicate its commitment to their customer, which increases the brand reputation. This is also a given fact, however, due to the fact that Hungary and the Czech Republic belongs to particular societies, commitments and relationships in the business life are looked upon with greater seriousness than in Western European countries. It would be beneficial if the relationship between the staff in the workshops and the truck customers could be on a personal level. The customer could, for example, have one special person as a contact person in the workshop. This would be appreciated by the Hungarian and the Czech customers, due to their diffuse societal background, where people do not only involve each other one-dimensionally. Also, as discussed above, it could be a way to reduce the focus of the brand association concerning several persons in the company staff instead of just one salesman.

The Hungarians and the Czechs requests for short lead times has, on the one hand, to do with their short-sightedness, which is inherited from their communist past, and on the other hand it is a consequence of the fierce competition that exists both on the Hungarian and the Czech market. Here, their short-sightedness and their incapability to plan ahead seems mainly to concern the continuously maintenance of the trucks, since break downs are difficult to calculate in advance.

Another important factor concerning service, that many customers also mentioned was their dissatisfaction with new truck models. Many truck customers are used to repair and maintain their trucks themselves and the new trucks are so technically complicated that this is difficult. It used to be

implied that a real truck owner could fix his truck by himself with the help of a spanner, but this is not valid anymore. Several of the respondents had a workshop of their own and criticised Volvo for not assisting them in the service training of their staff regarding these new models. This is a weakness for Volvo trucks concerning their service offer, since it is even more crucial to have a supporting service network for truck models that are technically complicated.

#### *7.4.2.2 Financing*

Financial support is another important attribute that can be offered, giving the truck supplier a competitive advantage. Due to the economical conditions in Central and Eastern Europe, it is difficult to get credits, especially in the Czech Republic and financial assistance from the truck supplier is crucial. According to many respondents, truck companies with a financing company of their own had a competitive advantage over the companies that do not. Offering financial support does not, by itself, supply the company with a competitive advantage. However, an advantage could be achieved by communicating a special message through the financing function.

The explanation of the importance of having a financing company of its own is not only due to the fact that Hungary's and the Czech Republic's economical level is lower than in the Western European countries. By having their own financing company, the truck suppliers are able to offer a complete solution. A complete financial solution is not just more convenient and time saving for the customer, it also communicates commitment, which is important in Central and Eastern Europe. An interesting opinion that was expressed by a customer in Hungary was that the financing function of a truck company would create brand loyalty, as it generates trust between the parties. The customer referred to financing as business support and meant, "if a company is ready to take part in the business risk, then a real partnership is formed".

### 7.4.3 Marketing Communication

Marketing communication is traditionally regarded to include advertising, sales promotion, public relations and personal selling. To be able to differentiate a company in marketing communication it is important to also use a marketing strategy that is not easy to copy. Advertising and sales promotion are tangible tools that are exposed to the business environment that make it possible to copy, therefore it is hard to offer something special with these tools. Through personal selling, on the other hand, a personal touch can be added that differentiates the company in the relation to its customers. Since it is almost impossible to differentiate a truck company according to the tangible product attributes a company should search for a niche that concentrates on intangible assets. Those assets should relate to what the company can offer apart from the product, but such soft aspects could be hard to communicate through advertising.

Personal selling could be considered the direct interaction between the salesman and the customer at the negotiation occasion, but in this context personal selling is defined as the complete interaction between the two parties, i.e. letting it involve the management of the complete business relationship. The reason for this is the high power distance on Central and Eastern European markets, where executives and employees in high positions are many times involved in the business relationships. Furthermore, the society is not inclined to divide relationships into specific areas and a more overall approach must therefore be employed.

#### *7.4.3.1 The importance of personal relationships*

The utilisation of personal relationships gives the company an opportunity to differentiate themselves not only regarding marketing activities, but also concerning the entire package offered by the firm. This is due to the fact that it is not the necessities that are decisive, but how they are offered. Personal relationships can be adjusted to the specific cultural characteristics on particular markets, and by using the opportunity to do so, the company achieves a competitive advantage.

The customers in Hungary and the Czech Republic regard personal relationships to be helpful when negotiating. The salesman through strong bonds, most likely receives valuable information about the customers. Close personal relationships in those countries are characterised by the parties knowing each other on a personal level, and people have a higher trust in each other if the relationship does not only involve business. When the salesman knows the customer privately, he can gain information about him that might be sensitive and would not be shared if there were no personal bonds between the parties. By understanding the customer and his behaviour in many different areas, the salesman has an advantage and can likely make a better offer than if there were a weak bond. A customer in Hungary stated, if there is only business between the two parties, one cannot judge the other person. Furthermore, negotiations in those countries do not end when the parties leave the negotiation table. A negotiator that believes he can only have a business relationship with the Czech and Hungarian customers, will not be trusted. To have faith in personal relationships is the Czechs' and Hungarians' way of avoiding uncertainty.

Not all customers argue that personal relationships are important though, implying that personal relationships have no crucial impact on the purchasing decision. In this context, one has to keep in mind that the customers might want to appear professional in a way that they believe western companies regard as professional. This could cause them to tone down the importance of personal relations.

#### *7.4.3.2 The character of the personal relationships*

The characteristics of a sales person, that the customers regard as important, can be divided into issues that regard tangible assets, i.e. knowledge about the product and intangible assets, i.e. trust and honesty. Characteristics that refer to tangible assets are considered to be at least as important as trust and honesty, but once again, the tangible is more of a necessity that does not require further discussion.

There were two basic aspects mentioned repeatedly by both Czech and Hungarian customers as being important, correctness and honesty. Correctness meant they demanded that the truck company keep their promises. They believed that they should be able to trust the sales person in a way that a verbal contract equalised a written contract. This particular aspect is highly valued, especially when comparing the relationship they have with Volvo to other truck manufacturers. Several examples were cited when broken verbal contracts made them stop trusting the other truck manufacturers. The example that at least two of the customers used was Mercedes where they had had negative experiences in the relationship regarding this aspect. By adapting to Central and Eastern Europe, Volvo Truck has an advantage over their competitors. In particularistic countries such as Hungary and the Czech Republic, penalty clauses are replaced by trust in the personal relationship.

Honesty was also considered significant. Customers expected the selling company to supply them with authentic and sufficient information. Also, there should not be any negative surprises regarding the product after delivery. One example when a customer was disappointed in Volvo Truck was when there was a repeated production error on a delivery. The information supplied by the selling party should contribute to the purchasing party so that they can predict situations and aspects regarding the use of the truck. The fact that predictability is considered to be important could be linked to the customers trying to avoid uncertainty, since they have negative experiences from the past. During communism and the present transition it has been hard for customers to foresee developments, and this has probably made them try to avoid uncertainty.

Another important aspect in the business relationship is that customers feel humiliated and neglected if they feel they are being treated differently. Due to customs in diffuse societies, people expect to be treated with respect and honesty by friends and colleagues. Therefore, business partners should

never find out if they have been treated differently, and the best way to avoid uncomfortable surprises is to be honest.

Another reason for the Czechs and Hungarians to get upset because of unequal treatment could be that they have little self-confidence when doing business according to western manners. The feeling of being cheated is therefore causing higher concern among them than among western customers. The customers in these transition countries feel that it was their mistake that they did not get the most favourable contract, which causes a feeling of being insufficient as negotiators. It is especially important that the small customers feel fairly treated, as they are more sensitive regarding this issue. As previously discussed, personal relationships are more important to the small customers than the big.

#### *7.4.3.3 Differences in the characteristics of personal relationships*

When discussing universalism versus particularism, one can easily get the impression that either rules and regulations apply, or relationships. The same applies to diffuse versus specific, i.e. either people mix business with pleasure, or they do not. It is, however, rare with such extremes and it has been possible to trace differences according to those parameters within the sampling. Differences can firstly be traced between Hungary and the Czech Republic, and secondly among customer segments.

#### *Comparison of Hungary and the Czech Republic*

In Hungary most socialising after business hours is linked to activities that are arranged by the company and not by a single salesman. The salesmen in the Czech Republic, on the other hand, carry out activities such as playing tennis, with their customers. The latter could be considered to be at a more personal level than the former and the parties do, to a higher extent, get involved at various levels. The appearance of more personal relationships in the Czech Republic than in Hungary can partly be explained by the customer structure in the two countries. This is, however, a separate issue and will be discussed after the country specific discussion. A more cultural

and historical explanation is the fact that communism had a firmer grip of the Czech Republic than of Hungary. Many customers in the Czech Republic use expressions like “that is the way do business in this country”, referring to personal relationships and to socialise at a private level. The reason why personal relationships are more important to the Czechs than to the Hungarians, is that the Communist culture still plays a larger role in the Czech Republic than in Hungary. The cultural development from the communist period to the present transition, is lagging behind in the Czech Republic and the ways to avoid uncertainty is therefore more influenced by the Communist culture than in Hungary.

#### *Comparison of customer segments*

Most customers socialise on a private level even though socialising seems to be more important among the smaller and medium sized customers. This issue has already been touched upon, in the context of brand loyalty, where it was stated that price was the priority for smaller customers. This supports that given product attributes are more important, and cannot be forgotten. However, the interviews support that personal relationships are most important to the small customers. They do, to a higher extent than larger customers, put their faith into relationships and also have a desire to socialise privately. This probably has two causes, i.e. that small companies are not as influenced by western practices and they do not have as many relationships to nourish. Not mixing privately is often because of practical reasons, they do not have enough time. This could be interpreted to mean that some customers do not value time spent on socialising, but the main reason is probably that increased competition has led to strict business matters taking priority. Here, the influences from western countries and market economy can be traced and, as stated before, modern societies are less inclined to depend on relationships than less developed countries. Smaller companies generally do not have as much international influence as bigger companies, and are therefore less affected by the westernisation of the culture. Furthermore, small companies are more exposed to

uncertainty in the respect of fluctuating demand in the business, and their way of handling the uncertainty is to rely on personal relations.

Some larger customers even have a tendency to detect negative aspects of personal relationships. They stress that if a business relationship is to close, it can effect the professionalism negatively. The thought of being forced to choose a less favourable alternative to avoid damaging a friendship or personal relation as a consequence of emotional aspects, is regarded as throwing a shadow on getting too involved in a business relationship. They are more likely to employ the typically western rule of “never mixing business with pleasure”, since emotional involvement can be an obstacle in choosing the most cost effective alternative.

#### *7.4.3.4 Power distance in personal relationships*

Relationships between the selling and the purchasing company may not only be limited to the purchaser and the salesman. Due to the high power distance in Central and Eastern European countries, many managers only finalise deals between top managers. Trucks are heavy investments, and the managing director and/or the owner therefore take the purchasing decision.

Even though the power distance is high, truck drivers often have the opportunity to express their opinion regarding what truck brand is preferred. Many Volvo Truck customers feel that a comfortable cab is important, especially in the eye of the driver. It implies that Volvo Truck customers listen more to their drivers, more than when compared to customers using other brands. In companies where power distance allows for the purchasing decision maker to consult the driver, he becomes one of the most important influencers. The companies that appear to be influenced by the driver are the smaller companies. There are two reasons for this:

1. Small companies do not have as many employees and are not as hierarchal. The power distance is not as high as in larger companies

and the employees at the lowest level in the organisation have a larger influence.

2. Small companies experience difficulty in finding good drivers, since they cannot offer the same conditions as big companies. This leads them to try hard to keep good drivers and listen to their opinions.

It is important to consider that drivers have an influence on the purchasing decision, since they frequently use word of mouth. They talk at borders and when they stop for breaks, and one of the most commonly discussed subjects is the truck they are driving. Since the skilled drivers are often a scarce resource, their opinion is of great importance. With directing marketing communication towards the drivers, a company can create a demand for the particular brand, i.e. use a pull-strategy.

Word of mouth is not only employed by the drivers, but is a general characteristic within the industry. Relationships in Hungary and the Czech Republic are diffuse and people can put demands on each other even outside the business relationship. With competitors often being friends it is common that Volvo Truck customers recommend Volvo to colleagues in the business. This is why brand loyal customers can also generate new customers. It is important for Volvo Truck to work on brand loyalty by applying personal relationships to activities that create and maintain brand loyalty. Otherwise, customers may not communicate positive opinions and experiences.

#### *7.4.3.5 Brand loyalty through personal relationships*

Having previously discussed the importance of brand loyalty this section will discuss how to create and maintain brand loyalty by focusing on the variable brand assets of personal relationships.

#### *Treat the customer right*

As discussed previously, being trustworthy, honest and avoiding making the customer feel cheated, a company can take other measures to treat the

customer right. During Communism, people were not used to being separated from the group, i.e. feeling selected. With the increasing individualism in the societies, people are looking to be treated special, something in contrast to expectations under Communism. Furthermore, people in Central and Eastern Europe are not used to advertisements and especially not to advertisements that state that a person has been selected to be member of a VIP club. VIP clubs make the customer feel privileged and can have a better effect on a markets that have not been exposed to sophisticated commercials as in mature markets. A VIP system could be regarded as a way of treating the customers right. It is not only through VIP clubs that customers should be treated specially. This needs to be communicated with all customers all the time. A way to make the customers feel special is through personal relationships. Most people feel selected when the other party is interested in their personal lives. This is not only important but more or less compulsory, since people are expected to have an interest in the other party that is not related to business.

#### *Staying close to the customer*

The heavy investment and large financial risk the customer is taking means the salesman's role should be more of an advisor. The sales person needs to be aware of the customer's needs and listen to the customer's requirements. This is also a measure that increases brand loyalty and can be characterised as "staying close to the customer". It is not enough only to listen to the customer when negotiating. The sales person needs to employ measures that refer not only to specific business related issues, but also to other spheres of the buyers life. This could be done through taking part of both the customer's business and private life. This would expand the understanding of the customer's needs. One example of how this was in the Czech Republic where a salesman accompanied a customer on a business trip to Spain. The customer went to Spain to purchase Volvo busses and needed the Volvo Truck salesman as an advisor. This gives the company an opportunity to widen the relationship while listening to the customers needs. This increases trust by letting the relationship stretch past business.

One of the most appreciated features of Volvo Truck is the company having flexible approach to business. The customers feel that Volvo Truck adapts to the customers' needs, and this can only be done if the company understands this.

#### *Switching costs*

The importance of creating switching costs has already been discussed previously. However, a pitfall to switching costs could be when a customer feels trapped and has no choice when it comes to buying a new truck. It is more likely that a customer feels trapped by switching costs related to economic issues, than by personal relationships that the company offers. To create positive attitudes that lead to brand loyalty the truck company must provide measures that "treat the customer right", "stay close to the customer" and "provide extras". All those measures are closely related to what can be offered in personal relationships.

#### *Extra services*

In a society where relationships play such a significant role it becomes more important to provide the customer with something extra. A company can only supply customers with something extra if it has knowledge about the customers' preferences. Especially for smaller customers, the little extra is often linked to personal relationships and to the customer feeling selected. In Hungary, hospitality is important and the customers want to feel welcomed. Something as simple as having coffee together influences how a customer perceives the relationship.

#### **7.4.4 Reflections**

The analysis of the cultural influences on the perception of the Volvo brand, repeatedly stresses the importance of personal relationships and that the customers are treated in accordance with their preferences. To effectively employ the advantages a company can gain by adapting to the country culture, time-consuming investments in personal relationships are required. This can cause clashes between Headquarters who have a

different view of effective business than the local managers have. The reward system and goals advocate a focus on immediate profit, and by adapting this approach the importance of nourishing relationships is often forgotten. It is important that Headquarters understand the need to adapt to local customs and that they design the goals and reward system, so that they stimulate activities in accordance with the specific country culture. Investments in personal relationships must be viewed as cost efficient, and not as if the local sales force has difficulties closing deals.

## CONCLUSIONS



## 8 CONCLUSIONS

*This chapter aims to explain how an industrial brand can be managed successfully on Central and Eastern European markets. The conclusions are drawn from the cultural analysis together with the analysis of the cultural influences on the perception of the Volvo brand. In order to give an overview of the concluding findings of this study, an illustrative model showing how the different brand assets should be employed in the context of global standardisation versus local adaptation to increase the brand equity.*

Western culture has, to a varying degree, managed to neutralise Communist culture of Central and Eastern European countries. The behaviour and attitudes in Central and Eastern Europe depend on the relative influence of Communist and Western cultures. Hungary and the Czech Republic can be regarded as countries where the relative importance of these two cultural extremes differ. Western influences are higher in Hungary than in the Czech Republic, but the two countries still have their Communist past in common. The country culture has an important impact on how truck customers perceive the Volvo brand.

When managing its brand, Volvo should employ all assets that increase the brand equity. The branding concept should be considered more than just the image and the reputation, i.e. it is the sum of all assets that create brand equity.

The largest share of assets that create brand equity are the standardised assets necessary for being a premium truck brand world-wide. They are standard requirements, which do not provide Volvo with a competitive advantage. Those factors refer to the product and other assets that are easy to copy. To be able to achieve a competitive advantage, Volvo needs to employ brand assets that are hard to copy and can be adapted to the specific culture in Central and Eastern Europe.

Four main areas where Volvo can achieve a competitive advantage by understanding and taking advantage of the cultural specificities are:

- Brand loyalty
- Brand association
- Product attributes
- Marketing communication

Regarding the brand loyalty, the customers can be divided into three different groups, according to how loyal they are to the Volvo brand. They could be classified as brand loyal, fence-sitters or switchers. These customers have different approaches to business and the motives behind their actions depend on their way to handle uncertainty. This in turn depends on the size of the customer company and how influenced the corporate culture is by Western standards. It is necessary for Volvo to adapt to each of the customer's specific characteristics. As brand loyalty is not a concrete tool, it is somewhat different from the other three variable assets. Still, it is important that brand loyalty is handled in conjunction with the specific country culture. Further discussed is how Volvo can, in combination with brand loyalty, use brand association, product attributes and marketing communication, in order to increase brand equity.

To differentiate from the competitors it would be preferable if Volvo's customers could associate the brand with something other than the given assets, i.e. the assets that are necessary to a premium brand. In societies where personal relationships are significant, a personification of the brand through associations to people would increase the commitment to the Volvo brand. The personalised association should not be too specific, as this could make the brand asset vulnerable. Volvo has to avoid the risk that a customer leaves with the salesman, if the salesman resigns. A solution could be to have the customers associate the Volvo brand with the whole organisation rather than only one salesman. By increasing the interaction between the truck customers and the Volvo employees at several levels in

the organisation there could be a shift in the personalised association of Volvo.

Another brand association Volvo should employ is Sweden as a country of origin, a country that is highly regarded in both Hungary and the Czech Republic. The positive associations with the country of origin should be used as a competitive tool.

The product attributes service, support and financing are assets necessary in the truck industry on Central and Eastern European markets. By adding a differentiating edge to these assets, they could be used to increase brand equity in favour of the competitors. The differentiating edge could derive from letting these three tools link the customer to Volvo, and if Volvo communicates commitment to the customer through these assets, they will be regarded as a partner. Relationships are important on these markets and if Volvo expresses willingness to get further involved with their customers, they will receive the customers' trust.

Trust is important in many aspects of the relationship between Volvo and the customers. The customers are commonly searching for overall solutions to their relationships with truck companies and expect Volvo to help them with solutions to the entire value chain. For the customer to accept the complete package, trust in the relationship between Volvo and the customer is required.

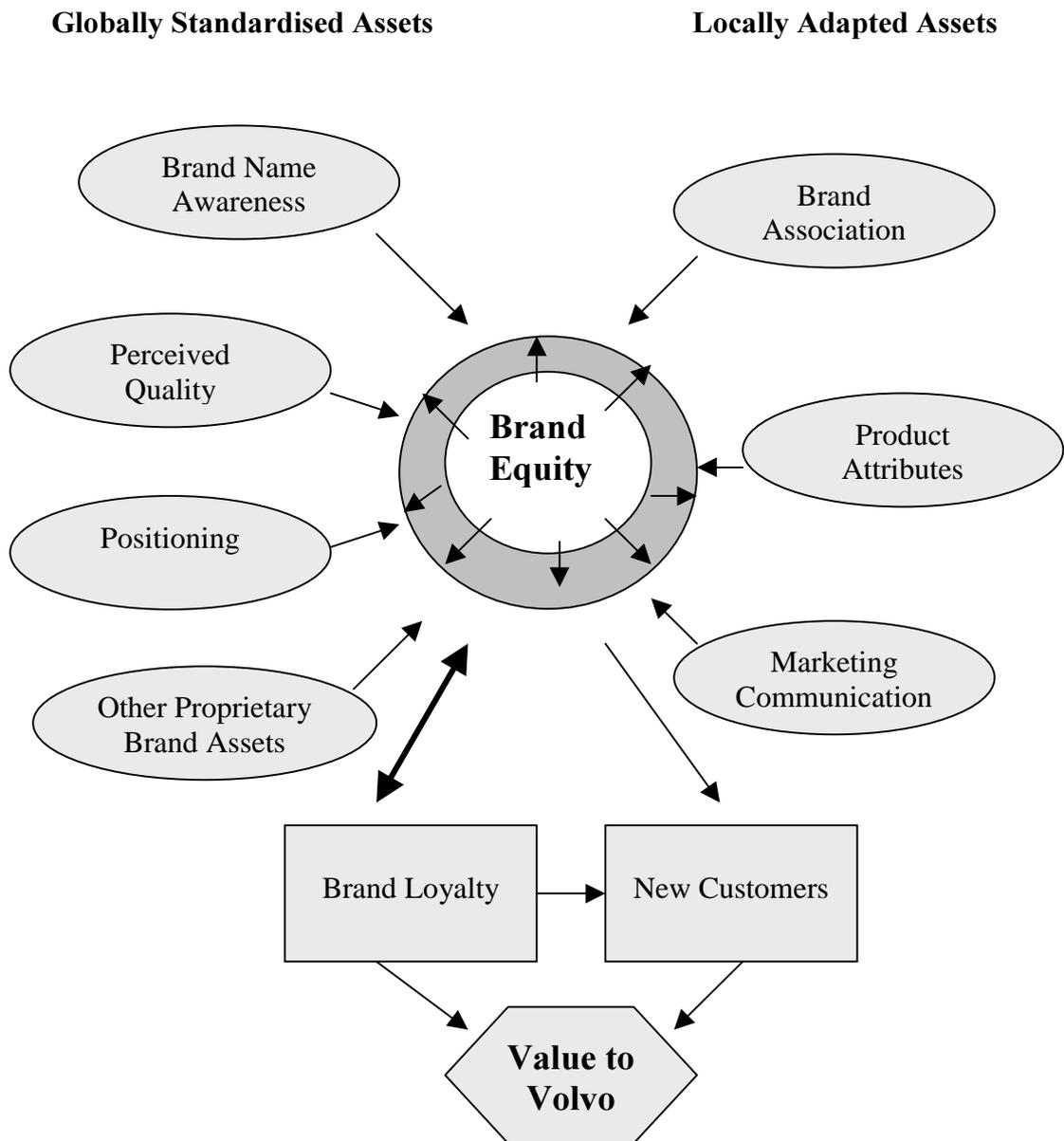
In the emerging individualistic societies where the people in Central and Eastern Europe are looking for contrasts to the communist past, they appreciate being made to feel selected and prioritised. This is something that Volvo should consider throughout all their marketing communication, particularly concerning personal relations.

The marketing communication could be designed so that it increases the demand, as an effect of a pull strategy. The demand can derive from two

sources, i.e. the customers of the transporting companies and the drivers. The customers' customers can be convinced to demand Volvo and so can the drivers. These two groups of actors have the primary influence on the purchasing decision.

Successful management of a global brand needs adaptation to the different markets that it operates on world-wide. The recognition of what brand assets that should be globally standardised and what brand assets that should be locally adapted have been illustrated in figure 8.1. If these assets are managed according to the findings of this study, Volvo can increase its brand equity and thereby strengthen the Volvo brand in Central and Eastern Europe. Increased brand equity will generate an enhanced brand loyalty among Volvo's existing truck customers. By word of mouth from these brand loyal customers together with the increased equity of the Volvo brand, new customers can also be gained. In other words, stronger loyalty to the Volvo brand, in combination with the acquisition of new customers will provide value to Volvo Truck.

Figure 8.1: Conclusion model



Source: Own elaboration

## **8.1 Future research areas**

The focus of this thesis has been on brand management and how this could be effectively employed in Central and Eastern Europe. Even though brand management is a wide concept, it does not cover all measures that could be used to improve the operations on a specific market. Some crucial issues fall under business strategies and even though brand management and business strategies are closely related, it was not possible to look into areas that are leaning more towards business strategy even though they would have increased brand equity. This is also in alignment with our focus on adaptable brand assets.

An area that would have been interesting is the business strategy for implementing used trucks on the Central and Eastern European markets. A focus on used trucks in Central and Eastern Europe could increase sales, due to the fact that the purchasing price is lower. This would in turn increase the brand equity since brand name awareness would be positively affected by greater presence on the market. However, there might be risks with this approach, since it could be perceived as the truck supplier is treating Central and Eastern European customers as second class citizens and this risk has to be evaluated. Furthermore, a study regarding the demand for trucks that do not meet Euro 3 standards, i.e. cannot be used for international transports in the long run, needs to be appraised.

The collected material that serves as a foundation for the analysis is partly based on interviews with Volvo customers. A complementing angle could be achieved by also interviewing non-customers. This would be an interesting area for further research and information regarding this matter could most likely fill a thesis of its own.

In addition to the after market for used trucks, research regarding how to manage spare parts would be of interest. Spare parts, as well as used trucks, are given brand assets and to avoid a too extensive analysis, the focus in this thesis was on the adaptable assets. How to create brand loyalty to spare

parts was, despite the revenues spare parts mean, not included. The importance of spare parts does, however, motivate further research regarding how to convince the customers to buy original parts instead of pirate copies.

Another area is the negative preferences of the Czech and Hungarian customers for trucks not manufactured in Western Europe. Strengthening the image of Volvo trucks manufactured in Poland is a crucial issue and this is an area that requires further research. An evaluation regarding how country of origin could surpass country of manufacturing might lead to a solution of the problem.

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## **Interviews**

### **Hungary**

#### *Customers*

Mr. Papp Gábor, Bátortransz Kft, 991025

Mr. Ferenc Pók, Flottrans Kft., 991026

Mr. Georgopoulos Theodoros, Auto Teo Kft, 991026

Mr. K Szabó István, Merci Trans Kft, 991026

Mr. Károly Csiszár, Volán Tefu AG, 991027

Mr. Kalman Szabo, Pepsi-Cola Hungary, 991027

Mr. Géza Vass, Hungariocamion, 991028

Mr. Gúthe Janos & Mr. Szabó Ferenc, Trans Babolna, 991029

#### *Volvo Truck employees*

Mr. Ulf Magnusson, Managing Director VTC Hungary, 991029

Mr István Nagy, Salesmanager VTC Hungary, 991026

Mr. Miklós Kovács, After Salesmanager VTC Hungary, 991027

Mr. Gyula Hartai, Sales representative VTC Hungary, 991027

Mr. David Illec, Controller VTC Hungary , 991029

#### *Cultural instances*

Ms. Eva Szekely & Mr. Denes, the Swedish Trade Council Budapest, 991027

### **The Czech Republic**

#### *Customers*

Mr. Pavel Karas, PKC Praha spol. s r.o., 991102

Mr. Viri Cedik, Car Transport, 991103

Mr. Hodr Tomáš Kamionservis, 991103

Mr Milan Popilka, Popilka, 991103

Mr. Milan, Besico Trans, 991104

Mr. Zdenek Procházka, P.G. a.s. Probo Group, 991104

*Volvo Truck employees*

Mr. Are Knopf, Managing Director VTC the Czech Republic, 991101

Mr. Petr Kotrsál, Salesmanager VTC the Czech Republic, 991101

Mr. Jacub Cermák, After Salesmanager VTC the Czech Republic, 991101

Ms. Ivana Lysakova, Executive Secretary VTC the Czech Republic,  
991101

Mr. Marián Cervoch, Sales Representative VTC the Czech Republic,  
991103

*Drivers*

Driver 1, for a middle-sized company, 991103

Driver 2, for a middle-sized company, 991104

*Cultural instances*

Mr. Jan Sadék, Second Secretary at the Swedish Embassy, Prague, 991104

Mr. Terje Englund, Journalist in Prague for Dagens Näringsliv, Norway,  
991104

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# APPENDIX



## Interview Guide

### - Customers

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Appendix I A

#### **Brand association**

1. What does Volvo Truck stand for, according to your opinion?
2. What country do you associate Volvo Truck with?
  - a. What does that mean to you and why?
3. Could you please rank Volvo, Mercedes and Scania according to the following features?
4. What is the competitive advantage of:
  - a. Mercedes?
  - b. Scania?
  - c. Volvo?

#### **Product attributes**

5. What product features do you consider as particularly important?
6. Is there anything else that you believe is crucial for a truck supplier and that leads you to assign that particular one?

#### **Quality versus price**

7. What do you expect from a good quality truck supplier?
8. What is it like to run a business like yours in Hungary/Czech Republic?
  - a. What does it involve?
  - b. *Try to find out something about planning and risk.*

9. What is “value for money” for you concerning trucks?
  - a. Which truck supplier gives you “value for money”?
  - b. Does Volvo supply you with “value for money”?

### **Delivery**

10. How do you experience the delivery from Volvo Truck?
  - a. Positive and negative aspects?
11. What do you consider to be a reasonable delivery time?
  - a. What delivery time did you get from Volvo Truck last time?
12. Have you experienced an even quality from Volvo Truck?
  - a. If not, how has it differed?

### **Loyalty**

13. What truck brands do you have in your fleet?
14. Have you switched between brands?
  - a. (What made you switch?)
15. Do you think that you would buy a Volvo truck again?
16. Would you recommend Volvo Truck to your colleagues in the business?
17. How do you experience your relationship with Volvo Truck?
  - a. Positive and negative aspects?
  - b. (Do you get anything “extra” by being a Volvo customer?)

### **Purchasing decision**

18. Who takes the final purchasing decision regarding trucks, in your organisation?

19. Who influences the purchasing decision?

- a.  Colleagues in the business
- b.  The truck drivers
- c.  The salesman
- d.  Advertising and promotional activities
- e.  Own suggestion of the respondent: \_\_\_\_\_

20. (What kind of purchasing instructions, if any, do you get from your supervisor?)

*(Big customers only)*

21. Why is the above factor important to the purchasing decision?

### **Relations between the seller and the buyer**

22. What is important to you in a business relationship?

23. What would make you switch truck supplier?

24. Do you mix with your business partners socially?

25. Could you compare your relationship with Volvo Truck to your other relationships in the business? (Positive and negative aspects)

### **Marketing**

26. What information have you received from Volvo Truck?

- Direct Mail
- Exhibitions
- Information from the dealer
- Advertisements in magazines

Customer meetings/representation

Other: \_\_\_\_\_

27. What did you think about this information?

### **Customer organisation**

28. How many people does your company employ?

29. How do you work/are you organised, in your company?

30. What is your annual turnover?

## **Interview Guide**

- *Volvo*

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Appendix I B

### **How does Volvo use brand management?**

- What is branding to you?
- Why is branding important?
- How is the branding function organized in the Czech Republic/Hungary and globally?
- To what extent do you use standardisation and adaptation respectively, in the brand message?
  - How adaptive to the specific country culture are Volvo today?
- How well known is Volvo by the general public in Czech Republic and Hungary?

### **Brand loyalty**

- Are the customers loyal to the Volvo brand?
  - How often do the customers switch brands?
  - What do you believe increase brand loyalty?
  - Between what brands do the customers switch?
- What has the response been from the customers regarding their relationship with Volvo?
- Is Volvo carrying out any activities to listen to the customers' opinions and needs?
- Is Volvo trying to enforce switching costs for their customers?

- Do you help the customers to adjust their working processes to Volvo Truck's products?
- Does it exist any kind of reward system for loyal customers?

### **Negotiations and personal relationships**

- How important are relationships, both in the society and in business life?
- How are your relationships formed?
- What is important to consider when you negotiate in the Czech Republic/Hungary
  - Is a negotiation characterised by arguments where you use "hard" facts, or do you rely more on coming to an agreement through the personal relationship?
  - (Reasoning or emotional consensus in the decisions?)
- How do you socialise with your customers?
  - Only at negotiation occasions.
  - Dinners and other kinds of representation.
  - On a private level.
- What is important to nourish in a business relationship in the Czech Republic/Hungary?
- How much time is needed for negotiations – are the customers impatient or patient?
- Who takes the purchasing decisions – formally and informally?

### **Marketing communication**

- What marketing communication tools has Volvo used in the Czech Republic/Hungary?
- At what product attributes do you focus when promoting Volvo Truck in the Czech Republic/Hungary?

### **Various questions**

- What is Volvo's competitive advantage in the Czech Republic/Hungary?
- How do you think Sweden is perceived in those countries?
- Are there any cultural similarities between the Czech Republic and Hungary?
- How are the sales activities differing between the Czech Republic/Hungary and Sweden?
- Discuss, in relation to each other, the importance of price, quality and delivery in the Czech Republic/Hungary!
- How large part of the expenses for the different customers does a truck involve in these countries?
- How is the price for a truck calculated (is durability taken into account and what time perspective is used)?
- Discuss, in relation to each other, prestige, wealth and power in the Czech Republic/Hungary, specifically within the industry?



## **Interview Guide** *- Cultural Instances*

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Appendix I C

### **Perceptions of Sweden and Swedish companies**

- How well known is Volvo by the general public in Czech Republic and Hungary?
- How is Sweden perceived in these countries?
  - Positive and negative aspects.
  - Is Sweden associated with any particular features?

### **Purchasing behaviour**

- What are the most significant differences regarding purchasing behaviour between the Czech Republic/Hungary and Sweden?
- Could you describe the uncertainty avoidance in the Czech Republic/Hungary?
  - How does this influence the purchasing behaviour?
- How are quality, price and delivery valued in the Czech Republic/Hungary?

### **Importance of trust and relationships**

- Could you describe the role of trust and relationships in the Czech Republic/Hungary?  
*(Both in the society and in business life)*
  - Is there a difference in importance of these matters depending on whether the relationship is with a fellow citizen or with a foreigner?
  - Are settlements more depending on persuasive arguments or on the personal relationship?

- Do people mix business with pleasure?
  - Do the relations with the business partner have to be nourished also privately (wine and dine)?
- Could you compare the negotiation styles in the Czech Republic/Hungary to the one used in Sweden?

### **The effects of Communism**

- How are people coping with freedom today?
- How has the political power distribution developed after the fall of the Communism?
  - Are the communists still ruling, directly or indirectly?
- Has there been any forced on collectivism during the Communist era that is affecting the society today?

### **Symbols, heroes and rituals**

- What symbols (gestures, words, dress, hairstyles etc.) particularly reflect the Czech Republic/Hungarian culture?
- What heroes (persons - dead or alive, real or imaginary) exist and serve as models for behaviour?
- What rituals (ways of greeting, paying respect to others, social and religious ceremonies etc.) are typical for the Czech Republic/Hungary?
- How are those factors influencing everyday-life?

### **Cultural dimensions**

- Is the culture long- or short sighted compared to what it is like in Sweden?

- How are prestige, wealth and power looked upon in the Czech Republic/Hungary?
- How affective are the people in these countries compared to Sweden and other Northern European countries?
- Are people in these countries loyal to other people?
  - How large is the difference regarding how people treat each other depending on how close the relationship between the two is?
- How great is the resistance to change in these countries and particularly in the organisations?
- How would you describe the environmental concern in the Czech Republic/Hungary?
  - Has it been affected by history?
  - How has it changed as a result of the integration with the European Union?
- What gives you status in the Czech Republic/Hungary?
- Do people get respected as a result of their achievements or because of their age, sex, etc.?
- Is the culture and customers in these countries more oriented towards hard values, for example, technology and results, or is it more soft values, for example, safety and cooperativeness?
- Do we need to be “loud” (use extreme expressions, e.g. superlatives) when communicating in the Czech Republic/Hungary?

### **Comparison between Hungary and the Czech Republic**

- Are there any cultural similarities between the Czech Republic and Hungary?